



# **WATER CORPORATION OF ANGUILLA**

Financial Statements

December 31, 2017

(Expressed in Eastern Caribbean Dollars)

**The Water Corporation of Anguilla**  
**Financial Statements for the period ended 31 December 2017**  
**Certificate of Audit and Report of the Chief Auditor**

Section 59(2) of the Financial Administration and Audit Act (Revised Statutes of Anguilla Chapter F27 as at 15 December 2010) (the Act) permits me, as Chief Auditor, to accept the audit of the accounts and financial statements of a government agency by an independent auditor, if the appointment of the auditor has been approved by me, and the audit of the agency has been performed in accordance with my directions.

After I accept the audit of the accounts and financial statements of a government agency by an independent auditor, Sections 59(6) and (7) of the Act require me to issue a certificate of audit and prepare a report that evidences the acceptance of the audit of the independent auditor, and to send the certificate of audit and report to the government agency, to the minister responsible for the government agency and to the Minister of Finance.

Section 65 of the Act requires the Water Corporation of Anguilla, as a government agency to submit an annual report, including my certificate and report, to the minister responsible for the Board, the Permanent Secretary and the Minister of Finance. The minister responsible for the Board is required to lay the annual report before the House of Assembly.

The appointment of BDO as the independent auditor of the Water Corporation of Anguilla was accepted by me. BDO were directed to undertake their audit in accordance with appropriate auditing standards, and I accept the results of its audit of the Board's financial statements for the year ended 31 December 2017.

As recorded in its Auditors' Report, BDO has audited the financial statements of the Water Corporation of Anguilla, which comprise the statement of financial position as at 31 December 2017 and the related statements of profit or loss, changes in fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Corporation's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. BDO's responsibility is to express an opinion on the financial statements based on its audit.

BDO conducted its audit in accordance with International Standards on Auditing. Those standards require that BDO comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. BDO considers that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

In BDO's opinion the financial statements present fairly, in all material respects, the financial position of the Water Corporation of Anguilla as of 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Chief Auditor's report to the House of Assembly**

Although I have no further observations to make on these financial statements, I do wish to bring to the Government's attention the deteriorating financial position of the Water Corporation of Anguilla. In every year since its inception (bar 2014 when it received additional government funding) it has made a significant trading loss such that at 31 December 2017, for the first time, its reserves fell into deficit at EC\$362,849.

The Government of Anguilla needs to ensure arrangements are put in place at the Water Corporation of Anguilla to bring it back into a trading surplus and enable it to remain so going forward.

A handwritten signature in blue ink, appearing to read 'R Harries', is positioned above the typed name.

Richard Harries  
Chief Auditor  
11 February 2021

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# CORPORATE INFORMATION

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## **REGISTERED OFFICE**

Crocus Hill  
P.O.Box 1618  
The Valley  
A1-2640  
Anguilla

## **BOARD MEMBERS**

John C. Richardson - Chairman  
Mark Romney - Deputy Chairman  
Malcolm Webster - Member  
Maclean Webster - Member  
Serena Connor - Member  
Marynell Norman-Connor - Member

*(Information of Board Members Sitting in year 2017)*

John Richardson - Chairman  
Mark Romney - Deputy Chairman  
Serena Banks - Member  
Vailisa Carty - Member  
Malcolm Webster - Member  
Lelia Richardson - Member

## **SECRETARY**

Jennifer Gaskin - Secretary to the Board  
Charanell Jackman - Executive Secretary

## **BANKER**

National Commercial Bank of Anguilla  
*(Formerly known as National Bank of Anguilla Ltd)*  
1<sup>st</sup> Mary's Street  
The Valley, A1-2640  
Anguilla, B.W.I.

## **SOLICITOR**

Attorney General's Chambers  
The Valley  
Anguilla, B.W.I.

## **AUDITORS**

BDO LLC  
Chartered Accountants  
17 Fairplay Complex  
Cosley Drive  
The Valley  
Anguilla, BWI



BDO LLC  
P.O. Box 136  
Fairplay Complex  
Cosley Drive  
The Valley, AI-2640  
Anguilla, BWI

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e-Mail: claudel.romney@bdo-ec.com  
Website: www.bdocaribbean.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Water Corporation of Anguilla

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Water Corporation of Anguilla (the "Company"), which comprise:

- the statement of financial position as at December 31, 2017;
- the statements of loss, changes in fund balance and cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Anguilla, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Board of Directors of Water Corporation of Anguilla *(continued)*

Report on the Audit of the Financial Statements *(continued)*

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT** *(continued)*

To the Board of Directors of Water Corporation of Anguilla *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

