

WATER & SEWERAGE AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2018

Ernst & Young Services Limited



WATER AND SEWERAGE AUTHORITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

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WATER AND SEWERAGE AUTHORITY

Statement of Management Responsibilities


Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of the Water and Sewerage Authority which comprise the statement of financial position as at 30 September 2018, the statements of revenue and expenditure, comprehensive loss, changes in net deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Water & Sewerage Act; Chapter 54:40; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Chairman
29 October 2021

DocuSigned by:

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Chief Executive Officer (Ag)
29 October 2021

INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

Disclaimer of Opinion

We were engaged to audit the financial statements of the Water and Sewerage Authority (“the Authority”) which comprise the statement of financial position as at 30 September 2018, and the statement of revenue and expenditure, statement of comprehensive loss, statement of changes in net deficit and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on these financial statements. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Property, plant and equipment

As at 30 September 2018, Property, plant and equipment (PPE), net of finance lease assets, reported in the statement of financial position carried a value of \$6,559 million (Refer to Note 3). The Authority was unable to provide an appropriate PPE register to support the existence and completeness of assets recorded at year end. The Authority has not performed a physical verification and useful life exercise for several years. In addition, due to the manner in which the PPE register is maintained, the Authority was unable to appropriately derecognize assets which were decommissioned and replaced during the financial year. Consequently, we were unable to obtain sufficient audit evidence to support the existence, completeness and accuracy of PPE amounting to \$6,559 million as at 30 September 2018.

Included in PPE is plant, machinery and equipment and capital work in progress (CWIP) amounting to \$2,954 million and \$2,607 million, respectively as at 30 September 2018 (Refer to Note 3). We were unable to obtain sufficient audit evidence to conclude on the accuracy and completeness of project costs within the plant, machinery and equipment. We were therefore unable to determine whether any adjustments were required to reclassify costs of an operating nature from PPE to the statement of revenue and expenditure and vice versa. We were unable to conclude on the accuracy of the timing of the transfer of project costs out of CWIP and consequently whether any project costs which resided in CWIP at year end should have been transferred out of CWIP during the year. We were unable to determine whether any adjustments may be required in respect of the recorded depreciation charge for the year of \$107 million, the deferred capital contributions released to income for the year of \$71 million (Refer to Note 11), the accumulated depreciation of \$1,372 million at year end and capital commitments disclosed in the notes to the financial statements of \$917 million (Refer to Note 20 (a)).

INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

Basis for Disclaimer of Opinion

(Continued)

As at 30 September 2018, the Authority has not been able to assess whether borrowing cost amounting to \$114 million of the \$294 million included within finance expenses reported in the statement of revenue and expenditure account are directly attributable to the acquisition, construction or production of qualifying assets and should be capitalized and included within the PPE, in accordance with IAS 23 "Borrowing costs" (Refer to Note 17).

The Authority is in the process of completing and finalizing the regularisation of title and ownership to some of its freehold and leasehold properties due to the non-finalisation of the related registered deeds and/or agreements relating to these properties. As a consequence, as at 30 September 2018 the Authority was unable to fully quantify the value of freehold and leasehold properties in which the negotiated deeds and/or agreements have not been finalised and the estimated liabilities in relation to the completed acquisition of these properties. The Authority has not started the process of reconciling negotiated deeds and/or agreements which have been finalized to the PPE register. We are therefore unable to determine whether freehold and leasehold properties reported within the PPE as at 30 September 2018 are accurate and complete.

Revenue and receivables

For the year ended 30 September 2018, the Authority recognized water and sewerage rate revenue of \$744 million. As at 30 September 2018, receivables (net of provisions) related to water and sewerage rates reported in the statement of financial position amounted to \$149 million (Refer to Note 6). We were unable to conclude on the accuracy and completeness of the water and sewerage revenue and related receivable balances as at and for the year ended 30 September 2018 as the Authority was unable to provide appropriate documentation to support these balances.

Included in Sundry Income is an amount of \$11 million in respect of works invoiced by the Business Enhancement Unit (BEU) and undertaken by the Operations Division (Refer to Note 15). The Authority has been unable to establish and implement appropriate revenue recognition practices consistent with the requirements of International Financial Reporting Standards whereby revenue relating to these projects is recognised on the basis of work performed and the stage of completion of the project activity. We were unable to establish whether any adjustments are required to the recorded revenue of \$11 million for the year to comply with the requirements of International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

Basis for Disclaimer of Opinion

(Continued)

Accounts payable and accruals

Accounts payable and accruals amounted to \$3,634 million as presented in the statement of financial position as at 30 September 2018 (Refer to Note 14). The Authority has not established robust accounting procedures for the timely and complete identification and recording of third party creditor liabilities. As a result we were unable to perform appropriate audit procedures to conclude on the completeness and accuracy of the recorded accounts payable and accruals balance of \$3,634 million, the corresponding assets/expenses and value added tax (VAT) recoverable in respect of input VAT amounting to \$239 million (Refer to Note 6) recorded as at 30 September 2018.

IAS 19 participant data

As at 30 September 2018, the Authority has recorded an Employee benefits asset of \$74 million and an Employee benefits liability of \$270 million. We were unable to obtain sufficient audit evidence to conclude on the accuracy of the Employee benefits asset and the Employee benefits liability recorded as at 30 September 2018, due to several anomalies identified in the participant data used by the Independent Actuaries to perform the valuation of the pension plan and termination benefit in accordance with IAS 19 "Employee benefits".

Personnel expenses

For the financial year ended 30 September 2018, the Authority incurred personnel expenses amounting to \$1,295 million (Refer to Note 16). We were unable to conclude on the accuracy of personnel expenses for the year ended 30 September 2018, as the Authority was unable to provide sufficient audit evidence to support these balances. We were also unable to conclude on the accuracy and completeness of payroll data migrated from HR Plus to the Oracle Payroll Module as at 1 January 2018, as management was unable to explain a number of anomalies identified between the two datasets.

Opening balances

The Authority has not quantified the potential impact on the opening balances of the unresolved matters noted above, which were also included in our disclaimer of opinion in the prior financial year ended 30 September 2017. Therefore, we were unable to obtain sufficient audit evidence to conclude on the accuracy of comparative amounts included in the statement of financial position as at 30 September 2017, and the statements of revenue and expenditure, comprehensive loss, changes in net deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. Since the opening balances are a key component in the determination of the financial performance and cash flows for the year ended 30 September 2018,



INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

Basis for Disclaimer of Opinion

(Continued)

we were unable to determine whether adjustments might have been necessary in respect of the total comprehensive loss for the year ended 30 September 2018, reported in the statement of comprehensive loss and the net cash flows reported in the statement of cash flows for the year ended 30 September 2018.

Responsibilities of management for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Port of Spain
Trinidad:
29 October 2021

WATER AND SEWERAGE AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

ASSETS	Notes	2018 \$'000	2017 \$'000
Non-current assets			
Property, plant and equipment	3	10,386,004	10,279,072
Held to maturity financial assets	4	1,000,031	1,243,334
Employee benefits asset	12	73,937	87,138
Accounts receivable and prepayments	6	<u>2,832</u>	<u>5,172</u>
		<u>11,462,804</u>	<u>11,614,716</u>
Current assets			
Inventories	5	58,710	77,513
Accounts receivable and prepayments	6	476,922	406,879
Restricted cash	7	31,591	33,520
Cash and cash equivalents	8	<u>113,189</u>	<u>127,637</u>
		<u>680,412</u>	<u>645,549</u>
Total assets		<u><u>12,143,216</u></u>	<u><u>12,260,265</u></u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
(Continued)

EQUITY AND LIABILITIES	Notes	2018 \$'000	2017 \$'000
Capital and reserves			
General reserve	2(v)	113,560	113,560
Accumulated deficit		<u>(3,104,727)</u>	<u>(3,003,717)</u>
Net deficit		<u>(2,991,167)</u>	<u>(2,890,157)</u>
Non-current liabilities			
Borrowings	9	509,716	1,534
Water sale agreement lease obligations	10	4,440,720	4,550,897
Deferred capital contributions	11	2,657,701	2,699,561
Employee benefits liability	12	269,908	243,251
Accounts payable and accruals	14	<u>172,781</u>	<u>129,384</u>
		<u>8,050,826</u>	<u>7,624,627</u>
Current liabilities			
Accounts payable and accruals	14	3,461,365	2,779,800
Current portion of borrowings	9	2,658,990	3,734,563
Current portion of water sale agreement lease obligations	10	108,359	99,309
Current portion of deferred capital contributions	11	70,426	71,130
Bank overdraft and short-term financing	13	<u>784,417</u>	<u>840,993</u>
		<u>7,083,557</u>	<u>7,525,795</u>
Total equity and liabilities		<u>12,143,216</u>	<u>12,260,265</u>

The accompanying notes form an integral part of these financial statements.

On 29 October 2021, the Board of Commissioners and Management of Water and Sewerage Authority authorized these financial statements for issue.

 : Chairman

 : Chief Executive (Ag)
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 : Commissioner

 : Director Finance (Ag)
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WATER AND SEWERAGE AUTHORITY

STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 \$'000	2017 \$'000
Revenues			
Water rates		700,641	660,195
Sewerage rates		43,460	45,763
Interest income		106,386	96,036
Deferred capital contributions released to income	11	71,280	71,965
Sundry income	15	144,019	35,763
Contingent rent	10	23,670	18,908
Government operating subventions		<u>1,804,136</u>	<u>1,858,322</u>
		<u>2,893,592</u>	<u>2,786,952</u>
Expenses			
Personnel	16	1,294,797	1,300,904
Supplies and services	16	275,490	271,337
Administration	16	105,270	249,041
Depreciation	3	385,223	396,409
Premises	16	120,122	114,237
Transport and plant	16	<u>24,214</u>	<u>33,173</u>
		<u>2,205,116</u>	<u>2,365,101</u>
Net operating surplus		688,476	421,851
Finance expenses	17	<u>(776,859)</u>	<u>(806,129)</u>
Net deficit for the year		<u>(88,383)</u>	<u>(384,278)</u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE AUTHORITY

STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 \$'000	2017 \$'000
Net deficit for the year		(88,383)	(384,278)
Remeasurement losses on termination benefit plan	12	(6,180)	(10,281)
Remeasurement (losses)/gains on defined benefit plan	12	<u>(6,447)</u>	<u>7,107</u>
Total comprehensive loss for the year		<u>(101,010)</u>	<u>(387,452)</u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE AUTHORITY

STATEMENT OF CHANGES IN NET DEFICIT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	General reserve \$'000	Accumulated deficit \$'000	Net deficit \$'000
Year ended 30 September 2018			
Balance as at 1 October 2017	113,560	(3,003,717)	(2,890,157)
Total comprehensive loss for the year	—	<u>(101,010)</u>	<u>(101,010)</u>
Balance as at 30 September 2018	<u>113,560</u>	<u>(3,104,727)</u>	<u>(2,991,167)</u>
Year ended 30 September 2017			
Balance as at 1 October 2016	113,560	(2,616,265)	(2,502,705)
Total comprehensive loss for the year	—	<u>(387,452)</u>	<u>(387,452)</u>
Balance as at 30 September 2017	<u>113,560</u>	<u>(3,003,717)</u>	<u>(2,890,157)</u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash generated from operations	19	1,599,326	1,331,432
Interest received		106,386	96,036
Interest paid		<u>(776,104)</u>	<u>(789,519)</u>
Net cash inflows generated from operating activities		<u>929,608</u>	<u>637,949</u>
Cash flows from investing activities			
Additions to property, plant and equipment, net of finance leases		(491,399)	(456,810)
Decrease/(increase) in held to maturity financial assets		243,303	(102,744)
Decrease/(increase) in restricted cash	7	<u>1,929</u>	<u>(1,927)</u>
Net cash outflows used in investing activities		<u>(246,167)</u>	<u>(561,481)</u>
Cash flows from financing activities			
Proceeds of deferred capital contributions	11	28,716	50,161
Payment of water sale lease obligations	10	(99,628)	(90,670)
Payment of vehicle lease obligations	9(k)	(1,200)	(1,446)
Proceeds from borrowings		508,667	616,000
Repayment of borrowings		(1,077,868)	(789,076)
Increase in desalination facility/advance		<u>602</u>	<u>1,716</u>
Net cash outflows used in financing activities		<u>(640,711)</u>	<u>(213,315)</u>
Increase/(decrease) in cash and cash equivalents		42,730	(136,847)
Cash and cash equivalents			
- at the beginning of the year		<u>(313,556)</u>	<u>(176,709)</u>
- at the end of the year	18	<u>(270,826)</u>	<u>(313,556)</u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. Incorporation and nature of business

The Water and Sewerage Authority (“the Authority”) was established and is domiciled in the Republic of Trinidad and Tobago, under the Water & Sewerage Act, Chapter 54:40 with responsibility for:

- a) the provision of an adequate and reliable water supply and the treatment and disposal of wastewater, and
- b) the development and control of water supply and sewerage facilities, and the conservation and proper use of water resources throughout Trinidad and Tobago.

