



Water Authority - Cayman

"Suppliers of the World's Most Popular Drink"

ANNUAL REPORT 2015-2016





Water Authority - Cayman

GRAND CAYMAN

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MESSAGE FROM THE CHAIRMAN

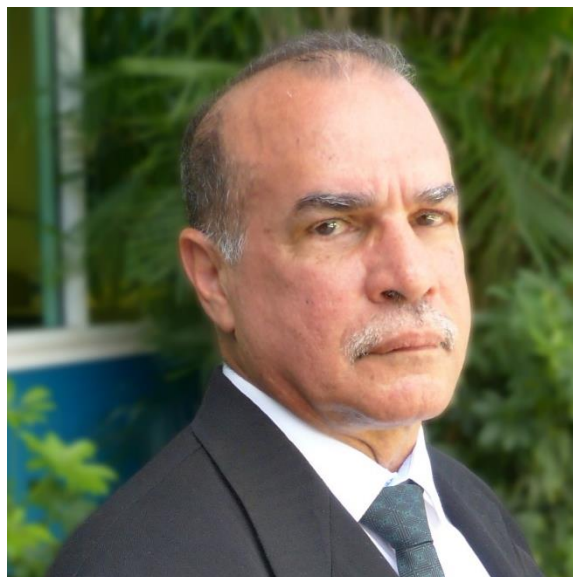
On behalf of the Board of the Water Authority – Cayman I am pleased to present the 2015/2016 Annual Report. We take pride in the level of service that the Water Authority provides and in the way that it operates.

This Annual Report outlines the performance of Water Authority during the 2015-2016 fiscal year and compares it to the planned performance documented in the Ownership Agreement for the Authority, or as amended through the supplementary appropriation process, and also against prior year performance. The requirement for an Annual Report is prescribed under section 52 of the Public Management and Finance Law (2013 Revision) (PMFL). This annual report highlights the key strategic goals of the organization, the achievements throughout the year and the plans for the next financial periods.

I am pleased to have served as Chairman of the Water Authority Board since 2010 and it is a privilege to work with a Ministry and organisation that are highly dedicated to the success of the organisation and take personally the mission statement to provide the people of the Cayman Islands with reliable potable water.

The Water Authority continued to meet the challenges of the economic growth and development of these islands and the resulting demand for new water and wastewater infrastructure. This development was most notable in the Brac where crews continue to extend the distribution line of piped water to local residents, increasing the number of water accounts by 178% from 120 to 236.

We are particularly proud of the community-minded spirit of the Authority's employees who



give back through initiatives such as Project Angel Tree.

We are proud of the work that we do as we seek to fulfil our mission and serve our customers. I would like to sincerely thank all Water Authority Board Members and, on behalf of the Board to thank each and every staff member of the Water Authority staff for their dedication in 2015/16 - thank you for a job well done.

Water Authority Board Chairman
**John Lemuel Hurlston, CVO, MBE, JP,
Hon. D.Litt.**



MESSAGE FROM THE DIRECTOR

As Director of the Water Authority since 2000, it has been an honour to lead an organisation that has a solid foundation and is integral to the development of the Cayman Islands.

The Water Authority has seen significant growth over the last decade, with 11,370 meters installed in 2006 to 16,987 at 30 June 2016, a jump of 49.4%.

The piped water supply system in Grand Cayman has continued to grow over the last 28 years. During the 2015/2016 period, we commenced the process of constructing a new water distribution pumping station at the Red Gate Water Works to replace the existing pump station which was commissioned in 1995. This project will be completed in the next fiscal period and will provide for more efficient pumping and data management.

We also engaged a local company, Ocean Conversion (Cayman) Ltd, to carry out capital refurbishments of the North Sound RO Plant as several components had reached the end of their useful life.

Another important ongoing project is the extension of the piped water supply distribution system in Cayman Brac. Crews from Grand Cayman were mobilised in October 2014 and have since installed 6,500 metres of pipeline to 116 new customers. One of the Key Strategic Objectives of the Authority is to expand the Cayman Brac distribution system and develop the Bluff Site to accommodate a new, state of the art water production and pumping facility to serve the people of Cayman Brac for years to come.



This fiscal period, we also continued improvements to the Authority's public wastewater collection system with the replacement of the ageing ductile iron pipe sewer force main between the main sewage pumping station on West Bay Road and the Water Authority's Grand Cayman Wastewater Treatment Plant with approximately 1,311 metres of 610 millimetre diameter High Density Polyethylene (HDPE) pipe. Other projects on the wastewater collection system included continuation of the comprehensive manholes and pumping stations review.

As part of the Authority's responsibility for groundwater protection, the Authority takes an active role to ensure proper clean-up and remediation in conjunction with other government agencies whenever fuel spills occur. This year the Authority dealt with three fuel spills, one of which is still in the process of soil remediation.



I am pleased that the Authority was able to continue with many of its outreach programmes through the support of local charities, Earth Day Clean-up, Career Fairs, World Water Day and social media. The interaction with students in local high schools through our Geology Education Week programme is especially pleasing. For the third consecutive year, the Authority teamed up with Dr Brian Jones, geology professor at the University of Alberta, Canada to provide geology education to high school students and a professional development course organised for high school teachers.

These exciting projects are not possible without the strong support of all the Water Authority staff, each and every employee is a key member of the Water Authority Team. Our internal support team (Executive Office, Engineering Services, Customer Service, Human Resources, Information Systems, Water Resources, and Finance) pride themselves on providing great service to internal and external customers; The New Works and Operations Divisions efficiently repair the water mains, maintain water and wastewater infrastructure and extend to new locations; The Water Resource & Quality Control Department does an exceptional job of protecting our natural resources; and our team in Cayman Brac expeditiously responds to water needs throughout that island.

Two Board decisions that are significant highlights were: 1) the direction given to settle two outstanding loans held by the Authority \$4.3 million; and, 2) to recognise the Post-Retirement Health Benefit for Defined Benefit Pensioners (\$5.7 million).

The Authority continues to place great emphasis on the development of employees,

spending CI\$83,000 in training in 2015-2016 and CI\$46,200 to support scholarship recipients. The emphasis is to continue to improve the workplace environment and provide opportunities for employees to increase skills and qualifications. We are pleased to welcome senior high school and university students to gain valuable experience working with us each summer. During the summer of 2015, we welcomed 15 summer interns and participated in 2 work placement programmes.

In the coming fiscal period, the Authority expects to transfer its economic regulatory functions for water and wastewater service providers to the Office of Utility Regulation and Competition. This new organisation is expected to be formally established early in 2017. We look forward to working together with the Ministry and the new Utility Regulation and Competition Office to support the islands future economic development in the water sector.

Part of the Water Authority's mission is to provide safe and reliable water and wastewater services to the people of the Cayman Islands at reasonable rates and to do so without requiring Government subsidy. Much has been achieved in the 33 plus years of the Water Authority's existence but there is still more work to do. With the continued hard work and dedication of our employees, and the support and dedication of the Board, management team, and the Ministry of PLAHI, I am confident that the Water Authority will continue to be a successful organisation, one that is truly owned by the people of the Cayman Islands, providing essential services to the people of the Cayman Islands.