BDO LLC

**Chartered Accountants**  
21<sup>st</sup> of May 2020  
The Valley  
Anguilla  
British West Indies

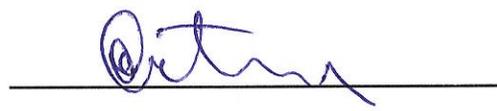
**WATER CORPORATION OF ANGUILLA**  
**Statement of Financial Position**  
**As at 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment - net	5	25,357,609	27,356,182
Other asset	9.3	806,460	806,460
<b>Total non-current assets</b>		<b>26,164,069</b>	<b>28,162,642</b>
<b>Current assets</b>			
Cash in bank	6	213,314	201,500
Trade and other receivables - net	7	251,396	305,678
Materials and supplies	8	128,305	51,428
<b>Total current assets</b>		<b>593,015</b>	<b>558,606</b>
<b>Total Assets</b>		<b>26,757,084</b>	<b>28,721,248</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income	9	6,660,421	6,837,412
Lease payable	9	7,090,741	7,953,525
<b>Total non-current liabilities</b>		<b>13,751,162</b>	<b>14,790,937</b>
<b>Current liabilities</b>			
Trade and other payables	10	4,675,586	3,074,718
Due to related party	11.3	8,693,185	8,361,619
<b>Total current liabilities</b>		<b>13,368,771</b>	<b>11,436,337</b>
<b>Total Liabilities</b>		<b>27,119,933</b>	<b>26,227,274</b>
<b>Fund balance</b>			
General fund		<b>(362,849)</b>	2,493,974
<b>Total Liabilities and Fund Balance</b>		<b>26,757,084</b>	<b>28,721,248</b>

These financial statements were approved on behalf of the Board Members on 21<sup>st</sup> May, 2020 by the following:

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Chief Executive Officer

*The notes on pages 9 to 29 are integral part of these financial statements*

**WATER CORPORATION OF ANGUILLA**  
**Statement of Loss**  
**For the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

	<i>Notes</i>	2017	2016
<b>Income</b>			
Water income - net	12	5,517,972	5,246,548
Government subsidy	11.1	33,209	-
		<b>5,551,181</b>	<b>5,246,548</b>
<b>Direct costs</b>			
	13	<b>(2,937,119)</b>	<b>(3,423,391)</b>
		<b>2,614,062</b>	<b>1,823,157</b>
<b>Grant income</b>			
	9	176,991	176,991
<b>Others</b>			
	14	(6,412)	155,177
		<b>2,784,641</b>	<b>2,155,325</b>
<b>General and administrative</b>			
Salaries, wages and employee benefits	15	(1,415,694)	(1,599,189)
Depreciation	5	(1,267,561)	(2,049,117)
Impairment loss	7	(723,939)	-
Board fees	11	(80,125)	(81,000)
Automobile expenses		(73,929)	(63,079)
Repairs and maintenance		(55,265)	(45,454)
Professional fees		(80,879)	(67,031)
Utilities		(22,960)	(27,502)
Rental		(37,775)	(51,787)
Stationery and supplies		(10,211)	(27,053)
Duties freight and shipping		(27,666)	(18,041)
Travels, meals and entertainment		(6,032)	(18,741)
Advertising and promo		(2,678)	(3,101)
Licenses and permits		(1,500)	(1,500)
Membership fees		(1,391)	-
Miscellaneous		(5,494)	(13,501)
		<b>(4,605,437)</b>	<b>(4,066,096)</b>
		<b>(1,820,796)</b>	<b>(1,910,771)</b>
Interest income	6	755	562
Finance lease charge	9.1	(1,036,782)	(1,144,650)
<b>Net loss</b>		<b>(2,856,823)</b>	<b>(3,054,859)</b>

*The notes on pages 9 to 29 are integral part of these financial statements.*

**WATER CORPORATION OF ANGUILLA**  
**Statement of Changes in Fund Balance**  
**For the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
<b>Fund balance, 1 January</b>		<b>2,493,974</b>	<b>5,548,833</b>
Net loss		<b>(2,856,823)</b>	<b>(3,054,859)</b>
Other comprehensive income		-	-
<b>Fund balance, 31 December</b>		<b>(362,849)</b>	<b>(2,493,974)</b>

*The notes on pages 9 to 29 are integral part of these financial statements.*

**WATER CORPORATION OF ANGUILLA**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>			
Net loss		<b>(2,856,823)</b>	(3,054,859)
Adjustments for:			
Depreciation	5	<b>2,059,899</b>	2,049,117
Recovery of impairment losses	7.2	-	(162,695)
Impairment losses	7.2	<b>723,939</b>	-
Accounts written-off	7.2	<b>(313,473)</b>	(516,395)
Grant income	9.1	<b>(176,991)</b>	(176,991)
Interest income	6	<b>(755)</b>	(562)
Finance lease charge	9.2	<b>1,036,782</b>	1,144,650
Operating income/(loss) before working capital changes		<b>480,054</b>	(717,735)
Decrease (increase) in:			
Trade and other receivables		<b>(356,184)</b>	985,563
Material and supplies		<b>(76,877)</b>	(24,345)
Increase (decrease) in:			
Trade and other payables		<b>1,600,868</b>	1,593,466
Due to related party		<b>331,566</b>	193,469
Cash provided by operating activities		<b>1,971,951</b>	2,030,418
Interest income received	6	<b>755</b>	562
Net cash provided by operating activities		<b>1,972,706</b>	2,030,980
<b>Cash used in investing activity</b>			
Acquisition of property, plant and equipment	5	<b>(61,326)</b>	(33,683)
<b>Cash from financing activities</b>			
Finance lease charge paid	9.2	<b>(1,036,715)</b>	(1,144,587)
Payment of lease during the year		<b>(862,851)</b>	(754,908)
Net cash used in financing activities		<b>(1,899,566)</b>	(1,899,495)
<b>Net increase in cash in bank</b>		<b>11,814</b>	97,802
<b>Cash in bank as at 1 January</b>		<b>201,500</b>	103,698
<b>Cash in bank as at 31 December</b>		<b>213,314</b>	201,500