The registered address of the Authority is Farm Road, Valsayn, St. Joseph. The Authority is subject to regulation from the Regulated Industries Commission (RIC), under the Regulated Industries Commission Act, 1998.

In accordance with Clause 20.1.1 (ii) of the Interim Operating Agreement (“IOA”), which ended on 4 April 1999, the Government of the Republic of Trinidad and Tobago (“GORTT”) assumed responsibility for the servicing of all debts and liabilities of WASA, inclusive of all borrowings, existing or accrued at the effective date of the IOA. As such, GORTT provides direct funding to the Authority to facilitate servicing of these obligations. This is separately presented on the statement of financial position as GORTT subordinated borrowings.

2. Significant accounting policies

a) Basis of preparation

These financial statements are expressed in thousands of Trinidad and Tobago dollars (except when otherwise indicated) and have been prepared on the historical cost basis.

Statement of compliance

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern

As at 30 September 2018, the Authority has an accumulated deficit of \$3,104 million (2017: \$3,004 million), loan and lease indebtedness (short term and long term) \$7,718 million (2017: \$8,386 million) and its current liabilities exceed current assets by \$6,909 million (2017: \$6,880 million). The Authority's operations and solvency are heavily dependent on funding and financing guarantees provided by GORTT. These financial statements have been prepared on the going concern basis on the assumption that funding will continue to be made available to the Authority by GORTT and the Authority will continue to receive adequate funds to finance future operations.

Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the new and amended standards and interpretations - IFRS and IFRIC (International Financial Reporting Interpretations Committee) as of 1 October 2017. The adoption of these new standards, interpretations and amendments did not have an impact on the financial position or performance of the Authority.

The Authority has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, which are effective for annual periods beginning on or after 1 January 2017.

New and amended standards and interpretations not affecting amounts reported and/or disclosures in the financial statements

- Amendments to IAS 7 - Disclosure Initiative
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to IFRSs 2014-2016 Cycle – effective 1 January 2017

- IFRS 12 'Disclosure of Interests in Other Entities – Clarification on the scope of the Standard'.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

Standards issued but not yet effective

The Authority is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective.

- IFRS 9 Financial Instruments: Classification and Measurement and the related Deferral Option – effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers and the related clarifications – effective 1 January 2018
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions – effective 1 January 2018
- Amendments to IAS 40 Transfers of Investment Property – effective 1 January 2018
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration – effective 1 January 2018
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – effective 1 January 2019
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures – effective 1 January 2019
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement – Effective 1 January 2019
- IFRIC 23 – Uncertainty over Income Tax Treatments – effective 1 January 2019
- IFRS 16 Leases – effective 1 January 2019
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – effective 1 January 2020
- Amendments to IFRS 3 – Definition of business – effective 1 January 2020
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions – effective 1 June 2020
- Amendments to IAS 1 and IAS 8 – Definition of material – effective 1 January 2020

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

Standards issued but not yet effective (continued)

- Amendments to References in the Conceptual Framework in IFRS Standards – effective 1 January 2020
- IBOR reform Phase 2 – Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – effective 1 January 2021
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions – effective 1 January 2021
- Annual Improvements to IFRS Standards 2018–2020 – effective 1 January 2022
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use – effective 1 January 2022
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract – effective 1 January 2022
- Amendments to IFRS 3 Business Combinations – effective 1 January 2022
- Amendments to IFRS 17 Insurance Contracts with reference to an update to the Conceptual Framework – effective 1 January 2023
- Amendments of Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective 1 January 2023
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current – effective 1 January 2023
- Amendments to IAS 8 Definition of Accounting Estimates – effective 1 January 2023
- Amendments to IAS 12 Deferred Tax Assets & Liabilities arising from a Single Transaction – effective 1 January 2023

Annual improvements to IFRS standards 2014–2016 cycle – Effective 1 January 2018

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters’.
- IAS 28 ‘Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice’.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

Standards issued but not yet effective (continued)

Annual improvements to IFRS standards 2015-2017 cycle – Effective 1 January 2019

- IFRS 3 ‘Business Combinations and IFRS 11 Joint Arrangements – IFRS 3 clarifies remeasurements in previously held interests in a joint operation which the entity obtains control and IFRS 11 clarifies no remeasurement in previously held interests in a joint operation which the entity obtains joint control’.
- IAS 12 ‘Income Taxes – Clarification on the requirements for all income tax consequences of dividends’.
- IAS 23 ‘Borrowing Costs – Clarification on outstanding borrowing costs relating to assets held for sale’.

Annual improvements to IFRS standards 2018-2020 cycle – Effective 1 January 2022

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter’.
- IFRS 9 ‘Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities’.
- IFRS 16 ‘Leases – Lease incentives’.
- IAS 41 ‘Agriculture – Taxation in fair value measurements’.

The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

b) Significant accounting estimates, assumptions and judgments

The preparation of the financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at year end as well as affecting the reported income and expenses for the year.

Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future years.

Judgements

In the process of applying the Authority's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Authority as lessee

The Authority has entered into vehicle and equipment leases. The Authority has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the asset, that it does not obtain all the significant risks and rewards of ownership of these assets and accounts for the transactions as operating leases.

Finance lease commitments – Authority as lessee

Leases are classified as finance leases whenever based on management's evaluation of the terms and conditions of the arrangement, the terms of the lease transfer substantially all of the risks and reward of ownership from the lessor. All other leases are classified as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These assumptions and estimates are based on parameters existing and available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Authority.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

b) Significant accounting estimates, assumptions and judgments (continued)

Estimates and assumptions (continued)

Property, plant and equipment

Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Authority to enable the value to be treated as capital expenditure. Further judgment is applied in the annual review of the residual values and useful lives of all categories of property, plant and equipment and the resulting depreciation determined thereon.

Pension and termination benefits plan

The cost of the defined benefit pension plan and termination benefits plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 12.

Provision for bad debts

The Authority maintains an allowance for doubtful debtors at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Authority on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Authority's relationship with its customers, their payment behaviour and known market factors.

The Authority reviews the payment history and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Authority utilised different judgments or estimates in relation to the collectability of these balances.

Fair value of financial instruments

As described in Note 2(g), derivative financial instruments are measured at fair value. When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation technologies including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

c) Current versus non-current distinction

The Authority presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Authority classifies all other liabilities as non-current.

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (where applicable). Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits will accrue to the Authority and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of revenue and expenditure when incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

2. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

The costs of assets under construction are classified under ‘capital work in progress’ (CWIP). Depreciation is charged when the construction is substantially completed and the assets are ready for use.

Gains or losses arising from the de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of revenue and expenditure when the asset is derecognized.

With the exception of land and capital work in progress, depreciation is charged on all other assets on the straight-line basis at rates estimated to write off these assets over their expected useful lives. The useful lives and salvage values used are as follows:

Categories	Useful life (years)	Salvage value (%)
<i>Land and building</i>		
Structures	30 - 50	15
Reservoirs, river intakes, boreholes, and wells	20 - 85	—
<i>Plant, machinery, equipment and motor vehicles</i>		
Mains, lateral lines, pumps, pumping station equipment, stores equipment, water treatment equipment, meters, laboratory equipment, other equipment, trucks, transport equipment, tool-shop and garage equipment	6 - 50	—
<i>Office furniture and equipment</i>		
Office equipment, communication and computer equipment	3 - 6	—
Desalination plant leased asset - Desalination Company of Trinidad and Tobago	22*	—
Desalination plant leased asset - Seven Seas Trinidad Unlimited	13.7*	—

* The useful lives of the desalination plants were determined based on the modified lease term of the respective water sale agreements, which is shorter than the economic useful lives of these facilities. (Refer to Note 10)

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

e) Financial instruments

Financial instruments carried on the statement of financial position include cash deposits, restricted cash, accounts receivable, held to maturity financial assets, bank overdraft and short-term financing, accounts payable, borrowings, lease obligations and derivative financial instruments. The particular recognition methods adopted are presented in the individual policy statements associated with each item.

f) Held to maturity financial assets

Held to maturity financial assets comprises fixed or determinable income securities that the Authority has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method and this is taken to the statement of revenue and expenditure.

g) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative financial instruments are recorded in the statement of financial position at fair value as assets when favourable to the Authority and liabilities when unfavourable. Fair value adjustments and realised gains and losses are recognized in the statement of revenue and expenditure.

h) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the costs of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the cost of those assets. All other borrowing costs are recognised in the statement of revenue and expenditure in the period in which they are incurred.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

i) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Cost represents all costs incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

j) GORTT funding

These funds are provided by the Government of the Republic of Trinidad and Tobago (GORTT) under its annual recurrent estimates of expenditure and to fund certain capital expenditures such as that under the Public Sector Investment Programme.

Funding from GORTT relating to recurrent and/or operating expenditures of the Authority are recognised as income in the statement of revenue and expenditure (presented as 'government operating subventions'), to match the related costs that it is intended to compensate. Where the funding relates to the funding of an asset, it is included as 'deferred capital contributions' and released to income in equal amounts over the expected useful life of the related asset.

k) Foreign currency translation

These financial statements are presented in Trinidad and Tobago dollars (expressed in thousands), which is the Authority's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at the rate of exchange ruling at year end. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are recognized in the statement of revenue and expenditure.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

l) Taxation

- i) Under the Water & Sewerage Authority (Tax Exemption) Order, 1990, the Authority is exempt from the payment of stamp duty, customs duty and corporation taxes.
- ii) Under the Value Added Tax Act, the water and sewerage services provided by the Authority are zero-rated.

m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash and bank balances, net of bank overdrafts and other short-term financing facilities with original maturity of three months or less.

n) Employee benefits

The Authority operates a defined benefit plan for its daily paid employees, the assets of which are held in a separate trustee-administrated fund. The pension accounting costs for the plan have been assessed using the projected unit credit method.

Under this method the costs of providing pensions is charged to the statement of revenue and expenditure so as to spread the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The pension plan is funded by contributions from employees and the Authority, taking into account the recommendations of independent qualified actuaries. These recommendations are based on valuations, which are performed every three years, the last of which was carried out as of 30 September 2019, which revealed that the plan was adequately funded.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

n) Employee benefits (continued)

The Authority also operates a termination benefit plan for its daily paid employees. Under this plan a lump sum benefit is paid to such employees upon retirement (through age or ill health) or death. The premiums are funded by contributions by the Authority. The expected costs of these benefits are accounted for over the period of employment, using an accounting methodology similar to that for the defined benefit plan.

o) Borrowings

All loans and borrowings are recognized at cost (plus capitalised interest where applicable), being the fair value of the consideration received, net of transaction costs. After initial recognition, these borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and discount or premium on settlement. Gains and losses are recognised in the statement of revenue and expenditure when the liability is derecognised as well as through the amortisation process.

p) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, taking into account discounts and rebates. The following specific recognition criteria apply to the relevant category of revenue:

i) Government operating subventions

Subventions relating to operating activities are recognised as income on a systematic and rational basis over the periods in which the related expenses are incurred.

ii) Deferred contributions: GORTT

As described in Note 2(j) above, an amount equivalent to the depreciation charge on the related property, plant and equipment is released to income over the expected useful life of the asset.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

p) Revenue recognition (continued)

iii) Water and sewerage rates

Water and sewerage income are recognised on the accruals basis which coincides with the method for providing for water and sewerage services to customers.

