



WATER CORPORATION OF ANGUILLA

Financial Statements

December 31, 2010

(Expressed in Eastern Caribbean Dollars)

The Water Corporation of Anguilla
Financial Statements for the period ended 31 December 2010
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 2010.

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 2010 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 2010 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

Apart from the fact that it has taken nine years for the Water Corporation of Anguilla to prepare these accounts and have them audited I have no further observations to make on these financial statements.

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

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 2010)

Kenn Banks - Chairman
Fabian Proctor - Deputy Chairman
Larry Franklin - Member
Vida Lloyd-Richardson - Member
Cossilda O'Loughlin - Member
Evan Brooks - Member
Rommel Hughes - Board Secretary

SECRETARY

Charanell Jackman

BANKER

National Commercial Bank of Anguilla
(Formerly known as National Bank of Anguilla Ltd)
1st 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



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

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e-Mail: claudel.romney@bdoecc.com
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INDEPENDENT AUDITORS' REPORT

The Board Members Water Corporation of Anguilla

We have audited the accompanying financial statements of Water Corporation of Anguilla (the "Company"), which comprise the statement of financial position as at 31 December 2010, and the related statement 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and of 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.

BDO LLC

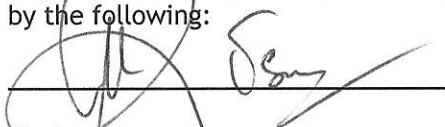
Chartered Accountants
21st of May 2020
The Valley
Anguilla
British West Indies

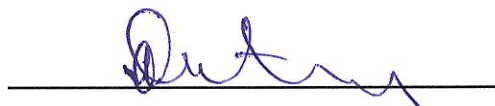
WATER CORPORATION OF ANGUILLA
Statement of Financial Position
As at 31 December 2010

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

	<i>Notes</i>	2010	2009
ASSETS			
Non-current asset			
Property, plant and equipment - net	5	26,433,136	27,418,456
Current assets			
Cash in bank	6	21,872	363,797
Trade and other receivables - net	7	226,892	944,119
Materials and supplies	8	97,542	28,282
Total current assets		346,306	1,336,198
Total assets		26,779,442	28,754,654
LIABILITIES AND FUND BALANCE			
Liabilities			
Non-current liabilities			
Deferred income	9.1	7,899,358	8,076,349
Lease payable	9.2	796	774
Total non-current liabilities		7,900,154	8,077,123
Current liabilities			
Trade and other payables	10	3,581,913	2,525,701
Due to related party	11	2,172,130	904,824
Total current liabilities		5,754,043	3,430,525
Total liabilities		13,654,197	11,507,648
Fund balance			
General fund		13,125,245	17,247,006
Total liabilities and fund balance		26,779,442	28,754,654

These financial statements were approved on behalf of the Board of Directors on 21st May, 2020 by the following:


 Chairman


 Chief Executive Officer

The notes on pages 8 to 26 are integral part of these financial statements.

WATER CORPORATION OF ANGUILLA
Statement of Profit or Loss
For the Year Ended 31 December 2010

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

	<i>Notes</i>	2010	2009
Income			
Water income - net	13	5,643,812	9,007,916
Government subsidy	11.1	4,103,768	2,266,890
		9,747,580	11,274,806
Direct costs			
	14	(9,148,019)	(8,701,704)
		599,561	2,573,102
Grant income	9, 11	176,991	176,991
Others	15	(17,043)	340,142
		759,509	3,090,235
General and administrative			
Salaries, wages and related expenses	16	(1,905,303)	(1,810,682)
Impairment loss	7	(1,429,119)	-
Depreciation	5	(1,031,428)	(1,011,787)
Licenses and permits		(116,720)	-
Board fees	11	(104,100)	(86,050)
Automobile expenses		(71,119)	(40,879)
Professional fees		(64,356)	(156,478)
Rental		(32,041)	(24,755)
Stationery and supplies		(31,067)	(18,314)
Repairs and maintenance		(26,194)	(28,840)
Utilities		(24,031)	(65,337)
Membership fees		(21,095)	(21,095)
Advertising and promo		(13,264)	(5,874)
Travels, meals and entertainment		(8,249)	(53,597)
Duties freight and shipping		(3,177)	(22,475)
Miscellaneous		(2,384)	(2,238)
		(4,883,647)	(3,348,402)
		(4,124,138)	(258,167)
Finance income - net			
Interest income	6	2,399	3,185
Finance lease charge	9.2	(22)	(12)
Net (loss)/income for the year		(4,121,761)	(254,994)

The notes on pages 8 to 26 are integral part of these financial statements.