*The notes on pages 9 to 29 are integral part of these financial statements.*

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**1. Reporting entity**

Water Corporation of Anguilla (the “Company”) is a government corporation established on September 12, 2008 under the “Water Corporation of Anguilla Act of 2008”. By virtue of the Act, the Company has an exclusive right to manage, operate and supply potable piped water throughout the Island of Anguilla.

The registered office and principal place of business of the Company is at Crocus Hill, Anguilla British West Indies.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) and interpretations issued by the International Accounting Standards Board (IASB).

**(b) Basis of measurement**

The financial statements of the Company have been prepared on the historical cost basis.

**(c) Functional and presentation currency**

These financial statements are presented in Eastern Caribbean Dollars (EC\$), which is the Company's functional and presentation currency. Except as otherwise indicated, all financial information presented in EC Dollars has been rounded to the nearest dollar. The Company's exchange rate used to convert United States (US) Dollar to EC\$ is fixed at \$1: \$2.6882.

**(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs for SMEs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 6 to the financial statements.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies**

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the Company's functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the Company's functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising from re-translation are recognized in the profit or loss except for differences arising on re-translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**(b) Financial instruments**

***i. Non-derivative financial instruments***

Non-derivative financial assets comprise cash and trade and other receivables. Non-derivative financial liabilities comprise of trade and other payables and due to related party.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments that are not fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

***Cash in bank***

Cash in bank comprise cash under demand deposit which earn monthly interest at respective local bank rates.

***Receivables***

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

**i. Non-derivative financial instruments (continued)**

**Other**

Loans and other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

**(c) Property, plant and equipment**

**i. Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of asset have different useful lives, they are accounted for as separate items (major components) of PPE.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the accounts. Gains and losses on disposal of PPE are determined by comparing the proceeds from disposal and the carrying amount of asset and are recognized net within "Other income" in the statement of loss.

**ii. Subsequent costs**

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PPE are recognised in profit or loss as incurred.

**iii. Depreciation and amortization**

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leasehold improvements are amortized over the shorter of the lease term and their estimated useful lives. Depreciation commences once the asset is available for use in the operation. The estimated useful lives for the current year are as follows:

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies (continued)**

**(c) Property, plant and equipment (continued)**

**iii. Depreciation and amortization (continued)**

D	
Building and improvements	30 years
Water plants and main tanks	10 years
Pump houses and related structures	20 - 30 years
Field tanks and wells	30 years
Computer and equipment	3 - 6.5 years
Computer software	3 years
Furniture and fixtures	6.5 years
Motor vehicles	5 years
Machinery and tools	6.5 years

Depreciation methods, useful lives and residual values, if any, are reviewed at each financial year-end and adjusted if appropriate.

Fully depreciated assets are retained in the accounts unless derecognize and remove from the books if no future benefit can be obtained upon ultimate disposal.

**(d) Materials and supplies**

Materials and supplies are stated at a lower of cost or NRV and cost is determined using moving average method. Cost usually consist of asset purchase price, including duties, transport and handling cost, and other incidental expenses incurred in bringing the asset to its present location and condition ready for use.

Upon purchase, materials and supplies are capitalized as asset in the statement of financial position. When inventories are utilized in the operation, the carrying amount of those materials and supplies is recognized as an expense in the period in which the asset was used.

**(e) Impairment**

**i. Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies** *(continued)*

**(e) Impairment** *(continued)*

**i. Financial assets** *(continued)*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive loss, and presented in the fair value reserve in the statement of changes in shareholder's equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive loss.

**ii. Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(f) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies (continued)**

**(g) Revenues**

Revenue is recognised when the significant risk and rewards of ownership are transferred to the customer, recovery of consideration is probable, and the amount of revenue can be reliably measured,

The following specific criteria must also be met before revenue is recognized in the financial statements:

*Water income*

Revenue is recognized when invoice has been made to the customer after conducting water consumption reading. Water consumption of customer on a certain cycle is determined by comparing the last meter reading and the current cut-off date of reading. The difference is then multiplied to the below water tariff rates. The rate however, will vary depending on the total consumed gallons of customers at each one complete cycle. Usually, one cycle is equivalent to one month.

*Small "Domestic" Consumers:*

Block	Consumption per month in imperial Gallon	Rate per Gallon
1	0 - 1000	\$40 per minimum
2	1000 - 3000	\$0.06
3	3000 - 5000	\$0.08
4	In excess of 5000	\$0.10

*Large "Commercial" Consumers:*

Block	Consumption per month in imperial Gallon	Rate per Gallon
1	0 - 10,000	\$1,200 minimum
2	10,000 - 20,000	\$0.10
3	20,000 - 40,000	\$0.08
4	In excess of 40,000	\$0.06

The rates indicated above were designed to recover the cost associated with the water production operation and maintenance of the distribution system. These rates remain unchanged since year 1991 when the Company was under the management of Government of Anguilla.