Water and sewerage rates which are billed in advance are deferred in the statement of financial position and recognised as revenue in the month when the services are provided.

iv) Interest income

Interest income is accounted for on the accruals basis, unless recoverability is in doubt.

v) Sundry income

Income is also received from a range of other activities including water abstraction, rental of facilities and income earned in respect of work undertaken on behalf of other agencies. This income is accounted for as the work is performed.

q) Trade and other receivables

Trade and other receivables with credit terms of 14-30 days are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of outstanding amounts are considered doubtful. Bad debts are written-off as incurred.

r) Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

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

s) **Provisions**

Provisions are recorded when the Authority has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Restructuring provisions are recognized only when the Authority has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

When the Authority can reliably measure the outflow of economic benefits in relation to a specific matter and considers such outflows to be probable, the Authority records a provision against the matter. Given the subjectivity and uncertainty of determining the probable amount of losses, the Authority takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

2. Significant accounting policies (continued)

t) Impairment of assets

Non-financial assets

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to dispose and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses are separately disclosed in the statement of revenue and expenditure.

Financial assets

The carrying value of all financial assets not carried at fair value through the statement of revenue and expenditure is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

u) Leases

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the statement of revenue and expenditure on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

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

u) **Leases** (continued)

Finance leases

Leases for property, plant and equipment where the Authority assumes substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the fair value of the leased asset or if lower at the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding.

The corresponding rental obligations, net of finance charges represent the obligation under the finance lease. The interest element of the finance charge is charged to the statement of revenue and expenditure over the lease period.

Property, plant and equipment acquired under a finance leasing contract is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

v) **General reserve**

The general reserve represents equity arising from the formation of the Authority in 1965 through the transfer of assets from various municipal corporations.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

3. Property, plant and equipment

	Land & buildings \$'000	Plant, machinery & equipment \$'000	Leased assets - Desalination plants \$'000	Motor vehicles \$'000	Office furniture & equipment \$'000	Capital work in progress (CWIP) \$'000	Total \$'000
At 30 September 2018							
Cost	1,801,625	4,326,578	4,621,213	72,815	69,300	2,607,061	13,498,592
Accumulated depreciation	<u>(810,859)</u>	<u>(1,372,098)</u>	<u>(796,011)</u>	<u>(68,570)</u>	<u>(65,050)</u>	—	<u>(3,112,588)</u>
Net book amount	<u>990,766</u>	<u>2,954,480</u>	<u>3,825,202</u>	<u>4,245</u>	<u>4,250</u>	<u>2,607,061</u>	<u>10,386,004</u>
Net book amount							
1 October 2017	1,040,450	2,987,324	4,045,881	6,165	8,814	2,190,438	10,279,072
Additions	—	75,208	—	—	324	416,623	492,155
Disposals and other adjustments	—	(756)	—	756	—	—	—
Depreciation charge	<u>(49,684)</u>	<u>(107,296)</u>	<u>(220,679)</u>	<u>(2,676)</u>	<u>(4,888)</u>	—	<u>(385,223)</u>
30 September 2018	<u>990,766</u>	<u>2,954,480</u>	<u>3,825,202</u>	<u>4,245</u>	<u>4,250</u>	<u>2,607,061</u>	<u>10,386,004</u>
At 30 September 2017							
Cost	1,801,625	4,252,126	4,621,213	72,060	68,976	2,190,438	13,006,438
Accumulated depreciation	<u>(761,175)</u>	<u>(1,264,802)</u>	<u>(575,332)</u>	<u>(65,895)</u>	<u>(60,162)</u>	—	<u>(2,727,366)</u>
Net book amount	<u>1,040,450</u>	<u>2,987,324</u>	<u>4,045,881</u>	<u>6,165</u>	<u>8,814</u>	<u>2,190,438</u>	<u>10,279,072</u>
Net book amount							
1 October 2016	1,070,843	2,924,530	4,266,560	7,242	15,910	1,931,267	10,216,352
Additions	20,040	176,711	—	—	3,207	259,171	459,129
Disposals and other adjustments	—	(3,660)	—	3,660	—	—	—
Depreciation charge	<u>(50,433)</u>	<u>(110,257)</u>	<u>(220,679)</u>	<u>(4,737)</u>	<u>(10,303)</u>	—	<u>(396,409)</u>
30 September 2017	<u>1,040,450</u>	<u>2,987,324</u>	<u>4,045,881</u>	<u>6,165</u>	<u>8,814</u>	<u>2,190,438</u>	<u>10,279,072</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

3. Property, plant and equipment (continued)

The carrying value of property, plant and equipment held under finance leases at 30 September 2018 amounted to \$3,827 million (2017: \$4,048 million). This amount includes \$3,825 million (2017: \$4,046 million) in relation to the Desalination Company of Trinidad and Tobago (Desalcott) and Seven Seas Trinidad Unlimited (Seven Seas) desalination plants leased assets which has been capitalized in accordance with IAS 17 “Leases”.

Borrowing costs capitalised within property, plant and equipment for the current period amounted to \$0.775 million (2017: \$1.1 million).

4. Held to maturity financial assets	2018 \$’000	2017 \$’000
IOA operator loan (Note 9 a)		
11¼% zero coupon bond 2001 – 2021	328,087	294,909
VSEP bond (Note 9 b)		
11¼% zero coupon bond 2001 – 2026	41,285	37,112
South water project bonds – Phase 1 (Note a)		
11½% zero coupon bond 1998 – 2018	–	317,433
Citicorp fixed rate bond (Note 9 h)		
6.10% zero coupon bond 2011 – 2031	<u>630,659</u>	<u>593,880</u>
	<u>1,000,031</u>	<u>1,243,334</u>

These financial assets are tied to various borrowings with maturities dates falling in between 2018 to 2031 (inclusive).

- (a) The South Water Project Bonds – Phase 1 sinking fund matured on 25 September 2018 and was utilized to repay the South Water Project loan via a bullet payment upon its maturity on 25 September 2018. Refer to Note 9 c.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

5. Inventories	2018 \$'000	2017 \$'000
Pipes, fittings and other materials	54,130	71,101
Chemicals and other consumables	<u>6,133</u>	<u>6,816</u>
	60,263	77,917
Less: Provision for obsolete and slow moving items	<u>(1,553)</u>	<u>(404)</u>
	<u>58,710</u>	<u>77,513</u>

Inventory provisioning debit for the year totaled \$1.1 million (2017: \$1.8 million) and is presented within supplies and services expenses within “stock valuation adjustments” (Note 16).

6. Accounts receivable and prepayments	2018 \$'000	2017 \$'000
Water and sewerage rate receivables:		
Gross receivables	666,751	623,495
Less: Provision for doubtful debts	<u>(517,335)</u>	<u>(461,749)</u>
	<u>149,416</u>	<u>161,746</u>
Other receivables and prepayments:		
Amounts due from GORTT	76,584	37,592
Value added tax recoverable	239,165	191,008
BEU receivable	65,332	69,027
Water abstraction receivables	54,973	54,496
Miscellaneous receivables	13,589	13,582
Staff loan and advances	10,556	13,930
Prepayments	1,871	1,528
Meter installation receivables	<u>4,974</u>	<u>5,034</u>
	467,044	386,197
Less: Provision for doubtful debts	<u>(136,706)</u>	<u>(135,892)</u>
	<u>330,338</u>	<u>250,305</u>
Total accounts receivable and prepayments	<u>479,754</u>	<u>412,051</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

6. Accounts receivable and prepayments (continued)	2018	2017
	\$'000	\$'000
Presented on the statement of financial position as follows:		
Non-current	2,832	5,172
Current	<u>476,922</u>	<u>406,879</u>
	<u>479,754</u>	<u>412,051</u>

The non-current portion of accounts receivables and prepayments relates to loans and advances provided to staff which is due after one (1) year but within five (5) years from the end of the reporting period.

As at 30 September 2018, trade and other receivables at a value of \$654.0 million (2017: \$597.6 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2018	2017
	\$'000	\$'000
Balance brought forward	597,641	535,610
Charge for the year (Note 16)	65,290	74,919
Amounts written back/recoveries	<u>(8,890)</u>	<u>(12,888)</u>
Balance carried forward	<u>654,041</u>	<u>597,641</u>

For trade receivables, the Authority establishes provisions for doubtful debts using a methodology that considers information subsequent to the reporting period. Aging of customer balances is not a criterion reliably used for the determination of credit risk or provisioning.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

6. Accounts receivable and prepayments (continued)

As at 30 September 2018, the aging analysis of net trade receivables (water and sewerage rate receivables) due and not impaired is as follows:

2018	Within 1 year \$'000	Over 1 year \$'000	Total \$'000
Domestic	65,147	24,147	89,294
Industrial	34,413	419	34,832
Commercial	19,171	2,628	21,799
Other	<u>(5,233)</u>	<u>8,724</u>	<u>3,491</u>
	<u>113,498</u>	<u>35,918</u>	<u>149,416</u>
2017			
Domestic	75,359	20,815	96,174
Industrial	21,871	548	22,419
Commercial	24,430	2,405	26,835
Other	<u>2,162</u>	<u>14,156</u>	<u>16,318</u>
	<u>123,822</u>	<u>37,924</u>	<u>161,746</u>
7. Restricted cash		2018 \$'000	2017 \$'000
a) South Water Project loan		3,816	3,816
b) Charge on escrow accounts			
- IOA loan		23,743	19,238
- VESP bond		4,032	3,058
c) WASA Debt Service Reserve		<u>—</u>	<u>7,408</u>
		<u>31,591</u>	<u>33,520</u>

Notes:

- a) The proceeds from the South Water Project loan was placed in an interest bearing account at the Central Bank as per the loan agreement. Access to these funds is subject to specific drawdown procedures and approval by senior officials of the Authority and an independent engineering auditor.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

7. **Restricted cash** (continued)

- b) The above charge on escrow accounts were created by the Authority arising out of a Trust Deed as security for the payment and discharge of the interest amounts on due dates. These funds are held in an account at RBC Trust (Trinidad and Tobago) Ltd.
- c) The Authority established the WASA Debt Service Reserve by way of security for the repayment of all sums due under the Republic Bank Fixed Rate Note. This matured on 3 November 2017.

8. Cash and cash equivalents	2018 \$'000	2017 \$'000
Cash on hand and at bank	<u>113,189</u>	<u>127,637</u>

Cash at bank earns interest based on the daily floating deposit rates at the respective banks.

9. Borrowings	Current	Non-current		2018 \$'000	2017 \$'000
		2-5 years \$'000	> 5 years \$'000		
(a) IOA operator loan	456,419	–	–	456,419	456,419
(b) VESP bond	99,327	–	–	99,327	99,327
(c) South water project bonds	60,505	–	–	60,505	455,624
(d) North water project bonds	107,720	–	–	107,720	138,498
(e) Citicorp recurrent funding	10,972	–	–	10,972	21,944
(f) Recurrent funding	162,012	–	–	162,012	186,934
(g) North water project bonds (refinanced)	428,521	–	–	428,521	426,611
(h) Citicorp fixed rate bond	1,332,560	–	–	1,332,560	1,332,293
(i) Republic fixed rate note	–	–	–	–	616,000
(j) Republic long term loan	–	–	508,667	508,667	–
(k) Lease obligations	<u>954</u>	<u>1,049</u>	<u>–</u>	<u>2,003</u>	<u>2,447</u>
Total	<u>2,658,990</u>	<u>1,049</u>	<u>508,667</u>	<u>3,168,706</u>	<u>3,736,097</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

9. Borrowings (continued)

As at 30 September 2018, the Authority was not compliant with the loan covenants related to borrowings described under Notes 9(a) to 9(i). The Authority has defaulted on the terms of these loan arrangements, due to cross default provisions.

All borrowings disclosed under Notes 9(a) to 9(i) were classified as current liabilities in the statement of financial position as at 30 September 2018, as the Authority did not have an unconditional right to defer settlement of these liabilities for at least twelve months after the reporting period, and the Lenders/Trustees had the ability to demand immediate repayment of any principal and interest due in relation to these borrowings. The Lenders/Trustees did not demand immediate repayment of the borrowings as at 30 September 2018 or subsequent to the reporting date, up to the date of approval of these financial statements.

Subsequent to year end and up to the date of approval of these financial statements, the Authority has not remedied these defaults and remain non-compliant with respect to the loan covenants described above. Accordingly, the Lenders/Trustees have the ability to demand immediate repayment.

a. IOA operator loan

On 7 November 2001, the Authority refinanced the \$450 million IOA operator loan by issuing a bond with a face value of \$456.4 million. The bond was underwritten by Citicorp Merchant Bank Limited and is repayable via a single bullet payment in November 2021.

