



WATER CORPORATION OF ANGUILLA

Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

The Water Corporation of Anguilla
Financial Statements for the period ended 31 December 2015
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 2015.

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 2015 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 2015 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

I have no further observations to make on these financial statements.



Richard Harries
Chief Auditor
21 February 2021

CONTENTS

Page 1	Corporate Information
Pages 2 - 3	Independent Auditor's Report
Page 4	Statement of Financial Position
Page 5	Statement of Profit or Loss
Page 6	Statement of Changes in Fund Balance
Page 7	Statement of Cash Flows
Pages 8 - 28	Notes to the Financial Statements

CORPORATE INFORMATION

1

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 2015)

John Richardson - Chairman
Mark Romney - Deputy Chairman
Serena Banks - Member
Maurice - Member
Malcolm Webster - Member
Lelia Richardson - Member
Evelyn Apire-Hodge - CEO

SECRETARY

Evelyn Apire-Hodge - Secretary to the Board
Charanell Jackman - Executive Secretary

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



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

Tel: 264-497-5500
Fax: 264-497-3755
e-Mail: claudel.romney@bdoecc.com
Website: www.bdocaribbean.com

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 2015, 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 2015, 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

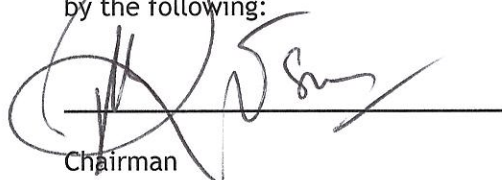
Chartered Accountants
21st of May 2020
The Valley
Anguilla
British West Indies

WATER CORPORATION OF ANGUILLA
Statement of Financial Position
As at 31 December 2015

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

	<i>Notes</i>	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment - net	5	29,371,616	26,541,190
Other asset	9.3	806,460	-
Total non-current assets		30,178,076	26,541,190
Current assets			
Cash in bank	6	103,698	793,837
Trade and other receivables - net	7	612,151	317,491
Materials and supplies	8	27,083	29,690
Total current assets		742,932	1,141,018
Total Assets		30,921,008	27,682,208
LIABILITIES AND FUND BALANCE			
Liabilities			
Non-current liabilities			
Deferred income	9	7,014,403	7,191,394
Lease payable	9	8,708,370	4,768,238
Total non-current liabilities		15,722,773	11,959,632
Current liabilities			
Trade and other payables	10	1,481,252	821,447
Due to related party	11.3	8,168,150	8,018,280
Total current liabilities		9,649,402	8,839,727
Total Liabilities		25,372,175	20,799,359
Fund balance			
General fund		5,548,833	6,882,849
Total Liabilities and Fund Balance		30,921,008	27,682,208

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 28 are integral part of these financial statements.

WATER CORPORATION OF ANGUILLA
Statement of Profit or Loss
For the Year Ended 31 December 2015

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

	<i>Notes</i>	2015	2014
Income			
Water income - net	12	4,712,222	5,077,426
Government subsidy	11.1	-	4,744,171
		4,712,222	9,821,597
Direct costs			
	13	(1,733,772)	(2,305,170)
		2,978,450	7,516,427
Grant income	9	176,991	176,991
Others	14	1,634	39,868
		3,157,075	7,733,286
General and administrative			
Salaries, wages and employee benefits	15	(1,594,810)	(1,686,529)
Depreciation	5	(1,669,157)	(1,589,379)
Impairment loss	7	(253,657)	-
Board fees	11	(85,425)	(87,525)
Automobile expenses		(73,098)	(130,568)
Repairs and maintenance		(34,937)	(60,203)
Professional fees		(28,373)	(32,933)
Utilities		(23,606)	(16,356)
Rental		(20,046)	(24,650)
Stationery and supplies		(18,786)	(32,269)
Duties freight and shipping		(17,362)	(23,255)
Travels, meals and entertainment		(12,721)	(3,838)
Advertising and promo		(3,550)	(2,739)
Licenses and permits		(750)	(134)
Membership fees		-	(21,095)
Miscellaneous		(7,622)	(6,280)
		(3,843,900)	(3,717,753)
		(686,825)	4,015,533
Interest income	6	2,872	4,473
Finance lease charge	9.1	(650,063)	(655,979)
Net (loss)/income		(1,334,016)	3,364,027

The notes on pages 8 to 28 are integral part of these financial statements.