*Water penalty, surcharges and miscellaneous*

The Company imposes penalty and surcharge on water bills unpaid within thirty days from the date of bill. These are recorded as income as it accrues over time until settled by the customer. This will not apply, however, to customers under deferred payment plan with arranged payment scheme with the Company.

*Interest income*

Income is recognized as interest accrues and takes into account the effective yield on the assets.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies (continued)**

**(g) Revenues (continued)**

*Grants and subsidy*

Grants and subsidy are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of loss over the expected useful life of the relevant asset by equal annual instalments.

Designated grants and donation are recognized upon fulfilment of the donor-imposed conditions attached to the support and/or to the extent that the expenses are incurred. Designated grants for which restrictions and conditions have not yet been met are deferred project revenue. Generally, an undesignated grants and subsidy are recognized upon receipt.

**(h) Cost and expenses recognition**

Cost and expenses are recognized in statement of loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Cost and expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

**(i) Fund balance**

Fund balance represents the cumulative excess of revenue over expenses of current and prior period as disclosed in the statement of loss including prior period adjustments, if any. When fund account has a debit balance, it is called "deficit", and presented as a deduction from equity.

**(j) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and benefits of ownership of the assets to the lessee. All other leases are classified as operating leases.

*Finance lease*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies (continued)**

**(j) Leases (continued)**

*Finance lease (continued)*

Assets held under finance leases are capitalized as property, plant and equipment of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

*Operating lease*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognized in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognized as an expense in profit or loss when incurred.

**(k) Related party transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

**(l) Borrowing**

Borrowing is recognized initially at transaction price (that is the present value of cash payable to the creditor, including transaction costs) and subsequently stated at amortized cost. Borrowings cost, if any, is expensed outright and included under finance cost in the statement of loss.

**(m) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

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**3. Significant accounting policies (continued)**

**(n) Employee benefits**

*i. Retirement benefits*

By virtue of the Water Corporation of Anguilla Act, the Company's retirement benefit is sponsored by the Government of Anguilla under its Pension Scheme for Public Officers. The scheme is a defined contributory state plan which operates under the simple pay-as-you-go basis. Obligations for contributions to the defined contribution state plan are recognized as a pension expense in profit or loss when they are due.

*ii. Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance, if any are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Company to its employees include salaries and wages, short-term compensated absences, bonuses and other non-monetary benefits.

**(n) Subsequent events**

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

**(p) Comparatives**

When necessary, comparative figures have been adjusted to conform to changes in the presentation in the current year.

**4. Critical accounting estimates and judgments**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the critical estimates and judgments used in applying accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year and/or in future periods:

*(a) Determination of fair values*

The fair values of financial assets and liabilities approximate their carrying amounts due to relatively short-term nature of the related transactions.

*(b) Estimation of useful lives of property, plant and equipment*

The Company estimates useful lives of its PPE based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. Estimated useful life of property and equipment is disclosed in Note 3 (c).

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**5. Property, plant and equipment - net**

December 31, 2017				
<i>Cost</i>	Balance January 1	Additions	Disposals	Balance December 31
Land	2,140,479	-	-	2,140,479
Distribution system	19,808,450	-	-	19,808,450
Building and improvements	5,762,007	-	-	5,762,007
Water plants and main tanks (Note 9)	10360,699	-	-	10,360,699
Pump houses and related structure	116,298	-	-	116,298
Field tanks and wells	235,318	-	-	235,318
Computer and equipment	298,819	43,342	-	342,161
Computer software	111,296	1,753	-	113,049
Furniture and fixtures	42,507	13,985	-	56,492
Motor vehicles	204,624	-	-	204,624
Machinery and tools	32,425	2,246	-	34,671
	<b>39,112,922</b>	<b>61,326</b>	<b>-</b>	<b>39,174,248</b>

<i>Accumulated depreciation</i>	Balance January 1	Amortization/ Depreciation	Disposals	Balance December 31
Land	-	-	-	-
Distribution system	6,338,704	792,338	-	7,131,042
Building and improvements	1,159,869	144,983	-	1,304,852
Water plants and main tanks	3,631,332	1,036,070	-	4,667,402
Pump houses and related structure	29,749	3,719	-	33,468
Field tanks and wells	53,406	6,675	-	60,081
Computer and equipment	200,403	49,306	-	249,709
Computer software	74,310	21,283	-	95,593
Furniture and fixtures	41,975	1,615	-	43,590
Motor vehicles	204,624	-	-	204,624
Machinery and tools	22,368	3,910	-	26,278
	<b>11,756,740</b>	<b>2,059,899</b>	<b>-</b>	<b>13,816,639</b>