There was a three-year moratorium on interest payments from the issue date. The deferred interest was paid by six equal semi-annual payments commencing from year 3.5 to the 6th anniversary. Regular interest payments followed on the outstanding principal and deferred interest from year 3.5 and thereafter semi-annually in arrears. The applicable interest rate is 13.10% to year 1.5 and 11.75% thereafter through to year 2021.

The bond is secured by zero coupon securities with a maturity value equivalent to the principal at maturity. GORTT has provided a guarantee of an amount equal to 100% of the annual interest payment due on the bond.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)

a. IOA operator loan (continued)

Upon refinancing of the IOA \$450 million loan, the zero-rated coupon bonds, which were previously four (4) separate bonds, were consolidated into one (1) bond as presented in Note 4.

	2018	2017
	\$'000	\$'000
Current portion	<u>456,419</u>	<u>456,419</u>

b. VESP bond

On 31 December 2001, the Authority refinanced the VESP (1998) bond with Republic Finance & Merchant Bank Limited by issuing a bond with a face value of \$99.3 million, part proceeds of which were used to repay the existing VESP (1998) bond. The new bond was underwritten by Citicorp Merchant Bank Limited and is repayable with a single bullet payment in December 2026.

There was a three-year moratorium on interest payments from the issue date. The deferred interest was repaid by ten equal semi-annual payments commencing from year 3.5. Regular interest payments followed on the outstanding principal and deferred interest from year 3.5 and thereafter semi-annually in arrears. The interest rate is fixed at 11.75%.

The bond was secured by zero coupon securities with a maturity value equivalent to the principal at maturity (refer to Note 4). GORTT has provided a guarantee of an amount equal to 100% of the annual interest payment due on the bond.

	2018	2017
	\$'000	\$'000
Current portion	<u>99,327</u>	<u>99,327</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)	2018 \$'000	2017 \$'000
c. South Water Project bonds		
RBTT Merchant Bank Limited:		
Principal balance	–	300,000
Capitalised interest	<u>–</u>	<u>54,783</u>
	<u>–</u>	<u>354,783</u>
Trinidad and Tobago Central Depository Limited:		
Principal balance	<u>60,505</u>	<u>100,841</u>
Total	<u>60,505</u>	<u>455,624</u>

Phase 1

The finance for Phase 1 of the South Water Project was provided by the RBTT Merchant Bank Limited. The bond of \$300 million was issued on 25 September 1998 and matured on 25 September 2018. The principal amount of \$354.8 million (inclusive of capitalised interest of \$54.8 million loan was repaid via a bullet payment on 25 September 2018.

Interest is charged at the rate of 11.50% per annum and is charged on a half-yearly basis on 25 March and 25 September of each year. Interest was capitalised up to 25 March 2000 and was due and payable from 25 September 2000. The interest payments are secured by an unconditional GORTT guarantee.

The principal amount (inclusive of capitalised interest) is secured by semi-annual sinking fund payments of \$3.8 million commencing on 25 September 2000 and ending on 25 September 2018 (refer to Note 4).

Phase 2

The finance for Phase 2 of the South water project was provided by FINCOR. The bond of \$343 million was issued in two tranches of \$110 million and \$233 million on 7 October and 1 November 1991, respectively and matures on 7 October 2019.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)

c. South Water project bonds (continued)

Phase 2 (continued)

Interest is charged at the rate of 11.45% per annum during the first ten years of the loan, from 7 October 1999 to 7 October 2009, and 12.00% per annum during the last ten years of the loan, from 7 April 2010 to 7 October 2019. Interest is charged on a half-yearly basis on 7 April and 7 October of each year (commencing on 7 October 2000 in respect of both tranches). Interest was capitalised up to 7 April 2000 and was due and payable with effect from 7 October 2001.

The principal is repayable in twenty semi-annual instalments of \$20.2 million each, commencing 7 April 2010 and ending 7 October 2019. Both principal and interest payments are secured by an unconditional GORTT guarantee.

d. North water project bonds	2018	2017
	\$'000	\$'000
Trinidad and Tobago Central Depository Limited:		
Principal balance	<u>107,720</u>	<u>138,498</u>

This project relates to the upgrade of the water and wastewater infrastructure, primarily in North Trinidad.

Phase 1

The finance for Phase 1 of the North water project was initially provided by a bond floated by the Unit Trust Corporation of Trinidad and Tobago ("UTC"). The Authority refinanced this bond in 2005 (Refer to Note 9h) via a new fifteen (15) year bond issue of \$435 million from the Central Bank of Trinidad and Tobago.

Phase 2

The finance for Phase 2 of the North water project was provided by a bond floated by FINCOR.

The amount of \$330 million was disbursed on 21 November 2001. Interest is payable semi-annually in arrears at a fixed rate of 11.50%. There was a three (3) year moratorium on interest payments with the interest being accrued and capitalised semi-annually, subsequently payable semi-annually in arrears.

There was a five (5) year moratorium on principal repayment. The principal balance is repayable by thirty (30) equal semi-annual payments commencing 5½ years after issue and ending on 21 November 2021. Both principal and interest are secured by an unconditional GORTT guarantee.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)

e. Citicorp recurrent funding	2018	2017
	\$'000	\$'000

Citicorp Merchant Bank Limited:

Principal balance	<u>10,972</u>	<u>21,944</u>
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The proceeds of this bond were used to finance the recurrent expenditure of the Authority.

The amount of \$145 million was disbursed on 14 May 2004 on a fifteen (15) year term. Interest is payable semi-annually in arrears at the rate of 5.85% per annum, commencing 14 November 2005. The principal balance is repayable by twenty-eight (28) equal semi-annual payments commencing 14 November 2005 and ending on the 14 May 2019. Both principal and interest are secured by an unconditional GORTT guarantee.

f. Recurrent funding	2018	2017
	\$'000	\$'000

Trinidad and Tobago Central Depository Limited:

Principal balance	162,500	187,500
Deferred charges	<u>(488)</u>	<u>(566)</u>
	<u>162,012</u>	<u>186,934</u>

The proceeds of this bond were used to finance existing overdraft facility and to provide additional finance to the Authority.

The loan was disbursed on 21 December 2004 on a twenty (20) year term. Interest is payable semi-annually in arrears at the rate of 6.175% per annum, commencing 20 June 2005. The principal balance is repayable by forty (40) semi-annual payments commencing 20 June 2005 and ending on the 21 December 2024. Both principal and interest are secured by an unconditional GORTT guarantee.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)

g. North water project bonds (refinanced)	2018	2017
	\$'000	\$'000
Central Bank of Trinidad and Tobago:		
Principal balance	432,220	432,220
Deferred charges	<u>(3,699)</u>	<u>(5,609)</u>
	<u>428,521</u>	<u>426,611</u>

The Authority refinanced the North Water Phase 1 \$330 million bond (Note 9 d) via a new bond issue of \$435 million, issued in three tranches corresponding to the refinancing dates of the existing tranches and with a tenor of fifteen (15) years ending in 2020. The tranches were disbursed during the period June to October 2005. The first and second tranches were disbursed on 6 June 2005 and 3 August 2005 in the amounts of \$125.0 million and \$192.2 million, respectively.

The final tranche (3rd tranche) was disbursed on the 10 October 2005 in the amount of \$115.0 million.

The proceeds of this loan were used to refinance the outstanding balance of the existing North Water Project 1 bond of \$330 million for the financing of the first phase of the Strategic Schemes for Service delivery improvement.

The bonds in each of the 1st Tranche, 2nd Tranche and 3rd Tranche bear interest from their respective issue dates at a fixed rate of 6.35% per annum over a fifteen (15) year term with interest payable semi-annually in arrears.

The principal balance of each tranche is repayable in a single bullet payment fifteen (15) years from the respective issue dates. Both principal and interest are secured by an unconditional GORTT guarantee.

h. Citicorp fixed rate bond	2018	2017
	\$'000	\$'000
Principal balance	1,335,900	1,335,900
Deferred charges	<u>(3,340)</u>	<u>(3,607)</u>
Principal balance (net)	<u>1,332,560</u>	<u>1,332,293</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)

h. Citicorp fixed rate bond (continued)

The proceeds of this bond were used to finance the Authority's capital expenditure to improve the water supply to the population, a universal metering programme and transformation and restructuring exercise.

The bond was issued on 28 March 2011 on a twenty (20) year term at the fixed rate of 6.95% per annum. Interest is payable semi-annually in arrears, commencing 28 September 2011.

The principal amount is secured by a 20 year Zero Coupon Bond Sinking Fund (refer to Note 4) of \$401.7 million invested at an interest rate of 6.10% capitalized semi-annually commencing 28 March 2011 and is repayable by a single bullet payment at maturity on 27 March 2031.

Both principal and interest are secured by an unconditional GORTT guarantee.

i. Republic fixed rate note	2018	2017
	\$'000	\$'000
Republic Finance & Merchant Bank Limited:		
Principal balance	_____	<u>616,000</u>

The Authority entered into a Fixed Rate Loan Agreement on 3 November 2016 with Republic Bank Limited Investment Banking Division and First Citizens Trustee Services as the Administrative Agent for TT\$600 million.

The loan notes were issued on 3 November 2016 and interest of \$7.5 million is payable quarterly starting three months after the commencement of the loan. Upon maturity on 3 November 2017, the loan was refinanced as a long term loan for \$508.7 million and CLICO cancelled their participation of \$107 million (refer to Note 9j)).

The proceeds of the original loan notes were used to fund urgent capital works relating to the replacement of critical sections of the Authority's water distribution/transmission network and the expansion of the Authority's service outside of its current distribution network.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9.	Borrowings (continued)	2018	2017
		\$'000	\$'000

j. Republic Bank long term loan

Republic Finance & Merchant Bank Limited:

Principal balance	<u>508,667</u>	<u>—</u>
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The loan was disbursed on 8 May 2018 on a ten (10) year term. Interest is payable semi-annually in arrears and the principal balance is repayable by twenty (20) semi-annual payments both commencing 8 November 2018.

Both principal and interest were secured by an unconditional GORTT guarantee.

The proceeds of the loan were used to pay financing costs and to repay the amounts due under the Republic fixed rate note.

On 8 May 2018, the Authority refinanced the \$616 million fixed rate note (refer to Note 9i) after CLICO cancelled their participation of \$107 million.

k.	Vehicle lease obligations	2018	2017
		\$'000	\$'000
	Finance lease obligations:		
	Balance brought forward	2,447	1,573
	Additions	756	2,320
	Repayments/adjustments	<u>(1,200)</u>	<u>(1,446)</u>
	Balance carried forward	2,003	2,447
	Amounts due within one year	<u>(954)</u>	<u>(913)</u>
	Amount due after one year	<u>1,049</u>	<u>1,534</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

9. Borrowings (continued)

k. Vehicle lease obligations (continued)	2018 \$'000	2017 \$'000
Minimum lease payments:		
Principal and interest:		
- Due within one year	1,054	1,054
- Due after one year but not more than five years	<u>1,090</u>	<u>1,608</u>
Total minimum lease payments	2,144	2,662
Less: Finance charges element	<u>(141)</u>	<u>(215)</u>
Present value of minimum lease payments	<u>2,003</u>	<u>2,447</u>

The above represents finance lease agreements undertaken by the Authority for the purchase of motor vehicles for certain employees which carry terms of three (3) years and bears interest rates as at 30 September 2018 ranging from 6.00% to 8.00% per annum (2017: 6.00% to 8.00%).