Water Authority Director

Gelia Frederick-van Genderen, Cert Hon, PhD



GENERAL INFORMATION



MISSION STATEMENT

The Authority's mission is:

- To ensure that the entire population of the Cayman Islands has access to a pure, wholesome and affordable supply of potable water; and to regulate other entities that are licensed by the Government to provide water supplies.
- To protect and develop ground water resources for the benefit of present and future populations of these islands.
- To provide for the collection, treatment and disposal of wastewater within these islands in a manner that is safe, efficient and affordable.
- To operate in such a manner as to be financially self-sufficient, while contributing to the economy of these islands and achieving a reasonable and acceptable return on capital investments.



GOVERNANCE

The Authority is a statutory authority that falls under the portfolio of the Ministry of Planning, Lands, Agriculture, Housing and Infrastructure.

As at 30 June 2016 the minister responsible for that portfolio is the Honourable Kurt Tibbetts, O.B.E., J.P.

The Authority's operations are governed by the Water Authority Law and Regulations, the Wastewater Collections and Treatment Law, and the Water (Production and Supply) Law.

The Authority operates under the guidance of a Cabinet-appointed Board.

SCOPE OF ACTIVITIES

The Authority is wholly owned by the Government of the Cayman Islands, established on 01 January 1990, under the Water Authority Law (Law 18 of 1982), as amended.

The Authority is principally engaged in the management of water supply and sanitation affairs of the Caymans Islands including the

provision of public water supplies, sewerage systems and the management, development and protection of water resources.

The Authority has a 10 Year Development Plan to predict and plan for expected growth and development. This plan is dynamic and modified with the changing needs of the islands.



2015-2016 AT A GLANCE

Actual vs. Prior Year:

Financial Performance Measures	Note	Actual	Prior Yr	Variance	Percentage
Revenue		30,243,469	30,054,952	188,517	<1%
Operating and Administrative Expenses		26,065,967	26,241,540	(175,573)	<1%
Net Surplus – Before healthcare and Other Comprehensive Income	A	4,177,502	3,813,412	364,090	9.5%
Health and Pension	B	(6,332,000)	248,000	(6,580,000)	
Net Surplus / Deficit	C	(2,154,498)	4,061,412	(6,215,990)	
Net Worth		Actual	Prior Yr	Variance	Percentage
Net Worth	D	66,099,768	68,354,266	(2,254,498)	(3.3%)
Cash Performance		Actual	Prior Yr		
Cash from operating activities		8,690,481	8,604,677	85,804	<1%
Cash from investing activities	E	(5,137,364)	(3,973,174)	(1,164,190)	(29.3%)
Cash from financing activities	F	(6,410,398)	(2,668,715)	(3,741,683)	(140.2%)
Change in cash balances	G	(2,857,281)	1,962,788	(4,820,069)	(245.6%)
Financial Performance Ratios		Actual	Prior Yr		
Current Assets: Current Liabilities		3.24	2.81	0.43	
Total Assets: Total Liabilities		5.11	5.10	0.01	

Notes:

- A. Strong net income as compared to PY, increase due to completion of wastewater remediation project in 2014/15.
- B. Decision by the Board to recognise Post-Retirement Health Care Benefits (PRHCB) for Defined Benefit Pensioners and fluctuation in Liability for Pension Benefits.
- C. The net deficit is within expectation and reasonable considering the recognition of PRHCB.
- D. Decrease consistent with the recognition of PRHCB.
- E. Increased Capital Expenditure, primarily attributed to the development of the Red Gate Pumping Station and preliminary excavation on the CYB Bluff Site.
- F. Reflects decision to early settle debt.
- G. Directly a result of early debt settlement.



Actual vs. Target:

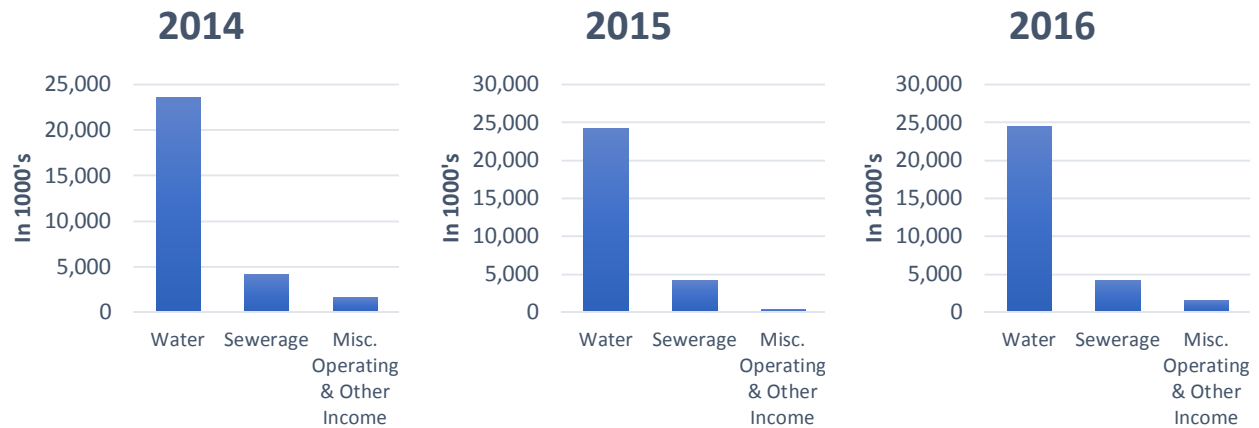
Financial Performance Measures	Note	Actual	Target	Variance	Percentage
Revenue	A	30,243,469	33,858,361	(3,614,892)	(10.7%)
Operating and Administrative Expenses	A	26,065,967	30,817,582	(4,751,615)	(15.4%)
Net Surplus – Before health Care and Other Comprehensive Income	A	4,177,502	3,040,779	1,136,723	37.4%
Defined Health and Pension	B	(6,332,000)	-	(6,332,000)	(100%)
Net Surplus / Deficit	C	(2,154,498)	3,040,779	(5,195,277)	(170.9%)
Net Worth		Actual	Target		
Net Worth	B	66,099,768	69,599,749	(3,499,981)	(5.0%)
Cash Performance		Actual	Target		
Cash from operating activities	A	8,690,481	7,270,248	1,420,233	19.5%
Cash from investing activities	D	(5,137,364)	(4,036,850)	(1,110,514)	27.3%
Cash from financing activities	E	(6,410,398)	(2,758,602)	(3,651,796)	132.4%
Change in cash balances		(2,857,281)	474,796	(3,332,077)	(701.8%)
Financial Performance Ratios		Actual	Target		
Current Assets: Current Liabilities	F	3.24	1.92		
Total Assets: Total Liabilities	G	5.11	6.01		

Notes:

- A. Despite lower than expected sales, net income is higher than budgeted due to stringent spending controls, prudent management and lower than expected energy costs.
- B. Reflection of the Board to recognise Post-Retirement Health care benefits for Defined Benefit Pensioners and fluctuation in liability for pension benefits.
- C. Reduced Net Income due to "B" above.
- D. Increase in site preparation cost in CYB.
- E. Early Debt Settlement.
- F. Reduction of Current Liabilities by early debt settlement.
- G. Offset early debt reduction by recognition of Post-Retirement Health Care Benefits.