<i>Net book values</i>	January 1	December 31
Land	2,140,479	2,140,479
Distribution system	13,469,746	12,677,408
Building and improvements	4,602,138	4,457,155
Water plants and main tanks	6,729,367	5,693,297
Pump houses and related structure	86,549	82,830
Field tanks and wells	181,912	175,237
Computer and equipment	98,416	92,452
Computer software	36,986	17,456
Furniture and fixtures	532	12,902
Motor vehicles	-	-
Machinery and tools	10,057	8,393
	<b>27,356,182</b>	<b>25,357,609</b>

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**5. Property, plant and equipment - net (continued)**

<i>Cost</i>	December 31, 2016			Balance December 31
	Balance January 1	Additions	Disposals	
Land	2,140,479	-	-	2,140,479
Distribution system	19,808,450	-	-	19,808,450
Building and improvements	5,762,007	-	-	5,762,007
Water plants and main tanks (Note 9)	10,360,699	-	-	10,360,699
Pump houses and related structure	116,298	-	-	116,298
Field tanks and wells	235,318	-	-	235,318
Computer and equipment	277,968	20,851	-	298,819
Computer software	99,251	12,045	-	111,296
Furniture and fixtures	42,507	-	-	42,507
Motor vehicles	204,624	-	-	204,624
Machinery and tools	31,638	787	-	32,425
	39,079,239	33,683	-	39,112,922

<i>Accumulated depreciation</i>	Balance	Amortization/	Disposals	Balance
	January 1	Depreciation		December 31
Land	-	-	-	-
Distribution system	5,546,366	792,338	-	6,338,704
Building and improvements	1,014,885	144,984	-	1,159,869
Water plants and main tanks	2,595,262	1,036,070	-	3,631,332
Pump houses and related structure	26,031	3,718	-	29,749
Field tanks and wells	46,730	6,676	-	53,406
Computer and equipment	157,761	42,642	-	200,403
Computer software	55,750	18,560	-	74,310
Furniture and fixtures	41,707	268	-	41,975
Motor vehicles	204,624	-	-	204,624
Machinery and tools	18,507	3,861	-	22,368
	9,707,623	2,049,117	-	11,756,740

<i>Net book values</i>	January 1	December 31
Land	2,140,479	2,140,479
Distribution system	14,262,084	13,469,746
Building and improvements	4,747,122	4,602,138
Water plants and main tanks	7,765,437	6,729,367
Pump houses and related structure	90,267	86,549
Field tanks and wells	188,588	181,912
Computer and equipment	120,207	98,416
Computer software	43,501	36,986
Furniture and fixtures	800	532
Motor vehicles	-	-
Machinery and tools	13,131	10,057
	29,371,616	27,356,182

Management believes that there were no indications of impairment on the remaining assets as at December 31, 2017. See Note 9 for the details of property, plant and equipment under finance lease.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**6. Cash in bank**

	2017	2016
Eastern Caribbean Dollar (EC\$) account	139,170	106,171
United States Dollar (US\$) account	65,144	86,328
Account for CAPEX	9,000	9,000
	<b>213,314</b>	<b>201,500</b>

Cash in bank is held under demand deposit at National Commercial Bank of Anguilla (NCBA), formerly known as National Bank of Anguilla Ltd (NBA). The deposits earn interest on a monthly basis. Except for the account for CAPEX, these are generally unrestricted and available for use in the operations.

Account for CAPEX was opened in year 2016 in view of allocating some funds from the realized income of the Company to finance future capital expenditures. However, due to continued losses, the Company was not able to allot funds and the account remains non-moving.

Total interest income earned from bank deposit for the years ended December 31, 2017 and 2016 amounted to \$755 and \$562, respectively.

**7. Trade and other receivables - net**

	<i>Notes</i>	2017	2016
Regular customers	7.1	3,714,691	3,419,035
Government of Anguilla (GOA)	7.1, 10	3,033,325	2,965,458
Employee advances		5,571	4,182
Other		118	8,846
Total receivables at		6,753,705	6,397,521
Allowance for impairment losses	7.2	(6,502,309)	(6,091,843)
		<b>251,396</b>	<b>305,578</b>

Receivables arise from billed and uncollected customers balances as at year end.

7.1 Details of aged customers' receivables excluding employee advances as at December 31 follows:

	2017			2016		
	Regular	GOA	Total	Regular	GOA	Total
0 - 30 days	216,444	70,319	286,763	220,371	195,801	416,172
31 - 60 days	189,876	35,084	224,960	133,594	184,658	318,252
61 - 90 days	65,141	43,051	108,192	90,944	184,421	275,365
91 - 120 days	37,847	33,564	71,411	62,218	155,878	218,096
Over 120 days	3,205,501	2,851,307	6,056,808	2,920,754	2,244,700	5,165,454
	<b>3,714,809</b>	<b>3,033,325</b>	<b>6,748,016</b>	<b>3,427,881</b>	<b>2,965,458</b>	<b>6,393,339</b>

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**7. Trade and other receivables - net (continued)**

7.2 Details of allowance for impairment loss on receivables as at December 31 follows:

	2017	2016
Balance, January 1	6,091,843	6,770,933
Impairment loss	723,939	-
Recovery of impairment loss	-	(162,695)
Accounts written-off	(313,473)	(516,395)
Balance, December 31	6,502,309	6,091,843

**8. Material and supplies**

Materials and supplies consist of basic supplies and those inventories used in the repairs and maintenance of water and utility lines of the Company like PCVs, cement, sealant, teflon tapes, etc. These are insignificant in amounts and charged to profit and loss only once used or consumed.