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

	2018	2017
10. Water sale agreement lease obligations	\$'000	\$'000
a. Desalination Company of Trinidad and Tobago	4,153,930	4,246,669
b. Seven Seas Water Trinidad Unlimited	<u>395,149</u>	<u>403,537</u>
	<u>4,549,079</u>	<u>4,650,206</u>
Amount due within one year	108,359	99,309
Amounts due after one year	<u>4,440,720</u>	<u>4,550,897</u>
	<u>4,549,079</u>	<u>4,650,206</u>
Contingent rent recognized in Statement of Revenue and Expenditure:		
a. Desalination Company of Trinidad and Tobago	(24,525)	(26,243)
b. Seven Seas Water Trinidad Unlimited	<u>855</u>	<u>7,335</u>
	<u>(23,670)</u>	<u>(18,908)</u>
a. Desalination Company of Trinidad and Tobago		
Finance lease obligations:		
Balance brought forward	4,246,669	4,317,602
Repayments	(91,372)	(83,898)
Foreign exchange adjustment (Note 17)	<u>(1,367)</u>	<u>12,965</u>
Balance carried forward	4,153,930	4,246,669
Amounts due within one year	<u>(99,090)</u>	<u>(91,079)</u>
Amount due after one year	<u>4,054,840</u>	<u>4,155,590</u>
Minimum lease payments:		
Due within one year	448,376	448,556
Due within two to five years	1,794,734	1,795,451
Due over five years	<u>5,946,822</u>	<u>6,397,754</u>
Total minimum lease payments	8,189,932	8,641,761
Less: Finance charges element	<u>(4,036,002)</u>	<u>(4,395,092)</u>
Present value of minimum lease payments	<u>4,153,930</u>	<u>4,246,669</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

10. Water sale agreement lease obligations (continued)

a. Desalination Company of Trinidad and Tobago (continued)

On 25 August 1999 the Authority entered into a contract with the Desalination Company of Trinidad and Tobago (“Desalcott”) for the Company, to build, own and operate a desalination facility (the “Facility”) at Point Lisas; comprising of desalination units, supporting infrastructure, auxiliaries and sub-systems, together with suitable storage facilities, for desalination of seawater with a continuous and reliable generation of at least 109,090 m³/day of high quality water for sale to the Authority at a contracted price.

This contract is effective from 29 November 1999 (the effective date) and has an original term of the earlier of four (4) years and three (3) months from the effective date or until the date of commencement of the commercial operation of the facility at the completion of Phase 5, whichever is the earliest, a period of twenty (20) years thereafter and such other additional period as may be extended under the contract. The agreement will then be effective unless terminated earlier by mutual agreement of both parties. At the expiration of the contractual term, the ownership of the facility shall be transferred to the Authority in consideration for the amount of three million United States dollars (US\$3,000,000).

The Authority may exercise its option to purchase the whole or part of the Facility at any time after the expiry of ten (10) years from the actual commercial operation date of the Facility at the completion of phase 5, or where the Facility or any part thereof is being sold, transferred or otherwise disposed of, or where the Authority terminates the agreement to purchase desalinated water.

The price which the Authority will then be obligated to pay will be the net value of the business at that time as determined by an independent appraiser, jointly selected by the Authority and Desalcott.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

10. Water sale agreement lease obligations (continued)

a. Desalination Company of Trinidad and Tobago (continued)

A Supplemental Water Sale Agreement (SWSA) was executed on 19 January 2010 between WASA and Desalcott for the purchase of 40 million imperial gallons per day (MIGD) effective 18 April 2010 which after much deliberation was mutually terminated by both parties and replaced with an Amended Water Sale Agreement (AWSA) executed on 6 November 2012 and takes effect from 1 January 2012. The AWSA included provisions for the purchase of 40 MIGD of desalinated water from Desalcott and the supply of 40 MIGD at the earliest date possible by Desalcott upon which a new price will be determined by the Co-ordinating Committee. In accordance with the AWSA, the Authority may seek to exercise the option to purchase the facility any time after the 1 August 2014 at a price as per the terms of the AWSA. The agreement further provided that the Water Sale Agreement (WSA) and the Clarifications shall continue until 31 December 2036.

Effective 1 January 2012, a price of US 97 cents per cubic metre of desalinated water was agreed by both parties and remained in effect until 27 November 2014 when Desalcott supplied to WASA the 40 MIGD of desalinated water. The new price being paid from this date was US \$1 per cubic metre. The new minimum quantity of 40 MIGD was delivered to WASA by Desalcott on 27 November 2014. In accordance with IAS 17 "Leases", the Authority accounted for the new terms of the WSA as a modification of the lease. A net gain of \$161 million was recognized in the statement of revenue and expenditure as at 27 November 2014.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

10. Water sale agreement lease obligations (continued)

	2018	2017
	\$'000	\$'000
b. Seven Seas Water Trinidad Unlimited		
Finance lease obligations:		
Balance brought forward	403,537	409,085
Repayments	(8,257)	(6,773)
Foreign exchange adjustment (Note 17)	<u>(131)</u>	<u>1,225</u>
Balance carried forward	395,149	403,537
Amounts due within one year	<u>(9,269)</u>	<u>(8,230)</u>
Amount due after one year	<u>385,880</u>	<u>395,307</u>
Minimum lease payments:		
Due within one year	95,421	96,317
Due within two to five years	381,687	381,839
Due over five years	<u>598,834</u>	<u>694,533</u>
Total minimum lease payments	1,075,942	1,172,689
Less: Finance charges element	<u>(680,793)</u>	<u>(769,152)</u>
Present value of minimum lease payments	<u>395,149</u>	<u>403,537</u>

On 7 May 2010 the Authority entered into an agreement with Seven Seas Water Trinidad Unlimited (Seven Seas) for the supply of potable quality water to the Point Fortin site. Seven Seas agreed to provide, own, install and operate one or more Desalination Plants to supply the agreed 20, 833 cubic meters per day (m³/d) of product water at a cost of US\$2.30 per cubic meter of water.

This initial Water Sale Agreement (WSA) was for a period of thirty-six (36) months, however the project was halted, and did not proceed further to the Construction Phase. On 7 October 2010, the Authority and Seven Seas re-entered into negotiations resulting in the first amendment to the initial WSA.

The amendments resulted in an extension of the agreement period to one hundred and twenty (120) months, changes in price to USD1.67 per cubic meter of water from month one (1) through sixty (60) and USD1.65 from month sixty-one (61) to one hundred and twenty (120). There were also amendments to the responsibilities of the Supplier and Client sections.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

10. Water sale agreement lease obligations (continued)

b. Seven Seas Water Trinidad Unlimited Finance lease obligations: (continued)

Subsequently on 11 January 2013 there was a Second Amendment to the initial WSA which resulted in a modification of certain terms of the WSA namely the change in the agreement period to one hundred and fifty months (150). On 29 January 2014 the third Amendment was executed. On 27 July 2013, the Point Fortin Desalination Plant began operations producing and delivering the first potable “product water” to the Authority.

The Fourth Amendment referred to as the Expansion Phase was executed on 3 September 2015. This amendment referenced upgrade to certain equipment in the System in order to expand to a capacity of 25,379 m³/d of potable water. Additionally, the terms of the agreement was extended to two hundred months (200). The Fourth Amendment also included a modification to the consideration for the guaranteed minimum water of 20,833 m³/d to USD 1.55 per cubic meter from months one hundred and fifty one (151) to month two hundred (200). The plant expansion was completed in 24 July 2016. All water produced above 20,833 m³/d up to 27,917 m³/d is billed to the Authority at a price of US\$0.95/m³.

11. Deferred capital contributions	2018	2017
	\$'000	\$'000
Balance brought forward	2,770,691	2,792,495
Receipts during the year	28,716	50,161
Release to income	<u>(71,280)</u>	<u>(71,965)</u>
Balance carried forward	2,728,127	2,770,691
Amounts due within one year	<u>(70,426)</u>	<u>(71,130)</u>
Amounts due after one year	<u>2,657,701</u>	<u>2,699,561</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

12. Employee benefits (asset)/liability	2018 \$'000	2017 \$'000
Pension benefits asset (refer to note a)	(73,937)	(87,138)
Termination benefits liability (refer to note b)	269,908	243,251
(a) Pension benefits asset		
i) Net asset in the statement of financial position is derived as follows:		
Present value of defined benefit obligation	640,261	615,788
Fair value of plan assets	<u>(714,198)</u>	<u>(702,926)</u>
Net defined benefit asset	<u>(73,937)</u>	<u>(87,138)</u>
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit asset	(87,138)	(84,024)
Net pension cost	20,053	15,750
Re-measurement loss/(gain) recognised in statement of comprehensive loss	6,447	(7,107)
Contributions paid	<u>(13,299)</u>	<u>(11,757)</u>
Closing defined benefit asset	<u>(73,937)</u>	<u>(87,138)</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

12. Employee benefits liability (continued)	2018	2017
	\$'000	\$'000
(a) Pension benefits asset (continued)		
ii) Movement in the present value of the defined benefit obligation as follows:		
Defined benefit obligation at start	615,788	593,549
Current service cost	25,435	20,885
Interest cost	32,827	31,629
Contributions by plan participants	8,395	7,174
Re-measurements		
- Experience adjustments	(3,815)	-
Benefits paid	<u>(38,369)</u>	<u>(37,449)</u>
Defined benefit obligation at end	<u>640,261</u>	<u>615,788</u>

The defined benefit obligation is allocated between the Plan's members as follows:

	2018	2017
- Active	44%	35%
- Deferred members	1%	1%
- Pensioners	55%	64%

The weighted average duration of the defined benefit obligation at year end is 12 years. 88% of the value of the benefits for active members are vested. 12% of the defined benefit obligation for active members are conditional on future salary increases.

iii) Movement in the fair value of plan assets are as follows:	2018	2017
	\$'000	\$'000
Fair value of plan assets at start of year	702,926	677,573
Interest income	38,209	36,764
Return on plan assets, excluding interest income	(10,262)	7,107
Contributions by employer	13,299	11,757
Contributions by plan participants	8,395	7,174
Benefits paid	<u>(38,369)</u>	<u>(37,449)</u>
Fair value of plan assets at end of year	<u>714,198</u>	<u>702,926</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

12. Employee benefits liability (continued)

(a) Pension benefits asset (continued)

iii)	Movement in the fair value of plan assets are as follows:	2018 \$'000	2017 \$'000
	Asset allocation:		
	Regionally listed equities	181,073	187,325
	Overseas equities	98,615	89,815
	Government bonds	264,947	239,800
	Corporate bonds	156,162	150,306
	Mutual funds	307	304
	Cash and cash equivalents	<u>13,094</u>	<u>35,376</u>
	Fair value of plan assets at end of year	<u>714,198</u>	<u>702,926</u>

All asset values as at 30 September 2018 were provided by the Trustee. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested in accordance with a strategy adopted by the Plan's Trustees and Management Committee and the Pensions Oversight Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset - liability matching strategies used by the Plan.

iv)	Expenses recognised in the statement of revenue and expenditure is as follows:	2018 \$'000	2017 \$'000
	Current service cost	25,435	20,885
	Net interest on net defined benefit asset	<u>(5,382)</u>	<u>(5,135)</u>
	Net pension cost	<u>20,053</u>	<u>15,750</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

12. Employee benefits liability (continued)

(a) Pension benefits asset (continued)

	2018	2017
	\$'000	\$'000
v) Re-measurements recognised in other comprehensive loss		
Experience losses/(gains)	<u>6,447</u>	<u>(7,107)</u>
Total amount recognised in other comprehensive loss	<u>6,447</u>	<u>(7,107)</u>
vi) Principal actuarial assumptions used for the purposes of the actuarial valuation were as follows:		
	2018	2017
Discount rate	5.5%	5.5%
Expected rate of wage increases	4.0%	4.0%
Expected rate of pension increases	0.0%	0.0%

Assumptions regarding future mortality are based on published mortality tables.

The life expectancies underlying the value of the defined benefit obligation as at 30 September 2017 and 2018 are as follows:

	2018	2017
Life expectancy at age 65 for current pensioner in years:		
- Male	16.9	16.9
- Female	20.7	20.7
Life expectancy at age 65 for current members age 40 in years:		
- Male	17.2	17.2
- Female	21.0	21.0

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

12. Employee benefits liability (continued)

(a) Pension benefits asset (continued)

vii) Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2018 would have changed as a result of the assumptions used.

	Increase	Decrease
	\$'000	\$'000
- Discount rate (1% movement)	(64,023)	(58,401)
- Future wage increases (1% movement)	15,008	12,285

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2018 by \$9.1 million.

viii) Funding

The Authority meets the balance of the cost of funding the defined benefit Pension Plan as determined by the Actuary. Member's contributions are fixed at 5% of pensionable salary. The funding requirements are based on regular (at least every three years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Authority expects to pay contributions of \$13 million to the pension plan over the financial year ended 30 September 2019.