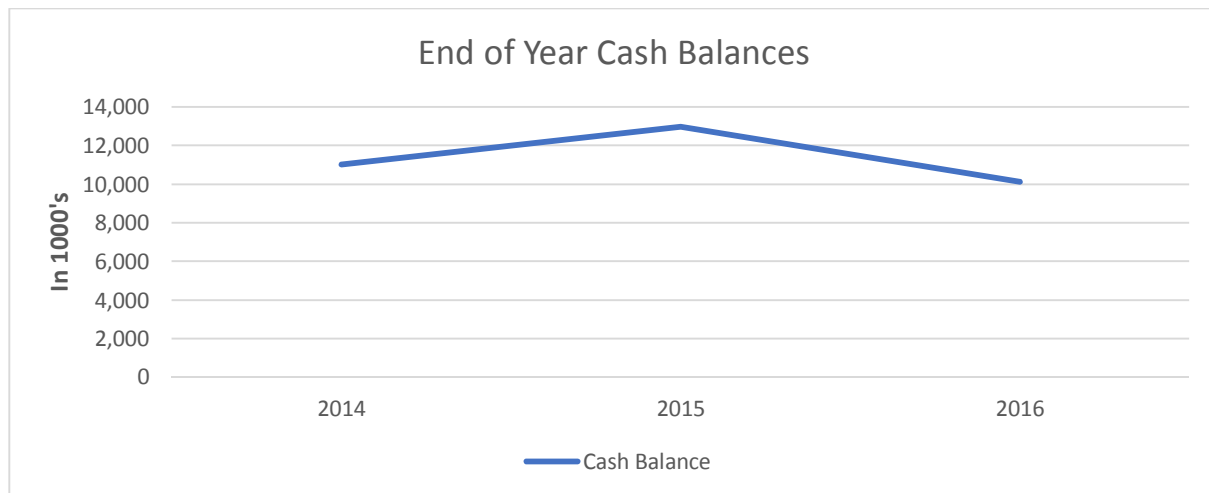


Revenue:



The structure of the revenue within the Authority remained relatively unchanged over the last 3 years, with the majority of the income continuing to come from water sales, followed by sewerage fees.

Cash:



As a result of strong management and prudent spending, the cash balance of the Authority remains strong, allowing continued capital investment into the islands without subsidy or new debts.



KEY STRATEGIC GOALS

The Authority is dedicated to fulfilling its mission statement to provide the entire population of the Cayman Islands with potable water and has implemented the following

strategic goals to efficiently meet the growing needs to the customers within the Cayman Islands.

GCM - Maintain Water Production, Capacity, Distribution and Storage

- Water Production - assume daily operations control overall RO plants.
- Extend new infrastructure into required areas and repair and maintain existing infrastructure.

GCM - Maintain Adequate Infrastructure to Operate Efficiently

- Fleet Management.
- Continuous upgrades and extensions as necessary.

CYB - Water Distribution Extension and Bluff Water Works Facility

- Provide access to piped water to 80% of the residents of Cayman by 2030.
- Develop the Bluff Water Works Facility to better serve the residents of Cayman Brac.

Wastewater - Improve Integrity of the existing Collection system and future extensions

- Maintain existing system.
- Provide service to new sub-divisions.

Maintain Financial Integrity

- Adequate income and cash reserves to continue to be self sufficient.
- Ability to self-finance all capital and operational expenditures.
- Ensure compliance with PMFL in regards to the preparation of audited financial statements.

Statutory Requirements

- Successfully complete the Cayman Water Company licence negotiations.
- Maintain the plumbers licence process.
- Representation on advisory boards, protecting the islands' natural resources.
- Active participation in HDMI (Hurricane committee).
- Develop and maintain Groundwater Management strategies.



2015-2016 KEY ACHIEVEMENTS

The Authority was able to prudently manage expenses, showing below budget spending to both normal operating and business expenses and showing a 37% increase in expected net income, before pension and health obligations. The major variances, consistent with other sections of this report, are the acceptance of the Board to include Post-Retirement Health Care for specific employees and the fluctuating pension obligation, resulting in a negative final net income to reflect the obligation.

The Authority complied with the Government moratorium not to enter into new debt financing agreements. The increase in liabilities was due to the recognition of the Defined Benefit Health Obligation of CI\$5.7 million offset by paying off the FICB loan in the amount of US\$4,174,755 (CI\$3.4 million) in November 2015 and CI\$801,129 to settle the loan to the Cayman Islands Government in early February 2016. The most significant variance in the liability section is the reflection of the Board decision made on 18 May 2016 at the 270th meeting where the Board approved the Water Authority to engage with the actuaries to determine the defined healthcare liability for the year ended 30 June 2016. This was performed on all active employees who are members of the Defined Benefit Pension Plan (as administered by the Public Service Pension Board), some of whom were staff members of the Cayman Islands Government prior to being transferred to the Water Authority. The Water Authority recognized 100% of the defined benefit healthcare liability on behalf of these specific employees in the amount of CI\$5,666,000.

The Authority updates and monitors an internal 10 year capital development plan, which is an

integral part of the Authority's ability to ensure that supply meets the expected demand, taking into consideration growth rates as well as lead-time to complete major projects. As part of this budget process, the Authority conservatively estimates revenue and stringently manages expenses in order to maintain a key component of the Mission Statement: "To operate in such a manner as to be financial self-sufficient while contribution to the economy of these islands and achieving a reasonable and acceptable return on capital investments."



Work on the Bodden Town Pipeline Project progressed steadily in 2016.



A new 4,000 US gallon water truck was delivered to Cayman Brac in August, 2015.



2015-2016 KEY ACHIEVEMENTS

GCM - Maintain Water Production, Capacity, Distribution and Storage

- Lower Valley - Supplied and Installed new submersible pumps.
- Red Gate Site - awarded the contract to construct a new water distribution pumping station to Island Builders.
- Installed approximately 0.5 mile of pipeline extensions.
- Installed 289 new water service connections.

GCM - Maintain Adequate Infrastructure to Operate Efficiently

- GCM - Changed out 636 meters.
- Maintained a fleet of over 100 pieces of equipment.
- Initiated the purchase of a new Water Tanker Truck for the Brac.

CYB - Water Distribution Extension and Bluff Water Works Facility

- Extension - Approximately 1,000m of 200mm pipe and 800m of 400mm were installed on Phase II (east of West End Primary School).
- Installed 100 new water service connections.
- Site Preparation - Cleared and filled 11,365m² of land, leaving indigenous trees and a vegetation buffer of approximately 30m.

Wastewater - Improve Integrity of the existing Collection system and future extensions

- Replace Sewer Force Main – Installed 1.3 kilometres of 61 centimetres nominal diameter High Density Polyethylene (HDPE) pipe between the main sewage pumping station on West Bay Road and the Authority's Grand Cayman Wastewater Treatment Plant.
- New Lift Stations for Crystal Harbour – Wastewater pumps, pump control panels and ancillary electrical and mechanical equipment were installed in two pump station structures to accommodate the recently completed portions of Crystal Harbour.

Maintain Financial Integrity

- Maintained strong sales and cash flows.
- Paid off outstanding loans in the amount of CI\$4.3 million.

Statutory Requirements

- Maintained responsibility for licensing plumbers.
- Maintained A2LA Accreditation since 2007.
- Coordinated licensing of quarries, canals, abstraction and disposal wells.