Total materials and supplies expense for the year amounted to \$30,425 and \$114,608 for the years ended December 31, 2017 and 2016, respectively.

**9. Leases**

	<i>Notes</i>	2017	2016
Lands and buildings	9.1	1,152	1,085
Brackish water plant and tank	9.2	3,150,894	3,761,378
Saltwater Reverse Osmosis Plant	9.3	3,938,695	4,191,062
		7,090,741	7,953,525

**9.1 Lands and buildings**

When the Water Corporation of Anguilla was established by virtue of the Water Act of 2008, a lease agreement was drafted between the Government of Anguilla and the Company. The lease sets forth the terms and conditions under which the Company may use all the premises where its office, plants and other utilities and pumphouses are located, in exchange for rent monies. The lease is payable annually in the amount of EC\$100 over 99 years of lease term.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**9. Leases (continued)**

The lease was accounted as finance lease and at inception the following were recorded:

	<i>Notes</i>	
Leasehold land	5	2,140,479
Leasehold building and improvements	5	5,762,007
Pump houses and related structures	5	116,298
Field tanks and wells	5	235,318
Total fair value of the leased property		8,254,102
Deferred lease income		(762)
Grant received from the Government of Anguilla		8,253,340

**9.1 Lands and buildings (continued)**

Movement of the deferred lease income account from grant as at December 31, 2017 and 2016 follows:

	<i>Note</i>	2017	2016
Balance, January 1		6,837,412	7,014,403
Grant income during the year	5	(176,991)	(176,991)
		6,660,421	6,837,412

Movement of lease payable for the lands and buildings during the year follows:

	<i>Notes</i>	2017	2016
Balance, January 1		1,085	1,022
Finance charge during the year		67	63
Balance, December 31		1,152	1,085

**9.2 Water plants and main tanks**

In 2011, the Company entered into contract with TSG Water Works (Anguilla) Ltd (see Note 16.1) for the water production wherein, the Company, instead of producing its own water to be supplied to the island, it contracted TSG to do the production and pay for the water cost produced on a monthly basis. The contract entered by the two parties include option to buy-out water plant and water tank used by TSG within the ten (10) year term. The fair values of the water tank and plant asset at commencement date amounted to \$3,495,197 and \$2,437,660, respectively. These were recorded as cost of assets that form part of the PPE of the Company (see Note 5). Additional information of the lease contract related to assets are as follows:

	Water Tank	Plant Asset
Term	120 months	120 months
Monthly lease payments*	\$52,494	\$36,549
Annual lease implicit rate	13.15%	13.11%
Buy-out price**	Variable	Variable

*This forms part of the total monthly invoice of water production cost billed by TSG to the Company*

*\*\*The buy-out price for both assets are variable depending on the period when the Company will exercise the option to buy and is declining over the 10-year period*

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**9. Leases (continued)**

**9.2 Water plants and main tanks (continued)**

Details of the minimum lease payments throughout the remaining life of the lease follows:

December 31, 2017			
	Brackish Water Tank	Brackish Water Plant	Total
Within 1 year	409,877	285,776	695,653
Over 1 year but not more than 3 years	999,540	696,454	1,695,994
Over 3 years but not more than 5 years	447,568	311,679	759,247
	1,856,985	1,293,909	3,150,894

December 31, 2016			
	Brackish Water Tank	Brackish Water Plant	Total
Within 1 year	359,663	250,851	610,484
Over 1 year but not more than 3 years	877,015	611,340	1,488,355
Over 3 years but not more than 5 years	979,969	682,570	1,662,539
	2,216,617	1,544,761	3,761,378

**9.3 Reverse osmosis plant**

In 2015, the Company entered into an agreement with Caribbean Water Treatment (CWT) Ltd (see Note 16.2) for the processing of saltwater into potable water. The term of the contract involved buy-out price in declining amounts considering the depreciated value over time for the purchase of Salt-Water Reverse Osmosis (SWRO) Plant. The fair value of the asset at commencement date amounted to \$4,427,842 and this was recognized as cost of plant recorded under PPE account (see Note 5). The Company has paid also a total of \$806,460 refundable security deposit related to the lease. Additional information of the lease with CWT follows:

	SWRO Plant
Term	120 months
Monthly lease payments*	\$69,254
Annual lease implicit rate	14.19%
Option price**	Variable

*This forms part of the total monthly invoice of water production cost billed by CWT to the Company*

*\*\*The option price for both assets are variable depending on the period when the Company will exercise the option to buy*

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**9. Leases (continued)**

**9.3 Reverse osmosis plant (continued)**

Details of the minimum lease payments throughout the remaining life of the lease follows:

	2017	2016
Within 1 year	290,598	252,367
Over 1 year but not more than 3 years	719,935	625,219
Over 3 years but not more than 5 years	954,587	829,000
Over 5 years	1,973,575	2,484,476
	<b>3,938,695</b>	<b>4,191,062</b>