WATER CORPORATION OF ANGUILLA
Statement of Changes in Fund Balance
For the Year Ended 31 December 2010

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

		2010	2009
Fund balance, 1 January	12	17,247,006	17,502,000
Net loss for the year		(4,121,761)	(254,994)
Fund balance, 31 December		13,125,245	17,247,006

The notes on pages 8 to 26 are integral part of these financial statements.

WATER CORPORATION OF ANGUILLA
Statement of Cash Flows
For the Year Ended 31 December 2010

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

	<i>Notes</i>	2010	2009
Cash flows from operating activities			
Net loss for the year		(4,121,761)	(254,994)
Adjustments for:			
Depreciation	5	1,031,428	1,011,787
Recovery of impairment losses	7.2	-	(353,899)
Impairment losses	7.2	1,429,119	-
Grant income	9/1	(176,991)	(176,991)
Interest income	6	(2,399)	(3,185)
Finance lease charge	9.2	22	12
Operating (loss)/income before working capital changes		(1,840,582)	222,730
Decrease/(increase) in:			
Trade and other receivables		(711,892)	(590,220)
Material and supplies		(69,260)	(28,282)
Increase/(decrease) in:			
Trade and other payables		1,056,212	2,525,689
Due to related party		1,267,306	904,824
Cash (used in)/provided by operating activities		(298,216)	3,034,741
Interest income received	6	2,399	3,185
Net cash (used in)/provided by operating activities		(295,817)	3,037,926
Cash used in investing activities			
Acquisition of property, plant and equipment	5	(46,108)	(50,139)
PPE transferred from Government of Anguilla		-	(28,380,104)
Net cash used in investing activities		(46,108)	(28,430,243)
Cash from financing activities			
Net assets received from Government of Anguilla	12	-	17,502,000
Grant received	9	-	8,253,340
Finance lease payable	9.2	-	774
Net cash provided by financing activities		-	25,756,114
Net (decrease)/increase in cash in bank		(341,925)	363,797
Cash in bank as at 1 January		363,797	-
Cash in bank as at 31 December		21,872	363,797

The notes on pages 8 to 26 form integral part of the financial statements.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2010

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

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 4 to the financial statements.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

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.

Other

Other non-derivative financial instruments 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 2010

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

3. Significant accounting policies (continued)

(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 income.

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:

Distribution system	50 years
Building and improvements	30 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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2010

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

3. Significant accounting policies *(continued)*

(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.

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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

3. Significant accounting policies (continued)

(e) Impairment (continued)

ii. Non-financial assets (continued)

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.

(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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

3. Significant accounting policies (continued)

(g) Revenues (continued)

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.

Finance income

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

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 profit or loss over the expected useful life of the relevant asset by equal annual instalments.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

3. Significant accounting policies (continued)

(g) Revenues (continued)

Grants and subsidy (continued)

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 profit or 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 profit or 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.

Company as a lessee

At the commencement of the lease, the Company recognize the right-of-use of the leased asset and a lease liability. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless otherwise a systematic basis is more representative of the time pattern of the Company's benefits.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

3. Significant accounting policies (continued)

(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) 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.

(m) 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.

(o) Comparatives

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

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2010

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

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).

5. Property, plant and equipment - net

<i>Cost</i>	December 31, 2010			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
Pump houses and related structure	116,298	-	-	116,298
Field tanks and wells	235,318	-	-	235,318
Computer and equipment	26,355	33,352	-	59,707
Computer software	47,297	1,607	-	48,904
Furniture and fixtures	40,716	-	-	40,716
Motor vehicles	246,224	11,000	-	257,224
Machinery and tools	7,099	149	-	7,248
	28,380,104	46,108	-	28,476,351

<i>Accumulated depreciation</i>	December 31, 2010			Balance December 31
	Balance January 1	Depreciation	Disposals	
Land	-	-	-	-
Distribution system	792,338	792,338	-	1,584,676
Building and improvements	144,983	144,984	-	289,967
Pump houses and related structure	3,718	3,719	-	7,437
Field tanks and wells	6,676	6,675	-	13,351
Computer and equipment	4,593	8,971	-	13,564
Computer software	3,219	16,121	-	19,340
Furniture and fixtures	6,107	6,108	-	12,215
Motor vehicles	49,245	51,445	-	100,690
Machinery and tools	908	1,067	-	1,975
	1,011,787	1,031,428	-	2,043,215