STATUTORY & SUPPORT SERVICES

Laboratory Services

The Water Resources and Quality Control Department carried out the Authority's statutory functions of groundwater protection and management, development control and related permitting throughout the fiscal period.

The Authority's accredited water and wastewater Laboratory provided ongoing analytical services for the Authority's water supply, wastewater treatment system and groundwater monitoring programs. The Department continues the development of the Onsite Wastewater Management Program, a partnership between the Authority as the regulator of onsite wastewater treatment, property owners/developers who own onsite wastewater treatment systems and service providers who install and maintain onsite wastewater treatment systems.

The Laboratory's accreditation granted by the American Association for Laboratory Accreditation is valid through November 2017.



Laboratory Technician Krista Foster examines a wastewater sample for quality control purposes.

Plumber Licensing

The Plumber's Examination Board (PEB), chaired by a staff member of the Authority, is responsible for the licensing of plumbers. The table below shows the distribution of the plumbers in the last 3 years, showing an average of 173.

	2013/14	2014/15	2015/16
Master Plumbers (As at 30 June)	21	22	19
Journeyman Plumbers (As at 30 June)	85	90	91
Apprentice Plumbers (As at 30 June)	58	61	71
Total Licenced Plumbers as at 30 June	164	173	181

Freedom of Information

The Authority has a full time Information Manager whose primary responsibility is to manage the records of the Authority and to respond to any FOI requests received by the Authority. The table on the following page outlines the number of requests received and whether or not they are granted (partially or in full).

	2014/15	2015/16
Number of Requests Granted in Full:	6	1
Number of Requests Granted in Part:	1	2
Number of Requests Refused:	-	-
Number of Requests Already in the Public Domain:	-	-
Number of Requests Where No Record was Found:	-	-
Number of Requests Which were Exempt:	1	-
Total FOI Requests Received:	8	3



FUTURE PROJECTS & PRIORITIES

Under the guidance of the Board and leadership of the senior management team, the Authority has successfully completed several projects and started various new initiatives. As in prior years, the Authority updates and monitors the 10 Year Capital Development plan, which is an integral part of the Authority's ability to ensure that supply meets the expected demand, taking into consideration growth rates as well as lead-time to complete major projects.

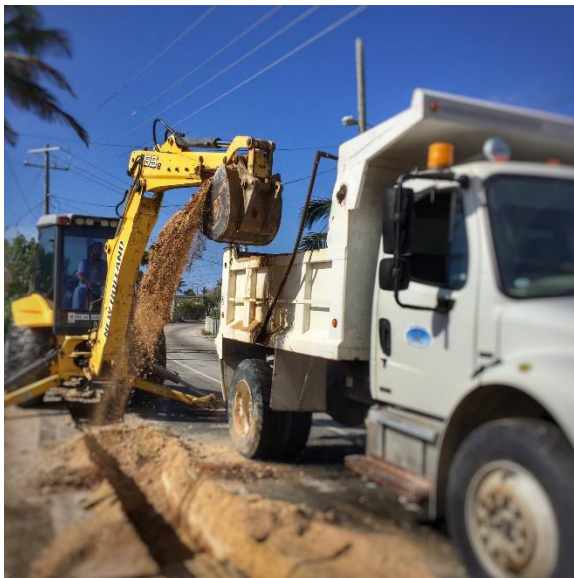
As part of this budget process, the Authority conservatively estimates revenue and stringently manages expenses in order to maintain the Mission Statement and ensure financial independence.



The Water Authority Board visits the planned site of the future Bluff Water Works in Cayman Brac.



Work on the Linford Pierson Highway as part of the road expansion began in 2016.



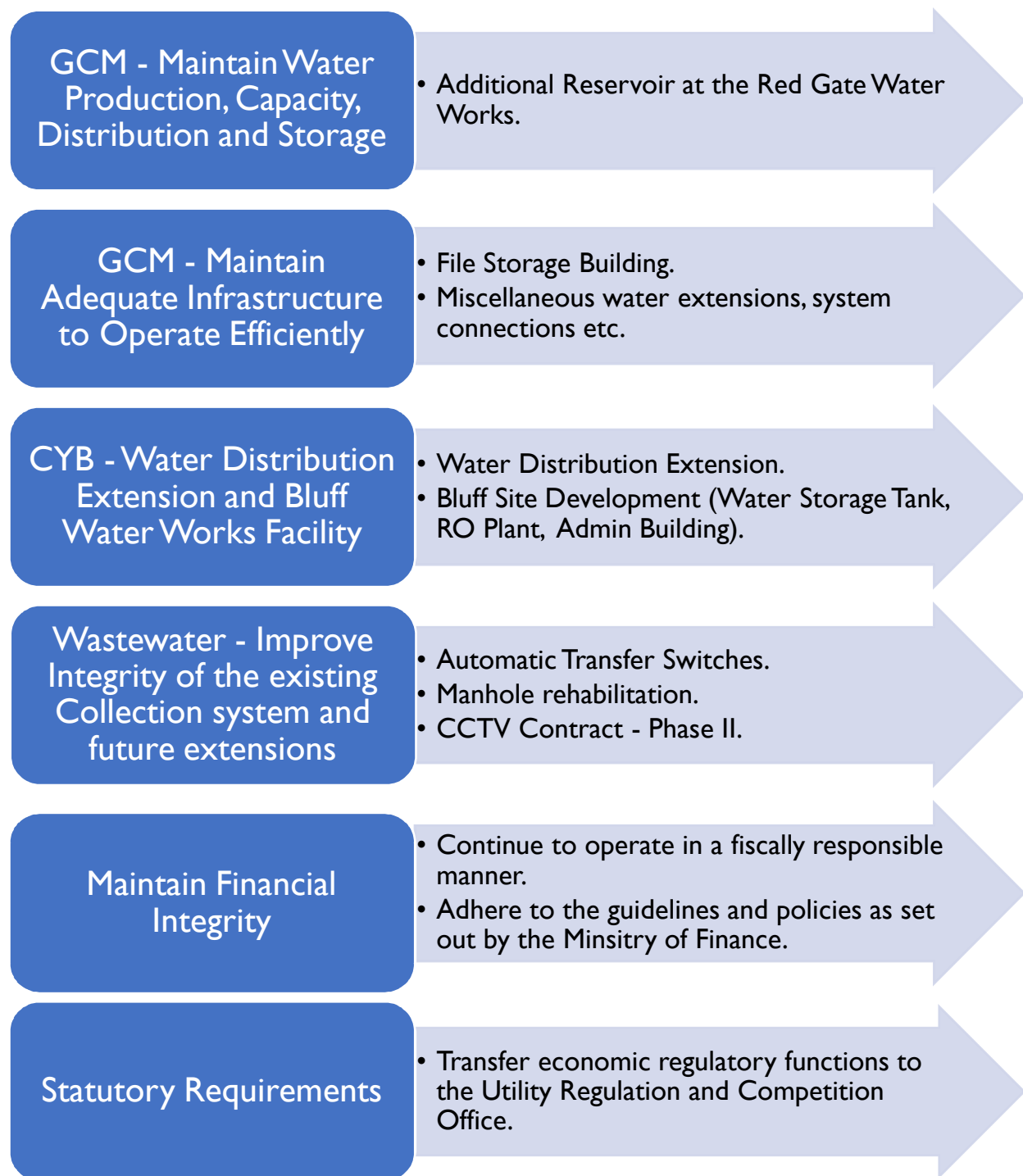
The final phase of the Bodden Town Pipeline Project is expected to reach completion in 2017.