WATER CORPORATION OF ANGUILLA
Statement of Changes in Fund Balance
For the Year Ended 31 December 2015

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

	2015	2014
Fund balance, 1 January	6,882,849	3,518,822
Net (loss)/income	(1,334,016)	3,364,027
Fund balance, 31 December	5,548,833	6,882,849

The notes on pages 8 to 28 are integral part of these financial statements.

WATER CORPORATION OF ANGUILLA
Statement of Cash Flows
For the Year Ended 31 December 2015

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

	<i>Notes</i>	2015	2014
Cash flows from operating activities			
Net (loss)/income		(1,334,016)	3,364,027
Adjustments for:			
Depreciation	5	1,669,157	1,589,379
Gain from disposal of assets	5	(14,761)	-
Recovery of impairment loss	7.2	-	(49,135)
Impairment loss	7.2	253,657	-
Accounts written-off	7.2	(278,664)	(4,453,285)
Grant income	9.1	(176,991)	(176,991)
Interest income	6	(2,872)	(4,473)
Finance lease charge	9.2	650,063	655,979
Operating income before working capital changes		765,573	925,501
Decrease (increase) in:			
Trade and other receivables		(269,653)	4,477,308
Material and supplies		2,607	36,216
Other asset		(806,460)	-
Increase (decrease) in:			
Trade and other payables		659,805	(8,359,395)
Due to related party		149,870	506,535
Cash provided/(used in) by operating activities		501,742	(2,413,835)
Interest income received	6	2,872	4,473
Net cash provided by/(used in) operating activities		504,614	(2,409,362)
Cash used in investing activities			
Acquisition of property, plant and equipment	5	(4,499,583)	(38,744)
Proceeds from disposal of fully depreciated assets	5	14,761	-
Net cash used in investing activities		(4,484,822)	(38,744)
Cash from financing activities			
Finance lease payable	9	4,427,842	-
Finance lease charge paid	9.2	(650,005)	(655,927)
Payment of lease during the year		(487,768)	(412,592)
Proceeds from government loan	11.4	-	4,429,554
Payment of loan	11.4	-	(268,646)
Net cash provided by financing activities		3,290,069	3,092,389
Net (decrease)/increase in cash in bank		(690,139)	644,283
Cash in bank as at 1 January		793,837	149,554
Cash in bank as at 31 December		103,698	793,837

The notes on pages 8 to 28 are integral part of the financial statements.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2015

(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 6 to the financial statements.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2015

(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

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

Loans and 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 2015

(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 profit or 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:

Distribution system	50 years
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

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

iii. Depreciation and amortization (continued)

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.

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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

3. Significant accounting policies (continued)

(e) Impairment (continued)

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.

(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 2015

(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.

Interest 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.

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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

3. Significant accounting policies (continued)

(h) Cost and expense 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.

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.

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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2015

(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) Borrowing

Loan 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 profit or 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.

(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.

(o) 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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

3. Significant accounting policies (continued)

(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).

5. Property, plant and equipment - net

<i>Cost</i>	December 31, 2015			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	5,769,007	-	-	5,762,007
Water plants and main tanks (Note 9)	5,932,857	4,427,842	-	10,360,699
Pump houses and related structure	116,298	-	-	116,298
Field tanks and wells	235,318	-	-	235,318
Computer and equipment	256,631	21,337	-	277,968
Computer software	48,904	50,347	-	99,251
Furniture and fixtures	42,507	-	-	42,507
Motor vehicles	257,224	-	(52,600)	204,624
Machinery and tools	31,581	57	-	31,638
	34,632,256	4,499,583	(52,600)	39,079,239