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
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(Expressed in Eastern Caribbean Dollars (EC\$))

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

<i>Net book values</i>	January 1	December 31
Land	2,140,479	2,140,479
Distribution system	19,016,112	18,223,774
Building and improvements	5,617,024	5,472,040
Pump houses and related structure	112,580	108,861
Field tanks and wells	228,642	221,967
Computer and equipment	21,762	46,143
Computer software	44,078	29,564
Furniture and fixtures	34,609	28,501
Motor vehicles	196,979	156,534
Machinery and tools	6,191	5,273
	27,418,456	26,433,136

December 31, 2009				
<i>Cost</i>	Balance January 1	Transferred	Additions	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
Pump houses and related structure	-	116,298	-	116,298
Field tanks and wells	-	235,318	-	235,318
Computer and equipment	-	25,075	1,280	26,355
Computer software	-	-	47,297	47,297
Furniture and fixtures	-	40,716	-	40,716
Motor vehicles	-	246,224	-	246,224
Machinery and tools	-	5,537	-	7,099
	-	28,380,104	50,139	28,430,243

<i>Accumulated depreciation</i>	Balance January 1	Depreciation	Disposals	Balance December 31
Land	-	-	-	-
Distribution system	-	792,338	-	792,338
Building and improvements	-	144,983	-	144,983
Pump houses and related structure	-	3,718	-	3,718
Field tanks and wells	-	6,676	-	6,676
Computer and equipment	-	4,593	-	4,593
Computer software	-	3,219	-	3,219
Furniture and fixtures	-	6,107	-	6,107
Motor vehicles	-	49,245	-	49,245
Machinery and tools	-	908	-	908
	-	1,011,787	-	1,011,787

WATER CORPORATION OF ANGUILLA
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(Expressed in Eastern Caribbean Dollars (EC\$))

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

<i>Net book values</i>	January 1	December 31
Land	-	2,140,479
Distribution system	-	19,016,112
Building and improvements	-	5,617,024
Pump houses and related structure	-	112,580
Field tanks and wells	-	228,642
Computer and equipment	-	21,762
Computer software	-	44,078
Furniture and fixtures	-	34,609
Motor vehicles	-	196,979
Machinery and tools	-	6,191
	-	27,418,456

The transferred assets in 2009 pertains to properties, plant and equipment received from the Government of Anguilla in accordance with section 3 Rights and Responsibilities of the Corporation par. 26 and section 6 Citation and Transitional Provisions par. 67-70.

Management believes that there were no indications of impairment on the remaining assets as at December 31, 2010 and 2009.

6. Cash in bank

	2010	2009
Eastern Caribbean Dollar (EC\$) account	237,954	128,501
United States Dollar (US\$) account	(216,082)	235,296
	21,872	363,797

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. These are unrestricted and available for use in the operations.

Total interest income earned from bank deposit for the years ended December 31, 2010 and 2009 amounted to \$2,399 and \$3,185, respectively.

7. Trade and other receivables - net

	<i>Notes</i>	2010	2009
Regular customers	7.1	8,411,004	10,015,407
Government of Anguilla (GOA)	7.1, 11	5,190,566	2,874,271
Others		118	118
		13,601,688	12,889,796
Allowance for impairment losses	7.2	(13,374,796)	(11,945,677)
		226,892	944,119

WATER CORPORATION OF ANGUILLA
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(Expressed in Eastern Caribbean Dollars (EC\$))

7. Trade and other receivables - net

Receivables arise from billed and uncollected customers balances as at December 31, 2009. These include also transferred customers account when the Company was under GOA management. Total receivables that were carried from GOA to Company's books beginning year 2009 amounted to \$12,299,576 with full allowance for impairment loss provided.