(b) Termination benefits liability

The Industrial Agreement covering the daily paid employees provides for a termination benefit if an employee is retrenched, laid off or upon retirement. The valuation of these benefit obligations is carried out by independent actuaries as at the date of the valuation of the Pension Plan.

The Industrial Agreement covering the daily paid employees provides for a termination benefit if an employee is retrenched, laid off or upon retirement. The valuation of these benefit obligations is carried out by independent actuaries as at the date of the valuation of the Pension Plan.

Net liability in statement of financial position for termination benefits – daily paid employees is derived as follows:

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

12. Employee benefits liability (continued)	2018	2017
	\$'000	\$'000
(b) Termination benefits liability (continued)		
i) Amounts recognised as follows:		
Present value of defined benefit obligations	<u>269,908</u>	<u>243,251</u>
Net defined benefit liability	<u>269,908</u>	<u>243,251</u>
ii) Amounts recognised in the statement of comprehensive loss:		
Current service costs	16,248	15,397
Net interest on net defined benefit liability	<u>13,137</u>	<u>12,380</u>
Net benefit cost	<u>29,385</u>	<u>27,777</u>
iii) Re-measurement recognised in statement of comprehensive loss:		
Experience losses	<u>6,180</u>	<u>10,281</u>
Total amount recognised in statement of comprehensive loss	<u>6,180</u>	<u>10,281</u>
iv) Reconciliation of opening and closing of statement of financial position:		
Opening defined benefit liability at prior year end	243,251	244,472
Net pension cost	29,385	27,777
Re-measurement losses recognised in statement of comprehensive loss	6,180	10,281
Authority contributions paid	<u>(8,908)</u>	<u>(39,279)</u>
Closing defined benefit liability	<u>269,908</u>	<u>243,251</u>

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12. Employee benefits liability (continued)	2018	2017
	\$'000	\$'000
(b) Termination benefits liability (continued)		
v) Movement in present value of defined benefit obligation as follows:		
Defined benefit obligation at start of year	243,251	244,472
Current service cost	16,248	15,397
Interest cost	13,137	12,380
Re-measurements:		
- Experience adjustments	6,180	10,281
Benefits paid	<u>(8,908)</u>	<u>(39,279)</u>
Defined benefit obligation at end of year	<u>269,908</u>	<u>243,251</u>

The weighted average duration of the defined benefit obligation is 14 years. All of the termination benefits are vested. 37% of the defined benefit obligation is conditional on future wage increases.

vi) Movement in fair value of scheme asset:

There are no assets held by the Termination Benefit Plan.

vii) Principal actuarial assumptions used for the purposes of the actuarial valuation were as follows:

	2018	2017
Discount rate	5.5%	5.5%
Expected rate of wage increases	4.0%	4.0%

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
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12. Employee benefits liability (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2017 would have changed as a result of a change in the assumptions used.

	Increase	Decrease
	\$'000	\$'000
- Discount rate (1% movement)	(32,768)	(28,819)
- Future wage increases (1% movement)	41,238	36,269

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

Funding

The termination benefit payments are met by the Authority when they are due. The benefits are not funded in advance.

13. Bank overdraft and short-term financing

	2018	2017
	\$'000	\$'000
Republic Bank of Trinidad and Tobago Limited:		
- Desalination facility (refer to Note a)	400,402	399,800
Royal Bank of Canada:		
- Overdraft facility (refer to Note b)	<u>384,015</u>	<u>441,193</u>
	<u>784,417</u>	<u>840,993</u>

Security and other details:

- (a) The facility is a revolving line of credit facility of up to US\$60 million (2017: US\$60 million). The facility is to be used to enable the Authority to make prompt payments of all monthly billings from the Desalination Company of Trinidad and Tobago (Desalcott) in respect of the sale of desalinated water to the Authority.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

13. Bank overdraft and short-term financing (continued)

(a) Security and other details: (continued)

All amounts drawn and outstanding under the facility and all interest and other sums payable in respect of the facility will be due and payable or, as the case may be, repayable at any time forthwith on demand. The facility will be reviewed annually.

Interest will be calculated on the cleared daily debit balance under the facility at the US dollar prime rate as varied from time to time less 0.5% and will be payable monthly in arrears. The applicable interest rate as at 30 September 2018 is 5.5% per annum (2017: 4.5%).

The facility is secured at all times by the guarantee of the Government of the Republic of Trinidad and Tobago.

(b) This facility bears a fixed interest rate 3.0% per annum (2017: 3.0%) and is secured by letter of comfort from the Government of the Republic of Trinidad and Tobago.

14. Accounts payable and accruals	2018	2017
	\$'000	\$'000
Employee related liabilities	841,367	709,381
Trade creditors	1,016,268	926,063
Capital work in progress accruals	1,075,604	672,165
Loan interest payable	55,738	54,374
Litigation accruals	388,927	372,781
Deferred income	52,331	51,724
Other accrued charges	<u>203,911</u>	<u>122,696</u>
	<u>3,634,146</u>	<u>2,909,184</u>
Presented on the statement of financial position as follows:		
Non-current	172,781	129,384
Current	<u>3,461,365</u>	<u>2,779,800</u>
	<u>3,634,146</u>	<u>2,909,184</u>

An amount of \$172.7 million at year end (2017: \$129.3 million) relating to retentions payable which are due in excess of 12 months from year end is presented as a non-current liability.

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15. Sundry income	2018 \$'000	2017 \$'000
Rental income	4,096	3,191
Water abstraction revenue	3,468	3,566
Other sundry income	<u>136,455</u>	<u>29,006</u>
	<u>144,019</u>	<u>35,763</u>

Included within other sundry income is an amount of \$11 million (2017: \$13 million) relating to revenues recorded from works performed by the Authority as facilitated by the Business Enhancement Unit (BEU) during the year. The BEU Unit was established in April 2012 to carry out financial and economic studies on key business activities to recover all direct and indirect costs associated with the provision of relevant services. Also included in other sundry income is an amount of \$107 million recorded as a result of debt forgiveness granted to the Authority by the Government of Trinidad and Tobago, due to the cancellation of Colonial Life Insurance Company (Trinidad) Limited's (CLICO) participation in the refinancing of the \$616 million Republic Bank Fixed Rate Note.

16. Expenses	2018 \$'000	2017 \$'000
Included in the expenses are the following:		
<i>Personnel</i>		
Salaries and wages	911,389	935,223
Overtime	133,974	125,260
Statutory deductions	65,170	65,769
Allowances	62,361	61,556
Travel and subsistence	55,362	53,212
Net pension cost	49,438	43,527
Other benefits	<u>17,103</u>	<u>16,357</u>
	<u>1,294,797</u>	<u>1,300,904</u>
<i>Supplies and services</i>		
Hired and contracted services	126,167	143,710
Chemicals	55,276	41,856
Plant hire	44,860	45,689
Materials	20,002	20,056
Professional fees	11,438	7,672
Tankering of water	7,304	8,527
Road reinstatement	5,664	6,550
Minor equipment rental	3,222	2,181
Stock valuation adjustments and provisioning	<u>1,557</u>	<u>(4,904)</u>
	<u>275,490</u>	<u>271,337</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

16. Expenses (continued)	2018 \$'000	2017 \$'000
<i>Administration</i>		
Provision for impairment of receivables (Note 6)	65,290	74,919
Settlement of claims (refer to note below)	22,840	152,941
RIC fees	5,129	669
Legal and professional fees	4,345	2,632
Other	2,511	2,331
Office materials and supplies	1,739	1,901
Commission on collections	1,044	1,119
Promotions and publicity	914	3,473
Postage	892	306
Seminars and conferences	290	280
Local and foreign travel	175	139
Penalties and fines	83	90
Insurance	<u>18</u>	<u>8,241</u>
	<u>105,270</u>	<u>249,041</u>

Included in settlement of claims in 2017 are new claims amounting to \$154 million made against the Authority from various contractors primarily relating to unpaid invoices, net of the reversal of claims recorded in prior years amounting to \$1.4 million. There was a reduction in the number of claims made in 2018.

	2018 \$'000	2017 \$'000
<i>Premises</i>		
Electricity	98,335	90,416
Property rental and other	16,569	17,818
Telephone	<u>5,218</u>	<u>6,003</u>
	<u>120,122</u>	<u>114,237</u>
<i>Transport and plant</i>		
Vehicle rental	17,339	27,321
Fuel, oil, parts and spares	6,728	5,879
Other	<u>147</u>	<u>(27)</u>
	<u>24,214</u>	<u>33,173</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

17. Finance expenses	2018 \$'000	2017 \$'000
Interest on finance lease	447,140	455,940
Interest on borrowings	294,079	299,808
Foreign exchange loss	–	17,116
Interest on overdrafts and other finance costs	<u>35,640</u>	<u>33,265</u>
	<u>776,859</u>	<u>806,129</u>
Foreign exchange loss is presented as follows:		
Foreign exchange loss on finance leases (Note 10)	–	14,190
Other foreign exchange loss	–	2,670
Foreign exchange loss on borrowings	<u>–</u>	<u>256</u>
	<u>–</u>	<u>17,116</u>
18. Cash and cash equivalents		
For the purpose of the statement of cash flows, cash and cash equivalents comprises:		
Cash and cash equivalents (Note 8)	113,189	127,637
Overdraft facility (Note 13 b)	<u>(384,015)</u>	<u>(441,193)</u>
Cash and cash equivalents per statement of cash flows	<u>(270,826)</u>	<u>(313,556)</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

19. Cash generated from operations	Notes	2018 \$'000	2017 \$'000
Net deficit for the year		(88,383)	(384,278)
Adjustments to reconcile net deficit to net cash generated from operating activities:			
- Deferred contributions released to income	11	(71,280)	(71,965)
- Depreciation	3	385,223	396,409
- Disposal and other adjustments to property, plant and equipment		-	-
- Interest income		(106,386)	(96,036)
- Finance expenses	17	776,859	806,129
- Provision for impairment of receivables	16	65,290	74,919
- Movement in employee benefits obligations (net)		<u>27,231</u>	<u>(7,509)</u>
Operating profit before working capital changes		988,554	717,669
- Increase in inventories		18,803	3,681
- Decrease in accounts receivable and prepayments		(132,993)	(143,772)
- Increase in accounts payable and accruals		<u>724,962</u>	<u>753,854</u>
Cash generated from operations as per statement of cash flow		<u>1,599,326</u>	<u>1,331,432</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

20. Commitments

a) Capital commitments

The Authority has a continuous programme of expenditure on property, plant and equipment, which are singly or jointly financed by GORTT, local financial institutions and the Authority itself. At 30 September 2017, contracts awarded in respect of development works which had not yet commenced or concluded at that date amounted to approximately \$917 million (2017: \$1,068 million).

b) Operating lease commitments

Future minimum rentals payable under operating leases entered into with various companies in respect of motor vehicle and property rentals are as follows:

	2018	2017
	\$'000	\$'000
Due within one year	19,092	31,785
Due after one year but not more than five years	42,433	56,672
Due over five years	<u>5,381</u>	<u>10,234</u>
	<u>66,906</u>	<u>98,691</u>

Operating lease expenses amounting to \$32.1 million (2017: \$43.7 million) is included within property rental and vehicle rental expenses in the revenue and expenditure account (refer to Note 16).

c) Purchase commitments - Desalcott

As at 31 December 2011 the price paid to Desalcott under the terms of the Water Sale Agreement (WSA) was US 89.26 cents per cubic meter. As of 1 January 2012, under the terms of the Amended Water Sale Agreement (AWSA) Desalcott supplied water from its plant at Point Lisas at a price of US 97 cents per cubic meter.