The Authority's containerised RO plant will one day be transferred to Little Cayman.



FUTURE PROJECTS & PRIORITIES

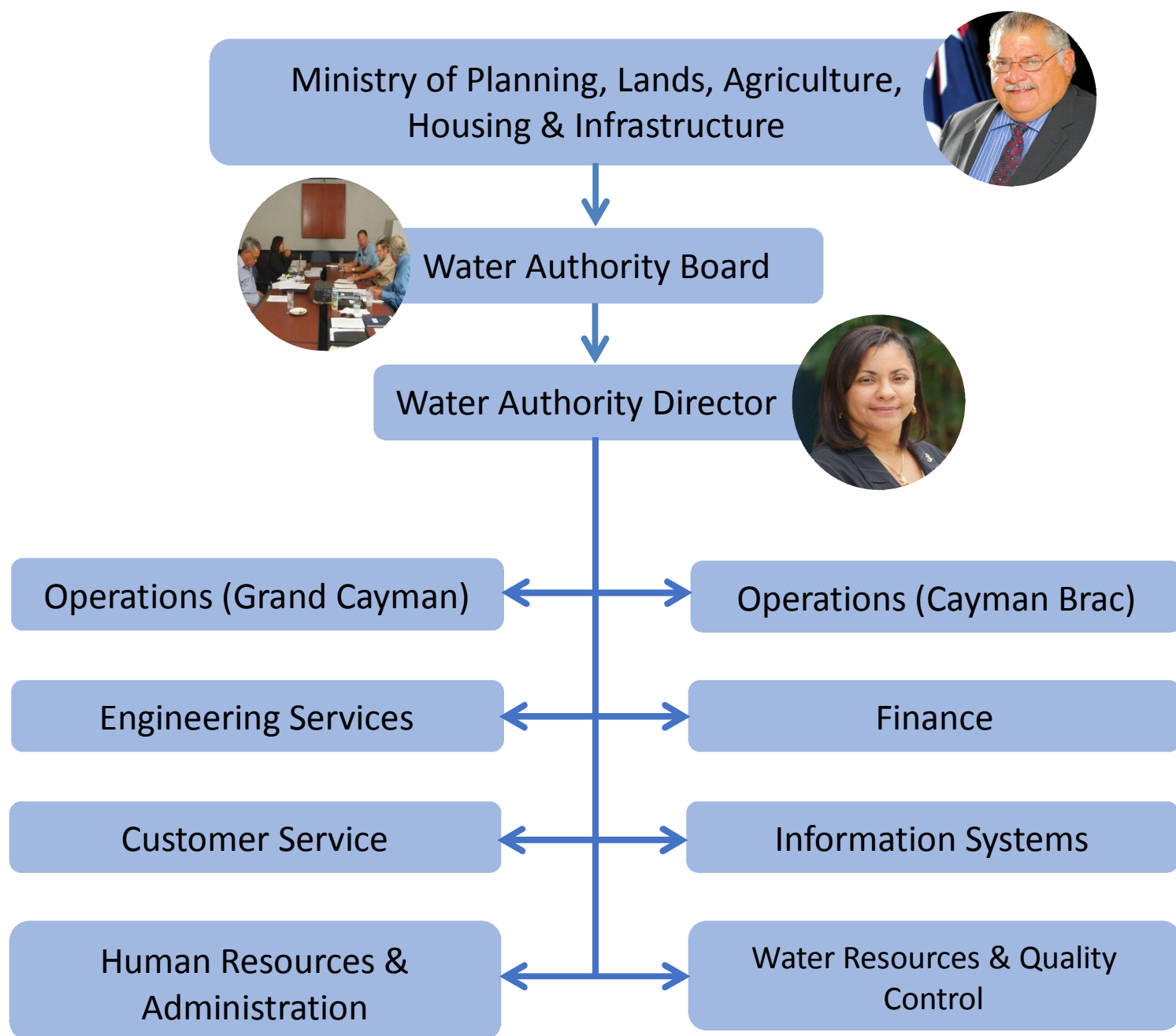


HUMAN RESOURCES & ADMINISTRATION



ORGANISATIONAL CHART

The Authority is structured as follows:



OUR PEOPLE

The Authority had 126 employees as at 30 June 2016, 2 in the executive office, 4 in the Information Technology Department, 12 in the Finance department, 5 in the Human Resource Department, 18 in Customer Service, 14 in Water Resources, 34 in Operations, 29 in New Works and 8 in Cayman Brac.

The Chairman's Award is a prestigious award given on an annual basis to one employee, or group of team members who have shown exemplary service, nominated by the Senior Management Team and proved by the Chairman. In December 2015 this award was issued to Mr Herbert Myles.

Herbert ("Myles") was recognised as a very hard working and conscientious employee. He was acknowledged for his dedication throughout the year and his commitment to the Authority by working alongside the Customer Service Department, to remove inactive services and identification of illegal disconnections. Myles was diligent in reporting his findings in a clear and concise manner and always sought clarification when necessary.



Mr. Herbert Myles receives the 2015 Chairman's Award from Board Member Mr. Alfonso Wright.

The Authority is committed to the development of its employees, with a compliment of 97% Caymanian staff members (2015: 97%) and investing over CI\$83,000 in training valued employees (2015: CI\$55,000).



Laboratory Technician Yasmin James works in the Authority's internationally accredited laboratory.



Members of the Wastewater team use a GoPro mounted to a specialty rig designed in-house to survey manholes safely and efficiently.



SCHOLARSHIP & INTERNSHIP OPPORTUNITIES



The 2016 Summer Interns tour an RO Plant.

The Authority Scholarship of CI\$25,000 per year was approved by the Board in 2005 but was later increased to CI\$30,000 for the 2014/15 and future fiscal periods. The HR Department developed the formal criteria and guidelines for its administration in 2006. In 2010, minor changes were made to the terms of the scholarship agreement by the Board. Since the inception of the Scholarship, the Authority has awarded 10 scholarships in areas such as Engineering, Finance, IT and Biology at a total cost of CI\$445,000. Two recipients are still active in their studies, four (Jodiann Jackson, Lydia McField and Alexander Walton and Wade Mitchell-Evans) have returned to work for the Authority, three fulfilled their obligation to the Authority and moved to various positions outside the Authority and one made a decision to stay in the United States and agreed to repay the scholarship funds.

The Authority's strategy to tap into the young talent available is through participation in the career talks at the high schools, social media marketing, participation in work experience programmes, the Chamber of Commerce's Career and Jobs Expo, mentoring opportunities, as well as the Authority's work experience programme.

In 2016, the Authority took on 18 summer interns as part of the work experience programme. These students worked in a variety of departments throughout the Authority's Grand Cayman and Cayman Brac operations,

including Water Resources & Quality Control, Information Systems, Customer Service, Building & Equipment, etc.



Kristina Powell (second from the left) was the successful 2016/2017 Scholarship Recipient.



2016 Summer Intern Kadejah Bodden works in the Authority's Laboratory.



FINANCIAL STATEMENTS



STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

Water Authority of the Cayman Islands STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS 30 June 2016

These financial statements have been prepared by the Water Authority of the Cayman Islands in accordance with the provisions of the *Public Management and Finance Law, (2013 Revision)* and reference to *Section 17(1)* of the Water Authority Law (1996 Revision). The financial statements comply with International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law, (2013 Revision)*.