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

	2010			2009		
	Regular	GOA	Total	Regular	GOA	Total
0 - 30 days	181,428	240,527	421,955	447,369	216,869	664,238
31 - 60 days	115,069	165,517	280,586	480,418	363,342	843,760
61 - 90 days	73,061	141,151	214,212	469,668	203,165	672,833
91-120 days	53,556	124,423	177,979	178,790	247,623	426,413
Over 120 days	7,988,008	4,518,948	12,506,956	8,439,280	1,843,272	10,282,552
	8,411,122	5,190,566	13,601,688	10,015,525	2,874,271	12,889,796

7.2 Details of allowance for impairment loss on receivables as at December 31, 20 follows:

	2010	2009
Balance, January 1	11,945,677	12,299,576
Additional provision	1,429,119	-
Reversal or recovery	-	(353,899)
Balance, December 31	13,374,796	11,945,677

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 expensed for the year amounted to \$11,903 and \$7,534 for the years ended December 31, 2010 and 2009, respectively.

9. Finance lease

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 the 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
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9. Finance lease (continued)

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

	<i>Notes</i>	2009
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
Total present value of the minimum lease payments		(762)
Grant received from the Government of Anguilla		8,253,340

The Company policy is to recognize government grants received in the profit or loss on a systematic basis over the periods in which they recognized as expense the related costs for which the grants are intended to compensate. Thus, the grants received that were capitalized are recorded as deferred income upon receipt and record the related grant income based on the amount of depreciation recorded during the year.

9.1 Movement of the deferred lease income account as at December 31, 2010 and 2009 follows:

		2010	2009
Balance, January 1		8,076,349	8,253,340
Grant income during the year	5	176,991	176,991
Balance, December 31		7,899,358	8,076,349

9.2 Movement of the lease payable account as at December 31, 2010 and 2009 follows:

		2010	2009
Balance, January 1		774	762
Finance charge during the year		22	12
Balance, December 31		796	774

10. Trade and other payables

	<i>Notes</i>	2010	2009
Water cost	10.2	2,511,882	960,499
Electricity	10.1	867,684	1,026,103
Others		202,347	539,099
		3,581,913	2,525,701

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

10. Trade and other payables (continued)

10.1 Water cost represents the payable to Aqua Design Anguilla Ltd 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, 2010 and 2009 amounted to \$5,225,424 and \$5,137,373, respectively (Note 14).

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, 2010 and 2009 amounted to \$3,910,692 and \$3,556,797, respectively (Note 14).

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, 2010 and 2009, the balances of the Company's related party transactions are as follows:

	<i>Notes</i>	2010	2009
<i>Profit or loss</i>			
Subsidy	11.1	4,103,768	2,266,890
Grant income	9	176,991	176,991
Key management compensation and allowances	11.2	(646,353)	(620,602)
Board allowances		(104,100)	(86,050)
<i>Financial position</i>			
Trade receivables	7.1	5,190,566	2,874,271
PPE transferred to the Company from GOA	5	-	28,380,104
Deferred income	9	7,899,358	8,076,349
Due to GOA	11.3	2,172,130	904,824

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

11. Related party transactions (continued)

11.1 When the Company was separated from the Government of Anguilla (GOA) in year 2009, GOA provided financial assistance for the purpose of subsidising the expenses of the Company in its initial years of operation.

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

11.3 Due to GOA include various advances made by the Company to meets its operating requirements. Transactions with related party are non-interest bearing. These are generally collectible or payable on demand with no definite repayment schedule.

12. Fund balance

As mentioned in Note 1, the Company was established by statute on November 3, 2008, under the provisions of the Water Corporation of Anguilla of 2008 for the exclusive right to supply water in the island. Previously the Company is managed by the Government until the establishment of the Act. Thus, in the beginning of the year 2009, in accordance with section 3 Rights and Responsibilities of the Corporation par. 26 and section 6 Citation and Transitional Provisions par. 67-70, the assets, liabilities and the fund balance were transferred accordingly to the Company by the Government of Anguilla.

13. Water income - net

	<i>Notes</i>	2010	2009
Water income	12.1	6,136,902	9,237,817
Water adjustments	12.2	(493,090)	(229,901)
		5,643,812	9,007,916

13.1 Water income generated from each type of customer follows:

	2010	2009
Domestic residential consumers	5,594,737	4,693,628
Large commercial consumers	542,165	571,294
	6,136,902	5,264,922

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

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

14. Direct costs

	<i>Note</i>	2010	2009
Water cost	10.1	5,225,424	5,137,373
Electricity	10.2	3,910,692	3,556,797
Materials and supplies		11,903	7,534
		9,148,019	8,701,704

15. Other (loss)/income

	<i>Note</i>	2010	2009
Recovery of impairment losses	7	-	353,899
Foreign exchange gain/(loss)		(17,053)	(13,767)
Miscellaneous		10	10
		(17,043)	340,142