According to the AWSA also, Desalcott was contracted to increase its supply of water to 181,817 cubic meters or 40 MIGD from 1 January 2014. Successful performance testing at this supply level was actually concluded on 27 November 2014 at a new price of US \$1.00.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

20. Commitments (continued)

c) Purchase commitments – Desalcott (continued)

Future water purchase commitments under the AWSA entered into with Desalcott are as follows:

	2018	2017
	\$'000	\$'000
Due within one year	448,376	448,556
Due after one year but not more than five years	1,794,734	1,795,451
Due over five years	<u>5,946,822</u>	<u>6,397,754</u>
	<u>8,189,932</u>	<u>8,641,761</u>

d) Purchase commitments – Seven Seas

The Authority entered into a Water Sale Agreement (WSA) with Seven Seas Water (Trinidad) Unlimited, Seven Seas Water Corporation and its affiliates – members of the Seven Seas Water Group on the 7 May 2010 for the supply of potable quality water at the Point Fortin Desalination site. The WSA was amended on 7 October 2010, on 11 January 2013 and on 29 January 2014. Based on the second amendment to the WSA on 11 January 2013, the arrangement was scheduled in two (2) phases with Phase 1 having an average monthly purchase capacity of 172,822 cubic meters of water at US\$1.67 per cubic metre and Phase 2 having an increased average monthly purchase capacity of 633,677 cubic meters of water at US\$1.67 per cubic metre for months one through sixty and at US\$1.65 from months sixty one (61) through one hundred and twenty (120). The third amendment to the WSA on 29 January 2014, was also scheduled in two (2) phases with Phase 1 having an average monthly purchase capacity of 172,822 cubic meters of water at US\$1.67 per cubic metre and Phase 2 having an increased average monthly purchase capacity of 633,677 cubic meters of water at US\$1.67 per cubic metre for months one through sixty and at US\$1.65 from months sixty-one (61) through one hundred and twenty (120). The fourth amendment to the WSA on 3 September 2015 included provisions for an upgrade of equipment of the System in order to expand capacity to 25,379 per cubic meters (expansion product water) with a maximum delivery of 27,917 per cubic meter (extra product water) of desalinated water and a change in consideration to US\$1.55 from month one hundred and fifty -one (151) to two hundred (200). Water purchase commitments under the WSA commenced in 2013. The relevant accounting and/or disclosure requirements required by IAS 17: “Leases”, have been presented in these financial statements.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

21. Contingent liabilities

a) Litigation and other claims

In the normal course of business, the Authority is the defendant in certain litigation matters, claims and other legal proceedings. Provisions have been established for such matters where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The Authority remains contingently liable in respect of other litigation matters which are considered possible but not probable and thus no provision is made in these financial statements. For the 2017 financial year, no contingent liabilities has been identified as at year end (2016: nil).

	2018	2017
b) Other	\$'000	\$'000
The following other contingent liabilities existed at 30 September:		
Customs bonds	<u>88</u>	<u>38</u>

22. Fair value and financial risk management

a) Fair value and fair value hierarchies

The carrying amounts of the Authority's cash at bank, restricted cash, short-term financing, accounts receivables, short-term deposits and accounts payables approximate their fair value, in view of their short-term maturities of a year or less and are presented below. The fair value of the long term fixed rate borrowings and other financial instruments is also presented below:

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

22. Fair value and financial risk management (continued)

a) Fair value and fair value hierarchies (continued)

	Carrying amount 2018 \$'000	Fair value 2018 \$'000	Carrying amount 2017 \$'000	Fair value 2017 \$'000
Financial assets:				
Cash at bank	113,189	113,189	127,637	127,637
Restricted cash	31,591	31,591	33,520	33,520
Accounts receivables	238,718	238,718	219,516	219,516
Held to maturity financial assets	1,000,031	1,000,031	1,243,334	1,243,334
Financial liabilities:				
Bank overdraft and short-term financing	784,417	784,417	840,993	840,993
Borrowings	3,168,706	3,168,706	3,736,097	3,736,097
Accounts payables	3,322,166	3,322,166	2,680,390	2,680,390

Determination of fair value and fair value hierarchies

The Authority uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

22. Fair value and financial risk management (continued)

(a) Fair value and fair value hierarchies (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes and investments in private equity funds with fair values obtained via fund managers.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment and are regularly assessed for impairment.

As at 30 September 2018, there were no financial assets and liabilities in Levels 1 or 3 categories. The fair values of borrowings were deemed to be equivalent to the carrying values as the Authority has defaulted on the terms of these loan arrangements. (Refer to Note 9)

b) Financial risk management

The Authority's activities expose it to a variety of financial risks, including the effects of changes in interest rates and market liquidity conditions. Accordingly, the Authority's financial performance and position are subject to changes in the financial markets. Overall risk management measures are focused on minimizing the potential adverse effects in the financial performance of the Authority of changes in financial markets.

Credit risk

Credit risk is the risk that the counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Authority is exposed to credit risks from its operating activities (primarily trade accounts receivables) and from its financing activities, including deposits with banks and financial institutions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Credit risk (continued)

Management has considered this risk from its operating activities to be limited, in light of the current collection rate for water and sewerage rate debtors and given the additional operating funding provided by GORTT. Appropriate provisions have been established for amounts considered uncollectable. Surplus cash deposits are made with reputable financial institutions.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position without taking account of any other credit enhancements:

	Gross maximum exposure 2018 \$'000	Gross maximum exposure 2017 \$'000
Cash and short-term deposits	113,189	127,637
Held to maturity financial assets	1,000,031	1,243,334
Accounts receivable	238,718	219,516
Restricted cash	<u>31,591</u>	<u>33,520</u>
	<u>1,383,529</u>	<u>1,624,007</u>

Credit quality per category of financial asset

The credit quality of the balances due from the Authority's various counterparties are internally determined from an assessment of each counterparty based on a combination of factors.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Credit risk (continued)

Credit quality per category of financial asset (continued)

These factors include financial strength and the ability of the counterparty to service its debts, the stability of the industry or market in which it operates and its proven track record with the Authority. The categories defined are as follows:

Superior: This category includes balances due from Government and Government agencies and balances due from institutions that have been accorded the highest rating by an international rating agency or is considered to have the highest credit rating. These balances are considered risk free.

Desirable: These are balances due from counterparties that are considered to have good financial strength and reputation.

Acceptable: These are balances due from counterparties that are considered to have moderate financial strength and reputation.

The table below illustrates the credit quality of the Authority's financial assets as at 30 September:

	Superior \$'000	Desirable \$'000	Acceptable \$'000	Total \$'000
2018	1,189,803	31,591	162,135	1,383,529
2017	1,408,564	33,520	181,923	1,624,007

The Authority is exposed to significant credit risk related to the Water and Sewer rate debtors and also its water abstraction debtors' portfolios. As at 30 September 2018 approximately 77.6% (2017: 74.1%) of these gross receivables balances have been provided for.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Interest rate risk

Interest rate risk centers on the risk that debt service cash outflow will increase due to changes in market interest rates. The Authority's exposure to interest rate risk relates mainly to its borrowings and short-term financing. The Authority manages its interest cost by obtaining funding from a portfolio of fixed and variable rate debt instruments. Interest payments on this debt are GORTT guaranteed. The interest rate exposure of borrowings is as follows:

	2018	2017
Total borrowings	\$'000	\$'000
At fixed rate	3,168,706	3,736,097
At floating rate	—	—

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Authority's net (deficit)/surplus for the year:

	Increase/(decrease) in basis points	Effect on net surplus \$
2018	+100	—
	-100	—
2017	+100	—
	-100	—

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Authority is heavily dependent on GORTT contributions and available credit facilities such as long-term loans, overdrafts and other financing options to support its current and long-term liquidity requirements. These loans and facilities are GORTT guaranteed.

The table below summarises the maturity profile of the Authority's financial liabilities based on contractual undiscounted payments at 30 September:

2018	1 year	1 to	> 5 years	Total
	\$'000	5 years	\$'000	\$'000
Bank overdraft and short-term financing	784,417	–	–	784,417
Borrowings	2,658,990	1,049	508,667	3,168,706
Water Sale Agreement lease obligations	543,798	2,176,421	6,545,656	9,265,875
Accounts payables	<u>3,322,166</u>	<u>172,781</u>	<u>–</u>	<u>3,494,947</u>
	<u>7,309,371</u>	<u>2,350,251</u>	<u>7,054,323</u>	<u>16,713,945</u>
2017	1 Year	1 to	> 5 Years	Total
	\$'000	5 years	\$'000	\$'000
Bank overdraft and short-term financing	840,993	–	–	840,993
Borrowings	3,734,563	1,534	–	3,736,097
Water Sale Agreement lease obligations	544,873	2,177,290	7,092,287	9,814,450
Accounts payables	<u>2,680,390</u>	<u>129,384</u>	<u>–</u>	<u>2,809,774</u>
	<u>7,800,819</u>	<u>2,308,208</u>	<u>7,092,287</u>	<u>17,201,314</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Foreign currency

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses. Risk management in this area is active to the extent that hedging strategies are available and cost effective.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of net surplus/(deficit) for the year (due to changes in the fair value of monetary assets and liabilities) and the Authority's equity:

2018	Increase/decrease in US dollar rate	Effect on net surplus \$'000	Effect on equity \$'000
US dollar	+1%	(52,622)	(52,622)
US dollar	-1%	52,622	52,622
2017	Increase/decrease in US dollar rate	Effect on net surplus \$'000	Effect on equity \$'000
US dollar	+1%	(52,209)	(52,209)
US dollar	-1%	52,209	52,209

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Foreign currency (continued)

The aggregate value of financial assets and liabilities by reporting currency are as follows:

2018	TTD \$'000	USD \$'000	Total \$'000
Assets			
Cash and short-term deposits	95,719	17,470	113,189
Restricted cash	31,591	–	31,591
Accounts receivable	238,718	–	238,718
Held to maturity financial assets	<u>1,000,031</u>	<u>–</u>	<u>1,000,031</u>
	<u>1,366,059</u>	<u>17,470</u>	<u>1,383,529</u>
Liabilities			
Bank overdraft and short-term financing	384,015	400,402	784,417
Borrowings	3,168,706	–	3,168,706
Interest on borrowings	1,857,276	–	1,857,276
Water Sale Agreement lease obligations	–	4,549,079	4,549,079
Accounts payable and accrual	<u>2,991,934</u>	<u>330,233</u>	<u>3,322,167</u>
	<u>8,401,931</u>	<u>5,279,714</u>	<u>13,681,645</u>
Net liability	<u>7,035,872</u>	<u>5,262,244</u>	<u>12,298,116</u>

The aggregate value of financial assets and liabilities by reporting currency are as follows:

2017	TTD \$'000	USD \$'000	Total \$'000
Assets			
Cash and short-term deposits	97,466	30,171	127,637
Restricted cash	33,520	–	33,520
Accounts receivable	219,516	–	219,516
Held to maturity financial assets	<u>1,243,334</u>	<u>–</u>	<u>1,243,334</u>
	<u>1,593,836</u>	<u>30,171</u>	<u>1,624,007</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

22. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Foreign currency (continued)

2017	TTD \$'000	USD \$'000	Total \$'000
Liabilities			
Bank overdraft and short-term financing	441,193	399,800	840,993
Borrowings	3,736,097	–	3,736,097
Interest on borrowings	1,841,550	–	1,839,550
Water Sale Agreement lease obligations	–	4,650,206	4,650,206
Accounts payable and accrual	<u>2,479,352</u>	<u>201,038</u>	<u>2,680,390</u>
	<u>8,498,192</u>	<u>5,251,044</u>	<u>13,749,236</u>
Net liability	<u>6,904,356</u>	<u>5,220,873</u>	<u>12,125,229</u>

23. Capital management

The primary objective of the Authority's capital management is to safeguard its ability to continue as a going concern and thus fulfil its mandate under the WASA Act. In so doing the Authority will monitor and seek to maintain the most optimal capital structure in the current circumstances.

24. Related party information

Parties are considered to be 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 which includes affiliates. Related parties may be individuals or corporate entities.

In the normal course of the Authority's business, transactions are conducted with certain government related entities.