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

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

<i>Accumulated depreciation</i>	Balance January 1	Amortization/ Depreciation	Disposals	Balance December 31
Land	-	-	-	-
Distribution system	4,754,028	792,338	-	5,546,366
Building and improvements	869,902	144,983	-	1,014,885
Water plants and main tanks	1,928,179	667,083	-	2,595,262
Pump houses and related structure	22,312	3,719	-	26,031
Field tanks and wells	40,054	6,676	-	46,730
Computer and equipment	119,035	38,726	-	157,761
Computer software	48,904	6,846	-	55,750
Furniture and fixtures	37,366	4,341	-	41,707
Motor vehicles	257,224	-	(52,600)	204,624
Machinery and tools	14,062	4,445	-	18,507
	8,091,066	1,669,157	(52,600)	9,707,623

<i>Net book values</i>	January 1	December 31
Land	2,140,479	2,140,479
Distribution system	14,054,422	14,262,084
Building and improvements	4,892,105	4,747,122
Water plants and main tanks	4,004,678	7,765,437
Pump houses and related structure	93,986	90,267
Field tanks and wells	195,264	188,588
Computer and equipment	137,596	120,207
Computer software	-	43,501
Furniture and fixtures	5,141	800
Motor vehicles	-	-
Machinery and tools	17,519	13,131
	26,541,190	29,371,616

December 31, 2014				
<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	5,769,007	-	-	5,769,007
Water plants and main tanks (Note 9)	5,932,857	-	-	5,932,857
Pump houses and related structure	116,298	-	-	116,298
Field tanks and wells	235,318	-	-	235,318
Computer and equipment	228,006	28,625	-	256,631
Computer software	48,904	-	-	48,904
Furniture and fixtures	42,507	-	-	42,507
Motor vehicles	257,224	-	-	257,224
Machinery and tools	21,462	10,119	-	31,581
	34,593,512	38,744	-	34,632,256

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

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

<i>Accumulated depreciation</i>	Balance January 1	Amortization/ Depreciation	Disposals	Balance December 31
Land	-	-	-	-
Distribution system	3,961,690	792,338	-	4,754,028
Building and improvements	724,918	144,984	-	869,902
Water plants and main tanks	1,334,893	593,286	-	1,928,179
Pump houses and related structure	18,593	3,719	-	22,312
Field tanks and wells	33,378	6,676	-	40,054
Computer and equipment	83,563	35,472	-	119,035
Computer software	48,904	-	-	48,904
Furniture and fixtures	30,990	6,376	-	37,366
Motor vehicles	255,024	2,200	-	257,224
Machinery and tools	9,734	4,328	-	14,062
	6,501,687	1,589,379	-	8,091,066
<i>Net book values</i>			January 1	December 31
Land			2,140,479	2,140,479
Distribution system			15,846,760	15,054,422
Building and improvements			5,037,089	4,892,105
Water plants and main tanks			4,597,964	4,004,678
Pump houses and related structure			97,705	93,986
Field tanks and wells			201,940	195,264
Computer and equipment			144,443	137,596
Computer software			-	-
Furniture and fixtures			11,517	5,141
Motor vehicles			2,200	-
Machinery and tools			11,728	17,519
			28,091,825	26,541,190

Management believes that there were no indications of impairment on the remaining assets as at December 31, 2015. See Note 9 for the details of property, plant and equipment under finance lease.

6. Cash in bank

	2015	2014
Eastern Caribbean Dollar (EC\$) account	96,323	723,693
United States Dollar (US\$) account	7,375	70,144
	103,698	793,837

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, 2015 and 2014 amounted to \$2,872 and \$4,473, respectively.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

7. Trade and other receivables - net

	Notes	2015	2014
Regular customers	7.1	5,009,399	5,114,628
Government of Anguilla (GOA)	7.1, 11	2,369,385	1,993,934
Employee advances		4,182	4,751
Others		118	118
Total receivables at		7,383,084	7,113,431
Allowance for impairment losses	7.2	(6,770,933)	(6,795,940)
		612,151	317,491

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:

	2015			2014		
	Regular	GOA	Total	Regular	GOA	Total
0 - 30 days	283,200	224,976	508,176	146,692	144,631	291,323
31 - 60 days	71,619	132,555	204,174	63,347	49,284	112,631
61 - 90 days	71,020	20,904	91,924	44,245	50,744	94,989
91 - 120 days	58,353	32,786	91,139	28,125	55,277	83,402
Over 120 days	4,525,325	1,958,164	6,483,489	4,832,337	1,693,998	6,526,335
	5,009,517	2,369,385	7,378,902	5,114,746	1,993,934	7,108,680

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

	2015	2014
Balance, January 1	6,795,940	11,298,360
Impairment loss	253,657	-
Recovery of impairment loss	-	(49,135)
Accounts written-off	(278,664)	(4,453,285)
Balance, December 31	6,770,933	6,795,940

In 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.

The above resulted to a total of \$4,453,285 customers' accounts written off for the year ended December 31, 2014.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2015

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

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 PVCs, 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 \$56,641 and \$72,798 for the years ended December 31, 2015 and 2014, respectively.

9. Leases

	<i>Notes</i>	2015	2014
Lands and buildings	9.1	1,022	964
Brackish water plant and tank	9.2	4,297,121	4,767,274
Saltwater Reverse Osmosis Plant	9.3	4,410,227	-
		8,708,370	4,768,238

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.

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

Movement of the deferred lease income account from grant as at December 31, 2015 and 2014 follows:

	<i>Note</i>	2015	2014
Balance, January 1		7,191,394	7,368,385
Grant income during the year	5	(176,991)	(176,991)
		7,014,403	7,191,394

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

9. Leases (continued)

9.1 Lands and buildings (continued)

Movement of lease payable for the land and building during the year follows:

	2015	2014
Balance, January 1	964	912
Finance charge during the year	58	52
Balance, December 31	1,022	964

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
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

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

December 31, 2015			
	Brackish Water Tank	Brackish Water Plant	Total
Within 1 year	315,549	220,194	535,743
Over 1 year but not more than 3 years	769,510	536,627	1,306,137
Over 3 years but not more than 5 years	999,540	696,454	1,695,994
Over 5 years	447,568	311,679	759,247
	2,532,167	1,764,954	4,297,121

December 31, 2014			
	Brackish Tank	Brackish plant	Total
Within 1 year	276,869	193,284	470,153
Over 1 year but not more than 3 years	675,183	471,045	1,146,228
Over 3 years but not more than 5 years	877,015	611,339	1,488,354
Over 5 years	979,969	682,570	1,662,539
	2,809,036	1,958,238	4,767,274

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

9. Leases (continued)

9.3 Reverse osmosis plant

During the year, 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
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

Information of the minimum lease payments due throughout the remaining life of the leased SWRO Plant as at December 31, 2015 follows:

	2015
Within 1 year	219,165
Over 1 year but not more than 3 years	542,965
Over 3 years but not more than 5 years	719,935
Over 5 years	2,928,162
	4,410,227

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

	2015	2014
Water plants and main tanks	650,005	655,927
Lands and buildings	58	52
	650,063	655,979

10. Trade and other payables

	Notes	2015	2014
Water cost	10.1	490,168	187,727
Electricity	10.2	743,460	361,150
Others		247,624	272,570
		1,481,252	821,447

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

10. Trade and other payables (continued)

10.1 Water cost represents the payable to TSG Water Works (Anguilla) Ltd (see Note 15.1), Cuisinart Golf Resort & Spa (see Note 16.2) and Caribbean Water Treatment Ltd (see Note 15.3) for the cost of water produced and supplied for the Company available to distribution to the public.

Total cost of water purchased for the years ended December 31, 2015 and 2014 amounted to \$991,575 and \$986,584, 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, 2015 and 2014 amounted to \$685,556 and \$1,245,788, respectively (Note 13).