16. Salaries, wages and employee benefits

	<i>Note</i>	2010	2009
Salaries and overtime		1,600,310	1,530,454
Employee benefits	16.1	240,848	220,504
Social security		64,145	59,724
		1,905,303	1,810,682

16.1 Employee benefits for the years ended December 31, 2010 and 2009 include the following:

	2010	2009
Medical and MASA insurance	107,741	60,337
Housing and settling allowance	53,387	82,278
Pension	27,884	38,623
Phone	20,496	17,380
Travel	16,800	10,300
Uniform	13,266	-
Entertainment	4,800	4,400
Training	-	6,915
Others	(3,525)	271
	240,848	220,504

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
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(Expressed in Eastern Caribbean Dollars (EC\$))

17. Subsequent events

Significant contracts

- 17.1 In year 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.
- 17.2 When the contract with Aqua Design Anguilla Ltd (ADAL) was terminated in year 2012 due to significant breaches incurred by the Company, namely defaults in payments, and after court settlement in year 2014, the Company entered into another ten (10) year contract in 2015 with Caribbean Water Treatment (CWT) to process using reverse osmosis the saltwater 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.
- 17.3 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

- 17.4 In year 2011, Aqua Design filed a claim with the Eastern Caribbean Supreme Court against the Company and the Government of Anguilla seeking the sum of US\$6,396,294 plus interest and costs which represents amounts payable on outstanding invoices and money which ADAL claims represents loss of profits due to defaults made by the Company. Several attempts were made to settle the claim and ADAL has agreed to compromise its claim and agrees to accept the sum of US\$1,647,776.95 as full and final settlement which is to be paid in a single lump sum on March 25, 2014. But still, the Company acknowledges that it does not have funds to meet all or part of the compromise settlement, hence, Government of Anguilla (GOA) agreed to settle the sum in full in behalf of the Company with ADAL. In exchange, the Company will have indebtedness to GOA in the same amount above and this will be payable at minimum of US\$100,000 per annum, interest free and the Company and GOA may, by mutual agreement in writing, revise the amount of annual payment in any given year. The Company became debt free from ADAL but has an outstanding liability with GOA.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

17. Subsequent events (continued)

Cases and litigations (continued)

- 17.5 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.

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.

- 17.6 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.

Others

- 17.7 During year 2014, it was brought to the attention of ANGLEC that the Company was illegally obtaining electricity from ANGLEC for a period of about three (3) years. ANGLEC's investigation confirmed the illegal connection. The matter was brought to the attention of ANGLEC's and Company's Board as well as the Royal Anguilla Police Force. ANGLEC has estimated the revenue loss of this situation to be approximately EC\$3,510,657. However, ANGLEC's Board did not choose to pursue this matter through court as the Company will not be able to pay its day to day balances. In addition, there was no way to adequately estimate the total electricity usage of the said illegal connection leaving the matter dormant.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2010

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

17. Subsequent events (continued)

Others (continued)

17.8 In year 2014, a resolution was passed by GOA Executive Council for the Company to write-off significant receivables of the Company as at December 31, 2014. The following are criteria considered in writing off the accounts per directives of ExCo.

- The outstanding debts owed by customers who have been inactive prior to 1st January 2009 and are still inactive be written off;
- The write-off will not be applicable to those customers who have been active prior to 1st January 2009, that is those customers who were active and paying their bills their accumulated debts will not be written off;
- Neither will it be applicable to customers who may have been disconnected since 1st January 2009; and
- Customers who may have been disconnected prior to 1st January 2009 but have since devised a payment arrangement with the Company to pay off outstanding arrears will also be excluded from this write-off arrangement.

17.9 In year 2014, the Company make an appeal to raise the water tariff rates so as to cover significant operating costs especially in the water cost and distribution expense. However, GOA did not approve the request. GOA said that rates will remain the same for public and in lieu of the water tariff increase, GOA will pay-off the Company's outstanding electricity and fuel charges with ANGLEC to defray the significant expenses. The electricity bill amount shouldered by GOA in favour of the Company estimated to be EC\$4,736,175.

17.10 A 3% salary rate increase effective June 2016 was made by the Company as approved by the Board to all staff level employees.

The above events do not have an impact on the financial statement as at December 31, 2010 and presented for disclosure purposes only.