As Chairman, Director and Financial Controller, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Water Authority of the Cayman Islands.

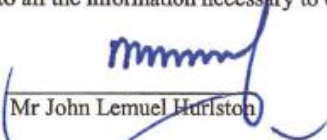
As Chairman, Director and Financial Controller, we are responsible for the preparation of the Water Authority of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of comprehensive (loss)/income, statement of cash flows and statement of changes in equity as at and for the financial year ended 30 June 2016.

To the best of our knowledge we represent that these financial statements are:

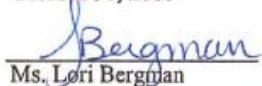
- (a) complete and reliably reflect the financial transactions of the Water Authority of the Cayman Islands as at and for the year ended 30 June 2016;
- (b) fairly reflect the financial position as at 30 June 2016 and comprehensive loss as at and for the year ended 30 June 2016; and
- (c) comply with International Financial Reporting Standards adopted by International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and jointly expresses an opinion on the accompanying financial statements. The Office of the Auditor General and its agent have been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.


Mr John Lemuel Harlston

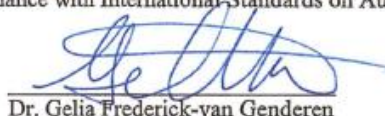
Chairman
Water Authority of the Cayman Islands

October 31, 2016


Ms. Lori Bergman

Financial Controller
Water Authority of the Cayman Islands

October 31, 2016


Dr. Gelia Frederick-van Genderen

Director
Water Authority of the Cayman Islands

October 31, 2016



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER & DIRECTORS

Independent Auditors' Report to the Shareholder and Directors

In accordance with section 60(1)(a)(ii) of the Public Management and Finance Law (2013 Revision), we have audited the accompanying financial statements of The Water Authority of the Cayman Islands (the "Water Authority"), which comprise the statement of financial position as at 30 June 2016, and the statements of comprehensive loss, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is prepared for and only for the Shareholder and Directors of the Water Authority in accordance with the terms of an engagement letter dated May 17, 2016, and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

Management's Responsibility 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Water Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Water Authority as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

October 31, 2016



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CAYMAN ISLANDS

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A handwritten signature in dark ink, appearing to read "Sue Winspear".

Sue Winspear, CFPA
Auditor General

October 31, 2016



Office of the Auditor General
3rd Floor, Anderson Square
64 Shedden Road
PO Box 2583
Grand Cayman KY1-1103

Tel: 345-244-3211
Fax: 345-945-7738

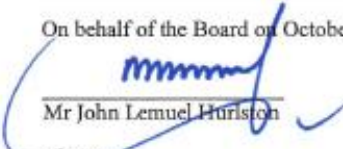
E-mail: auditorgeneral@oag.gov.ky
Internet: www.auditorgeneral.gov.ky

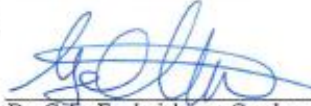
STATEMENT OF FINANCIAL POSITION

Water Authority of the Cayman Islands
Statement of Financial Position
As at 30 June 2016
(Stated in Cayman Islands dollars)

	Note	2016	2015
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	67,017,504	66,549,656
Total non-current assets		67,017,504	66,549,656
<i>Current assets</i>			
Cash and cash equivalents		10,131,592	12,988,873
Accounts receivable, net	3	3,516,116	3,808,636
Inventory, net	4	1,323,330	1,311,148
Prepaid expenses		188,921	369,686
Total current assets		15,159,959	18,478,343
Total Assets		82,177,463	85,027,999
Liabilities and Shareholder's Equity			
Liabilities			
<i>Non-current liabilities</i>			
Loans payable	6,8	2,338,584	7,566,650
Employee pension benefits, net	9(a)	3,399,000	2,531,000
Employee healthcare benefits, net	9(c)	5,666,000	-
Total non-current liabilities		11,403,584	10,097,650
<i>Current liabilities</i>			
Accounts payable		1,591,128	2,595,024
Contract retention payable		172,503	93,358
Customers deposits		1,322,790	1,217,679
Loans payable	6,8	1,587,690	2,670,022
Total current liabilities		4,674,111	6,576,083
Total liabilities		16,077,695	16,673,733
Shareholder's Equity			
Contributed capital	7	236,000	236,000
Retained earnings		65,863,768	68,118,266
		66,099,768	68,354,266
Total Liabilities and Shareholder's Equity		82,177,463	85,027,999

On behalf of the Board on October 31, 2016


Mr John Lemuel Hurston
Chairman


Dr. Gelia Frederick-van Genderen
Director


Ms. Lori Bergman
Financial Controller

The accompanying notes form an integral part of these financial statements



STATEMENT OF COMPREHENSIVE LOSS

Water Authority of the Cayman Islands
Statement of Comprehensive Loss
For the Year Ended 30 June 2016
(Stated in Cayman Islands dollars)

	Note	2016	2015
Operating Revenue			
Water sales		24,499,468	24,286,469
Sewerage fees		4,191,076	4,263,575
Connection and miscellaneous fees		20,540	11,870
Septage disposal		136,110	133,557
Agency work		38,428	31,873
Total operating revenue		28,885,622	28,727,344
Operating Expenses			
Water purchases / production		6,833,885	8,230,549
Depreciation expense	5,11	4,237,139	3,338,693
Salaries		2,896,704	2,742,865
Wages		1,280,790	1,017,762
Repairs and maintenance		1,830,171	1,774,621
Electricity		996,183	1,194,882
Supplies		636,308	810,188
Impairment of property, plant and equipment	5	297,781	-
Miscellaneous		274,971	223,331
Land lease expense		12,335	12,335
Total operating expenses		19,296,267	19,345,226
Finance Costs			
Loan interest		325,874	465,207
Gross operating profit		9,263,481	8,916,911
Other Income			
Royalties		1,255,379	1,202,937
Other		79,429	106,015
Statutory licencing fees		21,073	16,459
Interest income		1,966	2,197
Total other income		1,357,847	1,327,608
Operating Profit		10,621,328	10,244,519

(continued)

The accompanying notes form an integral part of these financial statements



Water Authority of the Cayman Islands
Statement of Comprehensive Loss (continued)
For the Year Ended 30 June 2016
(Stated in Cayman Islands dollars)

	Note	2016	2015
Administration Expenses			
Defined healthcare benefit cost	9(c)	5,228,000	-
Salaries	8	2,082,271	1,945,973
Staff training and benefits		1,400,239	1,353,266
Insurance		743,214	880,841
Telephone and utilities		382,130	405,195
Information systems		304,240	305,841
Miscellaneous		291,599	293,674
Bad debt expense		281,044	275,901
Legal and professional fees		273,637	198,621
Defined pension benefit cost	9(a)	202,000	197,000
Repairs and maintenance		184,145	231,883
Depreciation expense	5	134,598	131,582
Licenses and dues		125,822	133,622
Office and lab supplies		35,287	74,108
Office rental		3,600	3,600
Total administration expenses		11,671,826	6,431,107
(Loss)/Profit for the year		(1,050,498)	3,813,412
Other Comprehensive (Loss)/Income			
Remeasurements of defined benefit pension plan	9(a)	(666,000)	248,000
Remeasurements of defined benefit healthcare plan	9(c)	(438,000)	-
		(1,104,000)	248,000
Total Comprehensive (Loss)/Income for the year		(2,154,498)	4,061,412