Included in the Water and Sewer rate receivable balance at year end is an amount of \$10.5 million (2017: \$8.0 million) representing amounts due from twenty-six (26) government related entities. Water and Sewer rate revenues in the amount of \$28 million (2017: \$29 million) were derived from these government related entities for the year ended 30 September 2018.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

24. Related party information (continued)

Compensation of key management personnel of the Authority

Key management relate to personnel having authority and responsibility for planning, and directing the activities of the Authority. Key management compensation is included within personnel costs and is summarised below:

	2018	2017
	\$'000	\$'000
Short-term benefits	<u>32,212</u>	<u>28,995</u>
Commissioners' fees and remuneration	<u>495</u>	<u>572</u>

25. Subsequent events

(a) Inter-American Development Bank (IDB) Loan Funding

LOAN 2600/OC-TT

In October 2011, Cabinet agreed that the GORTT accept an investment “Loan 2600 – US\$50 million” comprising VESP Payments of US\$20.113 million and Training and Wastewater Infrastructure Work of US\$29.887 million to assist in the implementation of the Water and Sewerage Authority’s Modernization and Wastewater Infrastructure Rehabilitation Programme for Trinidad and Tobago. Since then, the Inter-American Development Bank approved and remitted US\$20.113 million which was deposited into a special USD non-interest banking account on 22 November 2012 at the Central Bank of Trinidad and Tobago and received by the Authority on 17 October 2013. Reimbursement and direct payment in the amount of US\$0.088 million were made by the IDB prior to the operation of the Central Bank Account. The remaining amount of US\$29.799 million was disbursed to the Authority in four (4) advances during the period July 2014 to October 2019.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

25. Subsequent events (continued)

(a) Inter-American Development Bank (IDB) Loan Funding (continued)

LOAN 2600/OC-TT (continued)

As at September 2020, the total of the loan, US\$50 million, has been disbursed to the Authority. The initial US\$20.113 million was used for the Voluntary Separation Program in Financial Year (FY) 2012-2013. The remainder, US\$29.887 million, is being used for the following projects:

- Construction of Two Sewerage Systems Centered on the Bon Accord and Samaan Grove Waste Stabilization Ponds in South West Tobago (refer to details below)
- Construction Supervision - BRL Ingenierie (refer to details below)
- Provision of Consultancy Services for the Detailed Designs and Tender Documents for the Maloney Wastewater Treatment Plant and Phase two Collection System (refer to details below)
- Design and Build of the Trincity Wastewater Treatment Plant
- Mid Term Evaluation Report- Alan Cunningham

The status of these projects is further detailed below:

Construction of Two Sewerage Systems Centered on the Bon Accord and Samaan Grove Waste Stabilization Ponds in South West Tobago

The Board of Commissioners at its 733rd Meeting held on 29 June 2016 approved the re-aligned work programme in support of the following wastewater projects at an estimated cost of US \$28.7 million:

South West Tobago Wastewater Upgrade Project – upgrade of the existing Samaan Grove and Bon Accord Waste Stabilization Ponds (WSP) at an estimated cost of US \$16.4 million with an implementation timeframe of 12 – 18 Months.

This project was divided into four (4) work packages and were all completed by 31 August 2019 as follows:

- Samaan Grove Package 1 – Construction Completed on 31 May 2019
- Samaan Grove Package 2 – Construction Completed on 31 August 2019
- Bon Accord Package 1 – Construction Completed on 31 August 2019
- Bon Accord Package 2 – Construction Completed on 31 May 2019

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

25. Subsequent events (continued)

- (a) Inter-American Development Bank (IDB) Loan Funding (continued)

LOAN 2600/OC-TT (continued)

Construction Supervision- BRLi

A contract for the Provision of Construction Supervision Services under the Improvement of Trinidad & Tobago WasteWater System was awarded to BRL Ingenierie and Engineering Consultants BRLi/ENCO in the amount of US\$1.353 million on 7 February 2013. This contract ended on 31 July 2019. The construction supervisor BRLi/ENCO was contracted in 2013 and has performed some duties during the pre-contracting services for Maloney Tendering, while the contract agreement for BRLi/ENCO had minor amendments to accommodate the South West Tobago Wastewater Project utilizing the available budget. Construction Supervision of South West Sewerage Upgrade was completed on 30 September 2019.

Provision of Consultancy Services for the detailed designs and bid documents of the Maloney Wastewater Treatment Plant and Phase 2 Collection System

Provision of Consultancy Services for the detailed designs and bid documents of the Maloney Wastewater Treatment Plant and Phase 2 Collection System at an estimated cost of US\$2.1 million. This consultancy has subsequently been transferred under the Loan 2890 for financing. This project started on 18 May 2020 and is currently 53% completed. The project's estimated end date is 30 September 2021.

Design and Construction for the Trincity Wastewater Treatment Plant

Design and Construction for the Trincity Wastewater Treatment Plant- to expand and upgrade at an estimated cost of US \$8.8 million. This project started on 1 October 2019 and is 80% completed as at March 2021. The project's estimated end date is 30 September 2021. Currently in progress and 80% completed as at March 2021. Construction Supervision for the Trincity Wastewater Treatment Plant commenced in September 2019.

Mid Term Evaluation

Mid-Term Evaluation Report - completed on 31 October 2017.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

25. Subsequent events (continued)

(a) Inter-American Development Bank (IDB) Loan Funding (continued)

LOAN 2890/OC-TT

GORTT and IDB are working jointly on the preparation of a Multi-Phase Wastewater Rehabilitation Program Loan 2890. This program will be designed to provide long term support (financial, institutional and technical) to the wastewater sector in Trinidad and Tobago over an estimated period of eight (8) years. The entire program will be financed and implemented in three (3) phases, each with its corresponding loan contract, so as to allow the Executing Agency (WASA) to adjust to a change from operating many small and medium size wastewater treatment plants to operating a smaller number of significantly larger wastewater treatment plants.

On 19 January 2013, a loan agreement between the GORTT and the Inter-American Development Bank was signed. On 17 November 2013, the first disbursement of US\$24.2 million out of the total financing of US\$246.5 million available under Loan Contract 2890/OC-TT – Multi-Phase Wastewater Rehabilitation Program – Phase 1 was received.

The total financing of US\$246.5 million is the estimated cost of Phase 1 and includes Construction Work for San Fernando and Malabar Wastewater Treatment Plants, Institutional Strengthening, Concurrent costs and Contingencies. As at September 2020, a total of US\$209.5 million was received by the IDB through advance of funds in the amount of US\$184.139 and Direct payments in the amount of US\$25.338 Mn was received from the IDB.

The general objective of this loan is to improve the wastewater infrastructure in the identified priority catchments of Malabar and San Fernando, thereby positively impacting the environmental conditions of Trinidad and Tobago by increasing the volume of treated wastewater, and to improve efficiency of the Authority.

The contract for this phase was awarded in two (2) packages as follows:

Package 1: – Malabar Wastewater Treatment Plant and Collection System Construction Works

Package 2: – San Fernando Wastewater Treatment Plant and Collection System Construction Works

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

25. Subsequent events (continued)

(a) Inter-American Development Bank (IDB) Loan Funding (continued)

LOAN 2890/OC-TT (continued)

As at September 2018, the following projects were in progress:

- Malabar Wastewater Treatment Plant – 96.5% completed (refer to details below)
- San Fernando Wastewater Treatment Plant – 59.2% completed (refer to details below)
- Corporate Governance – Completed February 2018
- IBM – Completed. Last invoices being finalised
- Malabar Property connections – In procurement phase
- Mid Term report – Completed
- CCTV – Contract being finalized
- Peer Review – In progress since November 2017
- Individual consultant – Albert Gordon – In procurement phase
- Consultant (Firm) – Castalia – Start up. Technical visits being scheduled.

The status of these projects is further detailed below:

Malabar Wastewater Treatment Plant

Take-over Certificate for the Malabar Wastewater Treatment Plant was issued by the Authority to the contractor on 31 December 2018. Testing and commissioning were completed in December 2018.

The plant was operated and maintained for one year by the contractor up to 31 December 2019 and was subsequently handed over to the Authority on 1 January 2020. A Completion Certificate has been issued to the Authority in December 2018, and the plant was transferred to the Authority on 1 January 2020 after one year of operation and maintenance by the contractor.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018
(Continued)

25. Subsequent events (continued)

- (a) Inter-American Development Bank (IDB) Loan Funding (continued)

San Fernando Wastewater Treatment Plant

The completion of the modification to the San Fernando Wastewater Treatment Plant (WWTP) was delayed due to a statement of claims filed by the contractor AAA on 14 June 2018, whereby there was a request for an extension of time for 17.6 months and cost delay claims amounting to USD\$15,603,538 associated with (i) lack of access to the collection system sites; (ii) additional Works performed; (iii) sums paid towards rental and license fees of private lands; (iv) the Employer's failure to provide a secure site for construction; and (v) force majeure events.

The claim was reviewed by Supervision Engineer on 8 January 2019 and determined that; an entitlement to an extension of time (EOT) of 437.5 days (14.6 months) and additional costs of US\$ 6,146,244 was granted to the contractor due to delayed access on the Collection System sites. This relates to the period 7 March 2017 to 14 June 2018 and as per agreement, no claims can be submitted for earlier periods.

The Contractor AAA Wastewater Limited (AAA) by letter dated 3 March 2016 issued a Termination Notice to WASA invoking Clause 16.3 as per FIDIC General Conditions of Contract, for non-payment as the due date indicated for payment was 2 March 2016. WASA by letter dated 7 March 2016 rejected the termination notice and the Contractor via letter dated 17 August 2016 withdrew the termination notice and requested the continuity of discussions to arrive at an effective solution to all parties.

IDB subsequently procured the services of an Independent External Consulting Engineer to assist the Executing Agency in resolving the issues with the contractor, the objectives of the Consultancy being to resolve the issues and move forward in a transparent and efficient manner. IDB Consultant submitted a report with recommendations to IDB. Negotiations are currently on-going with AAA, with a view to having a draft amended agreement.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

25. Subsequent events (continued)

(b) COVID-19

On 30 January 2020, the World Health Organization (WHO) declared the outbreak of a novel strain of coronavirus (“COVID-19”), to constitute a “Public Health Emergency of International Concern.” This global pandemic has disrupted supply chains across a range of industries. The full extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration of the pandemic, impact on the national economy, our customers, employees and vendors as well as the international economic climate, all of which are uncertain. The following highlights the key changes to the business as a result of the COVID-19 pandemic:

- An action plan linked to the Authority’s Business Continuity Plan was developed to aid in ensuring a safe working environment for employees, customers and visitors. The health, safety and infrastructural measures included barrier screens, markings on the floor to facilitate social distancing, introduction of alternative work arrangements (including work from home and staff rotations) as well as installation of additional infrastructure including sinks, soap dispensers and paper towels at the entrance to buildings. Additional measures included thermal scanning of all employees, customers/visitors at facilities, daily and week deep sanitisations and increased number of visitor logs to facilitate contact tracing. The Authority continues to adapt its procedures and measures in alignment with Public Health Regulations of the Government of Trinidad and Tobago (GORTT) and guidance from the WHO.
- In spite of the measures implemented, the Authority has had a number of employees who tested positive for the COVID-19 Virus, while others were quarantined as a precautionary measure. This would have had an immediate impact on staff availability (as staff rotation was implemented to mitigate risk) and may have longer term implications for staff health and well-being.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Continued)

25. Subsequent events (continued)

(b) COVID-19 (continued)

- On 12 March 2020, the GORTT commenced the introduction of restrictions to battle the spread of COVID-19 Pandemic. The extent of such restrictions culminated in the declaration of a State of Emergency on 15 May 2021. This has necessitated a change in the conducting of business including the change of business hours for some services and the use of technology to drive the day to day business processes of the Authority. These technologic changes included customers being advised to utilise e-billing and the Authority's website and Service App to make bill payments and in order to reduce customer queues and applications and/or inquiries can be facilitated via email or at drop-off boxes located at the Customer Service Centres. Going forward it is anticipated that the Web Portal upgrade will allow for multiple services access.
- There has been no loss in the production of water, provision of wastewater services and there was no major disruption to critical services as the Information Communication Management (ICM) department mobilised the IT infrastructure to support customers' requests, enable remote access to file shares and system application for users and remote workers. The Authority has also improved the use of electronic platforms for conducting business internally including DocuSign (for electronic signing of documents) and VPN access and Network Shares for improved information availability.
- As it relates to ongoing capital projects, certain completion timelines/milestones were adjusted due to delays caused by the restrictive measures including the stay-at-home protocols implemented by the local government and other social distancing policies implemented by Management. Additionally, foreign workers on the Wastewater Projects were not able to return to the country due to border control restrictions. The completion dates for such projects are being reviewed to reflect timelines/milestones due to COVID-19.
- The reduction in economic activity has impacted the ability of customers to make payments for water and wastewater services. This has negatively impacted the Authority's receivables, revenue and collections.
- Given the ongoing nature of the pandemic, the Authority is unable to reasonably estimate the overall financial impact of COVID-19 on the business.