**9.4 Total finance cost accrued and or paid by the Company related to the leased assets above follows:**

	2017	2016
Water plants and main tanks	1,036,715	1,144,587
Lands and buildings	67	63
	<b>1,036,782</b>	<b>1,144,650</b>

**10. Trade and other payables**

	<i>Notes</i>	2017	2016
Electricity	9.1	3,443,433	2,037,012
Water cost	9.2	963,541	608,686
Others		268,612	429,020
		<b>4,675,586</b>	<b>3,074,718</b>

10.1 Water cost represents the payable to TSG Water Works (Anguilla) Ltd (see Note 16.1), and Caribbean Water Treatment Ltd (see Note 16.2) for the cost of water produced and supplied for the Company available for distribution to the public.

Total cost of water purchased for the years ended December 31, 2017 and 2016 amounted to \$1,439,602 and \$1,776,058, respectively (Note 13).

10.2 Electricity represents unpaid and accrued billings of Anguilla Electricity Company Ltd (ANGLEC), as the sole provider of electricity in the whole island of Anguilla.

Total electricity expense for the years ended December 31, 2017 and 2016 amounted to \$1,457,248 and \$1,524,471, respectively (Note 13).

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**11. Related party transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

In the ordinary course of business, the Company entered into transactions with the Government of Anguilla, as its ultimate parent. As at December 31, 2017 and 2016, the balances of the Company's related party transactions are as follows:

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
<i>Profit or loss</i>			
Government subsidy		<b>33,209</b>	-
Grant income	9	<b>176,991</b>	176,991
Key management compensation and allowances	11.1	<b>(388,799)</b>	(487,407)
Board allowances		<b>(80,125)</b>	(81,000)
<i>Financial position</i>			
Trade receivables	7.1	<b>3,033,325</b>	2,965,458
Deferred income	9	<b>6,660,421</b>	6,837,412
Due to related party	11.2	<b>8,693,185</b>	8,361,619

11.1 Key management compensation and allowances were paid to various Company's managerial and supervisory level employees. This includes basis salaries, allowances and benefits.

11.2 Details of due to related party follows:

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
Due to GOA	11.2.1	<b>3,591,407</b>	3,259,841
Loan from GOA	11.2.2	<b>5,101,778</b>	5,101,778
		<b>8,693,185</b>	8,361,619

**11.2.1 Due to GOA**

Due to GOA include various advances made by the Company to meets its operating requirements as well as unremitted collections made by the Company from various establishments and companies with their own reverse osmosis wells.. Transactions with related party are non-interest bearing. These are generally collectible or payable on demand with no definite repayment schedule.

**11.2.2 Loan from GOA**

In 2011, the Company becomes delinquent in paying one of its water producer Aqua Design Anguilla Ltd. (ADAL). There were significant invoices which were due and demandable already, but the Company has cash flows difficulty in paying those invoices in a timely manner. As a result, the Government loaned the Company an amount of \$940,870 to pay ADAL partially in year 2013 and reduce the liability.

**WATER CORPORATION OF ANGUILLA**  
**Notes to the Financial Statements (continued)**  
**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**11. Related party transactions (continued)**

11.2 Details of due to related party follows: (continued)

*11.2.2 Loan from GOA (continued)*

In 2014, ADAL has agreed to compromise its claim against the Company from \$17,194,517 (or US\$6,396,294) down to \$4,429,554 (or US\$1,647,777) thru a court settlement and accept it as full and final payment on March 25, 2014. However, the Company acknowledges that it does not have funds to meet all or part of the compromise settlement, hence, GOA agreed to settle the sum in full in behalf of the Company. As a result, the Company and GOA entered into a debt agreement for the sum borrowed. The loan is payable at minimum of \$268,820 per annum and interest free.

The Company was not able to repay this loan in years 2017 and 2016.

**12. Water income - net**

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
Water income	12.1	<b>5,566,747</b>	5,299,187
Water adjustments	12.2	<b>(48,775)</b>	(52,639)
		<b>5,517,972</b>	5,246,548

12.1 Water income generated from each type of customer follows:

	<b>2017</b>	<b>2016</b>
Domestic residential consumers	<b>5,305,972</b>	4,812,090
Large commercial consumers	<b>260,775</b>	487,097
	<b>5,566,747</b>	5,299,187

12.2 Water adjustments represent necessary billing adjustments made such as leaking pipes, coloured water due to rusty pipes, defective meters, air passing thru meters, etc.