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, 2015 and 2014, the balances of the Company's related party transactions are as follows:

	Notes	2015	2014
<i>Profit or loss</i>			
Subsidy	11.1	-	4,744,171
Grant income	9	176,991	176,991
Key management compensation and allowances	11.2	(486,321)	(520,406)
Board allowances		(85,425)	(87,525)
<i>Financial position</i>			
Trade receivables	7.1	2,369,385	1,993,934
Deferred income	9	7,014,403	7,191,394
Due to related party	11.3	8,168,150	8,018,280

11.1 In 2014, when the Company requested an increase of water tariff rates that are currently being charged to consumers, the Government did not approve the request, instead it assumed significant portion of Company's electricity bill with ANGLEC. GOA paid a total of \$4,736,175 outstanding bill in favour of the Company. This was recognized as a subsidy in 2014. Other expenses also amounting to \$7,996 was paid by GOA during that year.

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

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2015

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

11. Related party transactions (continued)

11.3 Details of due to related party follows:

	<i>Notes</i>	2015	2014
Due to GOA	11.3.1	3,066,372	2,916,502
Loan from GOA	11.3.2	5,101,778	5,101,778
		8,168,150	8,018,280

11.3.1 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.

11.3.2 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.

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.

Movements of loan from GOA during the year are as follows:

	2015	2014
Balance at January 1	5,101,778	940,870
Additions	-	4,429,554
Payments	-	(268,646)
Balance at December 31	5,101,778	5,101,778

12. Water income - net

	<i>Notes</i>	2015	2014
Water income	12.1	4,712,682	5,120,551
Water adjustments	12.2	(460)	(43,125)
		4,712,222	5,077,426

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements
As at and for the Year Ended 31 December 2015

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

12. Water income - net

12.1 Water income generated from each type of customer follows:

	2015	2014
Domestic residential consumers	4,428,467	4,664,690
Large commercial consumers	284,215	455,861
	4,712,682	5,120,551

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>	2015	2014
Water cost	10.1	991,575	986,584
Electricity	10.2	685,556	1,245,788
Materials and supplies	8	56,641	72,798
		1,733,772	2,305,170

14. Other income

	<i>Note</i>	2015	2014
Gain on disposal of asset		14,761	-
Foreign exchange loss		(13,127)	(9,267)
Reversal of impairment loss	7	-	49,135
		1,634	39,868

15. Salaries, wages and employee benefits

	<i>Note</i>	2015	2014
Basic salaries and overtime		1,339,447	1,341,618
Employee benefits	15.1	198,582	292,866
Social security		56,781	52,045
		1,594,810	1,686,529

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

15. Salaries, wages and employee benefits

15.1 Employee benefits for the years ended December 31, 2015 and 2014 include the following:

	2015	2014
Medical and MASA insurance	112,393	119,576
Pension	40,541	30,867
Travel	28,896	44,241
Phone	12,048	15,780
Uniform	2,955	3,709
Training	-	15,250
Gratuity	-	64,501
Other	1,749	(1,058)
	198,582	292,866

Gratuity paid includes payment made to employees who resigned in year 2014 as they are entitled to receive the same as per contract they signed.

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. The Company is also expected to exercise the option to buy-out the assets at the 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 9.2.

16.2 In 2012, there was a huge impact of water shortage in Anguillan residents due to termination of service of Aqua Design Anguilla Ltd. (ADAL). ADAL terminated its services with the Company due to significant breaches in the terms and conditions stipulated in the contract. ADAL was closed down in 2012 and water equipment was later shipped out of the island of Anguilla following an unpaid debt by the Company (see Note 9.1). The Government, in order to meet the water demand of Anguilla, temporarily engaged the services of Cuisinart Golf Resort & Spa to temporarily ration and supply water to the western part of the Island at \$10.50 USD per 1000 gal supplied. Cuisinart Golf Resort & Spa has its own reverse osmosis plant wherein, it processes its own water consumption.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

16. Contracts and commitments (continued)

- 16.3 During the year, 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 5). Details of lease is shown in Note 9.

17. Subsequent events

Significant contract 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.

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.

WATER CORPORATION OF ANGUILLA
Notes to the Financial Statements (continued)
As at and for the Year Ended 31 December 2015

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

17. Subsequent events (continued)

Cases and litigations (continued)

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.

17.4 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, 2015 and presented for disclosure purposes only.