The accompanying notes form an integral part of these financial statements



STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Water Authority of the Cayman Islands
Statement of Changes in Shareholder's Equity
For the Year Ended 30 June 2016
(Stated in Cayman Islands dollars)

	Notes	2016	2015
CONTRIBUTED CAPITAL			
Balance at beginning of year	7	236,000	236,000
Balance at end of year		236,000	236,000
RETAINED EARNINGS			
Balance at beginning of year		68,118,266	64,156,854
(Loss)/profit for the year		(1,050,498)	3,813,412
Other comprehensive (loss)/income for the year		(1,104,000)	248,000
Contribution to Government	8	(100,000)	(100,000)
Balance at end of year		65,863,768	68,118,266
TOTAL SHAREHOLDER'S EQUITY		66,099,768	68,354,266

The accompanying notes form an integral part of these financial statements



STATEMENT OF CASH FLOWS

Water Authority of the Cayman Islands
Statement of Cash Flows
For the Year Ended 30 June 2016
(Stated in Cayman Islands dollars)

	2016	2015
Cash flows from operating activities		
(Loss)/Profit for the year	(1,050,498)	3,813,412
Adjustments to reconcile net income for the year to net cash provided by operating activities:		
Depreciation expense	4,371,737	3,470,275
Impairment of property, plant and equipment	297,781	-
Add/(deduct) net changes in non-cash operating balances:		
Accounts receivable, net	292,518	452,370
Inventory	(12,182)	8,179
Prepaid expense	180,765	(80,830)
Accounts payable	(1,003,896)	666,246
Contract retention payable	79,145	47,932
Customer deposits	105,111	30,093
Employee pension benefits	202,000	197,000
Employee healthcare benefits	5,228,000	-
Net cash generated by operating activities	8,690,481	8,604,677
Cash flows from investing activities		
Property, plant and equipment purchased	(5,137,364)	(3,973,174)
Net cash used in investing activities	(5,137,364)	(3,973,174)
Cash flows from financing activities		
Repayment of loans payable	(6,310,398)	(2,568,715)
Contribution to Government	(100,000)	(100,000)
Net cash used in by financing activities	(6,410,398)	(2,668,715)
Net (decrease)/increase in cash and cash equivalents during year	(2,857,281)	1,962,788
Cash and cash equivalents at beginning of year	12,988,873	11,026,085
Cash and cash equivalents at end of year	10,131,592	12,988,873
Supplemental disclosure for cash flow information:		
Cash paid during the year for interest	(325,874)	(465,207)
Cash received during the year for interest	1,966	2,197

The accompanying notes form an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

Water Authority of the Cayman Islands Notes to the Financial Statements For the Year Ended 30 June 2016

1. Establishment and Principal Activities

The Water Authority of the Cayman Islands (the "Water Authority") is a statutory body, wholly owned by the Government of the Cayman Islands (the "Government"), established on 1 January 1990, under the *Water Authority Law (Law 18 of 1982)*, as amended.

The Water Authority is principally engaged in the management of water supply and sanitation affairs of the Cayman Islands including the provision of public water supplies, sewerage systems and the management, development and protection of water resources.

As at 30 June 2016, the Water Authority had 126 employees (2015: 126 employees). The Water Authority is located at 13G Red Gate Road, P.O. Box 1104, KY1-1102, George Town, Grand Cayman, Cayman Islands.

2. Significant Accounting Policies

(a) *Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

(b) *Basis of preparation*

The financial statements of the Water Authority are prepared on the accrual basis under the historical cost basis.

(c) *Functional and presentation currency*

These financials are presented in Cayman Islands dollars (CI\$), which is the Water Authority's functional currency. All information has been rounded to the nearest dollar.

(d) *Property, plant and equipment*

(i) *Recognition and measurement:*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any net accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labour, related costs to put the assets into service and capitalised borrowing costs.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in the statement of comprehensive loss.

(ii) *Subsequent costs:*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Water Authority and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment such as maintaining underground piping are recognised in the statement of comprehensive loss as incurred.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation:

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed. If a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation is charged to the statement of comprehensive loss on a straight-line basis over the useful lives of each part of an item of property, plant and equipment unless the asset is used in the construction of an internally constructed asset in which case the depreciation is capitalised to the internally constructed asset. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Water and sewerage systems	8 to 50 years
Other assets	3 to 10 years

(iv) Construction in progress:

Construction in progress represents property, plant and equipment projects which are not yet completed at the year end date. Upon completion, the construction in progress is transferred to the relevant category of property, plant and equipment and depreciation commences when the asset is available for use.

(e) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the fiscal year end date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of comprehensive loss.

(f) Use of estimates and judgement

The preparation of the financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year of the revision and future years, where applicable.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant Accounting Policies (continued)

(f) Use of estimates and judgement (continued)

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Valuation of long lived assets

The Water Authority performs impairment testing when circumstances indicate that there may be impairment for long-lived assets. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required and in determining the grouping of assets to identify their Cash Generating Units ("CGU") for purposes of impairment testing.

The Water Authority assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves Management judgment and estimation.

(iii) Valuation of employee benefit plans

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, rate of inflation, retirement ages of employees and mortality rates. Discount rates used in actuarial calculations are based on market yields on high quality bonds (consistent with the term of the benefit obligation) and can have a material effect on the amount of plan liabilities and service costs. Management employs external experts to advise the Water Authority when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realised, employee benefit plan assets and liabilities and comprehensive loss will be affected.

(iv) Depreciation and amortization

The Water Authority's property and equipment is depreciated and amortised on a straight-line basis, taking into account the expected useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net profit and comprehensive loss.

(g) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of loan interest, except where interest incurred on a qualifying asset is capitalised. The interest expense of loan payments is recognised in the statement of comprehensive loss using the effective interest rate and or straight line method as appropriate.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant Accounting Policies (continued)

(h) Revenue recognition

The Water Authority bills its customers monthly for water consumed, sewerage and other services. Revenue derived from such sources is recorded as income when accrued.

(i) Operating lease

Operating lease payments are recognised as an expense in the statement of comprehensive loss on a straight-line basis over the lease term.

(j) Financial instruments

(i) Financial assets

The Water Authority initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Water Authority becomes a party to the contractual provisions of the instrument.

The Water Authority derecognises a financial asset when the Water Authority's contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Water Authority is recognised as a separate allocated asset or liability.

Loans and receivables:

Loans and receivables comprising accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short term deposits with original maturities of three months or less.

(ii) Financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Water Authority becomes a party to the contractual provisions of the instrument.

The Water Authority derecognizes financial liabilities when the Water Authority's contractual obligations are discharged, cancelled or expire.

The Water Authority classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise loans payable, accounts payable, contract retention payable and customer deposits.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(iii) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the Water Authority's statement of financial position when, and only when, the Water Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Water Authority measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Water Authority establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

Fair value hierarchy

The Water Authority measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The carrying amounts of financial assets and financial liabilities are considered to closely approximate fair value due to their short term nature.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant Accounting Policies (continued)

(k) Inventory

Inventory consists of consumable spares and water. Consumable spares are accounted for on the first-in, first-out basis. Water inventory is calculated at the cost of water plus chemicals multiplied by the volume of water. Inventories are valued at the lower of cost and net realisable value.