**13. Direct costs**

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
Water cost	9.1	<b>1,439,602</b>	1,776,058
Electricity	9.2	<b>1,457,248</b>	1,524,471
Materials and supplies	8	<b>30,425</b>	114,608
Other services		<b>9,844</b>	8,254
		<b>2,937,119</b>	3,423,391

**WATER CORPORATION OF ANGUILLA**  
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**As at and for the Year Ended 31 December 2017**

(Expressed in Eastern Caribbean Dollars (EC\$))

**14. Other (loss)/income**

		2017	2016
Foreign exchange loss		(6,212)	(7,518)
Other		(200)	-
Recovery of impairment loss	7.2	-	162,695
		<b>6,412</b>	<b>155,177</b>

**15. Salaries, wages and employee benefits**

	<i>Note</i>	2017	2016
Basic salaries and overtime		1,085,195	1,334,090
Employee benefits	15.1	278,936	208,656
Social security		51,563	56,443
		<b>1,415,694</b>	<b>1,599,189</b>

15.1 Employee benefits for the years ended December 31, 2017 and 2016 include the following:

	2017	2016
Medical and MASA insurance	112,290	106,979
Acting allowance	91,894	6,000
Pension	32,435	39,067
Travel	26,813	30,696
Phone	12,416	12,048
Training	-	13,777
Other	3,088	89
	<b>278,936</b>	<b>208,656</b>

In year 2016, a three percent (3%) salary rate increase effective June 2016 was made by the Company as approved by the Board to all staff level employees.

**16. Contracts and commitments**

16.1 In 2011, the Company entered into a ten (10) year contract with TSG Water Works (Anguilla) Ltd, a company owned by Algonquin Power & Utilities Corp, for the desalination of brackish-water. The desalinated water will be sold to the Company at rates agreed and the same will be sold by the latter for public consumption. The contract entered into states that the water plant and tank will be constructed by TSG with the specifications that will meet the standards both for quality and quantity requirements of finished water. In addition, the Company has an option in the contract to purchase the plant and water tank from TSG in an agreed buy-out price. The option is exercisable after completion of twelve months from date of commencement of the contract.

**WATER CORPORATION OF ANGUILLA**  
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**16. Contracts and commitments (continued)**

**16.1 (continued)**

The Company has paid a total security deposit related to the contract in the amount of \$108,558. The Company is also expected to exercise the option to buy-out the assets at end of the contract.

The terms of the lease meet the criteria of a finance lease; hence, the water tank and water plant were recorded as assets of the Company as part of its property, plant and equipment (See Note 7).

Details of the lease related to the contract is disclosed in Note 9.3.

- 16.2 In year 2015, in order to replace the service of ADAL, the Company entered into a new ten (10) year contract with Caribbean Water Treatment (CWT) to process saltwater using reverse osmosis to potable water that will be available also for public consumption. The contract also include option for the Company to buy-out the water plant at cost agreed. The option is exercisable six (6) months from the commencement date of contract. The Company has paid a total of \$806,460 (or US\$300,000) as security deposit of the contract. The terms of the lease meet the criteria of a finance lease; hence, the Salt-Water Reverse Osmosis (SWRO) Plant was recorded as asset of the Company as part of its property, plant and equipment (See Note 7).

**17. Subsequent events**

*Significant contracts entered in subsequent periods*

- 17.1 In year 2018, the Company terminated the contract of CWT and entered a new ten (10) year contract with Seven Seas Water-Anguilla Water Corp. This is to replace the service of CWT. The plant that were existing and used by CWT were not removed but these was purchased by the Company using funds from Seven Seas. In addition to the existing plant, Seven Seas constructed additional plant and modify the old plant to meet the required specifications and standards for the quantity and quality of finished water. The contract entered into also includes option to purchase the plant including the new plant constructed and modifications made thereto.

*Cases and litigations*

- 17.2 In year 2018, Caribbean Water Treatment (CWT) which was contracted by the Company for the water production for Salt-Water Reverse Osmosis (SWRO), filed a claim with Eastern Caribbean Supreme Court against the Company. The services of CWT started from November 2015 pursuant to a ten (10) year contract. But in some point, the Company decided to terminate the said contract and purchase the SWRO plant with a view to improving efficiency and reliability in the supply of water. GOA was informed and agreed that the Company should mirror the procurement process in accordance with section 48A of the Public Procurement and Contract Administration Act of 2016.

**WATER CORPORATION OF ANGUILLA**  
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**17. Subsequent events (continued)**

17.2 (continued)

CWT asserts on various grounds since it claims that the act made by the Company in the tendering and procurement process for prospective bidders (water producers) is an ultra vires act. Furthermore, CWT claims that it was not treated fairly as an interested bidder by the Company and the latter acted in bad faith. CWT, however, lost and EC Supreme Court dismissed the case resulting CWT to pay the Company costs which was agreed and assessed.

- 17.3 On January 27, 2017, Evelyn Apire-Hodge, a former CEO of the Company filed a case against the Company. Mrs. Apire-Hodge claimed that the Company repudiated and/or breached her contract of employment as CEO and has suffered loss and damages resulting to this. She claimed to be entitled to EC\$1,260,000 for loss of earnings; loss of pension; loss of health insurance; interest; costs and such further or other relief as the court deemed just.

The Company contended that the claimant was not employed in accordance with the statutory provisions governing the appointment of CEO. The Company therefore contended that claimant's appointment was ultra vires and, therefore, there has been no valid contract of employment capable of being repudiated and/or breached. The claimant was deposed of by way of settlement agreement dated 11th May 2018 and on the said date, the claimant filed a notice of discontinuance in respect of her claim.

The above events do not have an impact on the financial statement as at December 31, 2017 and presented for disclosure purposes only.