Spare part inventory is valued at cost.

(l) Employee Benefit Plans

The Water Authority provides post-employment benefits through defined benefit and defined contribution plans.

(i) Defined benefit plans

The Water Authority's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior period, discounting that amount and deducting any fair value of any plan assets.

The cost of the defined benefit plans earned by employees are actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive loss. The net interest expense on the net defined benefit liabilities for the period is determined by applying the discount rates used to measure the defined benefit obligations at the beginning of the annual period to the net defined benefit liabilities, taking into account any changes in the net defined benefit liabilities during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of comprehensive loss.

The Water Authority's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. To calculate the estimated amount for the pension obligation, the years of service and estimated salary upon retirement have been used.

The Water Authority's net obligation in respect of the defined benefit healthcare plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. To calculate the estimated amount for the healthcare obligation, the years of service limit of 10 years and estimated health insurance premiums have been used.

The discount rates used to value the defined benefit obligations is based on a yield of high quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant Accounting Policies (continued)

(l) Employee Benefit Plans (continued)

(ii) Defined contribution plans

The Water Authority's obligations for contributions to employee defined contribution pension plans are recognised in the statement of comprehensive loss in the periods during which services are rendered by employees.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2016, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Water Authority, with the exception of:

- IFRS 15, *Revenue from contracts with Customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The extent of the impact of adoption of amendments to IFRS 15 has not yet been determined.
- IFRS 9, *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The extent of the impact of adoption of amendments to IFRS 9 has not yet been determined.
- IFRS 16, *Leases* supersedes IAS 17 *Leases*, brings leases onto the statement of financial position, changes how to define leases and determines how lease liabilities are measured. The Company has yet to perform a full assessment of the impact on net results and net asset. The standard is effective for annual periods beginning on or after 1 January 2019.

3. Accounts Receivable, net

	<u>2016</u>	<u>2015</u>
Trade Receivables	4,793,595	5,068,600
Non-Trade Receivables	642,188	659,703
Allowance for Doubtful Accounts	(1,919,667)	(1,919,667)
	<u>CI\$ 3,516,116</u>	<u>3,808,636</u>



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

4. Inventory, net

	<u>2016</u>	<u>2015</u>
Water Supply and Sewerage Materials	1,261,037	1,250,559
Water Inventory	78,154	76,450
Provision for Obsolete Inventory	(15,861)	(15,861)
	<u>CI\$ 1,323,330</u>	<u>1,311,148</u>

5. Property, plant and equipment

The following projects classified as construction in progress are included in property, plant and equipment:

	<u>2016</u>	<u>2015</u>
1. Cayman Brac – Distribution Extension	253,378	156,582
2. Cayman Brac – Site Preparation	546,287	60,361
3. Grand Cayman - District Metering Vaults	6,465	6,465
4. Grand Cayman - Red Gate Pumping Station	326,818	1,632
5. Cayman Brac – Upgrade to Water Distribution Pumps	13,327	-
6. Grand Cayman – Red Gate Pump House Control Panel	42,982	-
	<u>CI\$ 1,189,257</u>	<u>225,040</u>

During the fiscal period, the Water Authority settled the FCIB loans that used buildings as security in prior years. At June 30, 2015, buildings with a carrying amount of CI\$4,291,615 was used as security for loans and borrowings amounting to CI\$642,049 (note 6).

The Water Authority's desalination plants operate under a number of finance lease agreements. At 30 June 2016, the carrying amount of leased plant, included in Water Supply assets, was CI\$8,602,102 (2015: CI\$8,618,159). The finance lease agreement between the Water Authority and Ocean Conversion (Cayman) Limited relating to the North Sound Plant expired in 2014. On June 8, 2015, approval was obtained from the Board and the Central Tenders Committee (CTC) for renewal of the operating agreement relating to the North Sound Plant for a further 24 months.

During the year ended 30 June 2016, the Water Authority identified projects to be repaired which resulted in a net impairment loss of CI\$297,781 (2015: Nil) that was recorded against the plant and equipment assets. During the year ended 30 June 2016, the Water Authority contracted various suppliers to refurbish and replace these assets. The total cost of the refurbishments and replacement that related to these assets were CI\$2,032,316.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

5. Property, plant and equipment (continued)

		<u>2016</u>						
		<u>Freehold Land</u>	<u>Buildings</u>	<u>Water Supply</u>	<u>Sewage</u>	<u>Other Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
Cost								
Balance at beginning of year		3,555,599	5,650,711	67,785,896	28,470,401	7,109,239	225,040	112,796,886
Additions		-	-	19,660	100,012	268,710	4,748,982	5,137,364
Disposals		-	-	(416,167)	(212,829)	(58,071)	-	(687,067)
Transfers between fixed assets		-	-	2,391,362	1,393,403	-	(3,784,765)	-
Balance at end of year	CI\$	<u>3,555,599</u>	<u>5,650,711</u>	<u>69,780,751</u>	<u>29,750,987</u>	<u>7,319,878</u>	<u>1,189,257</u>	<u>117,247,183</u>
Accumulated Depreciation								
Balance at beginning of year		-	1,208,269	25,496,836	13,563,392	5,978,733	-	46,247,230
Depreciation expense		-	113,014	3,109,245	814,311	335,167	-	4,371,737
Disposals		-	-	(213,220)	(128,568)	(47,500)	-	(389,288)
Balance at end of year	CI\$	<u>-</u>	<u>1,321,283</u>	<u>28,392,861</u>	<u>14,249,135</u>	<u>6,266,400</u>	<u>-</u>	<u>50,229,679</u>
Net Book Value								
at 30 June 2016	CI\$	<u>3,555,599</u>	<u>4,329,428</u>	<u>41,387,890</u>	<u>15,501,852</u>	<u>1,053,478</u>	<u>1,189,257</u>	<u>67,017,504</u>
		<u>2015</u>						
		<u>Freehold Land</u>	<u>Buildings</u>	<u>Water Supply</u>	<u>Sewage</u>	<u>Other Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
Cost								
Balance at beginning of year		3,555,599	5,499,883	64,734,201	28,340,151	6,462,761	231,117	108,823,712
Additions		-	-	9,791	94,619	646,478	3,222,286	3,973,174
Disposals		-	-	-	-	-	-	-
Transfers between fixed assets		-	150,828	3,041,904	35,631	-	(3,228,363)	-
Balance at end of year	CI\$	<u>3,555,599</u>	<u>5,650,711</u>	<u>67,785,896</u>	<u>28,470,401</u>	<u>7,109,239</u>	<u>225,040</u>	<u>112,796,886</u>
Accumulated Depreciation								
Balance at beginning of year		-	1,098,271	23,187,759	12,752,602	5,738,323	-	42,776,955
Depreciation expense		-	109,998	2,309,077	810,790	240,410	-	3,470,275
Disposals		-	-	-	-	-	-	-
Balance at end of year	CI\$	<u>-</u>	<u>1,208,269</u>	<u>25,496,836</u>	<u>13,563,392</u>	<u>5,978,733</u>	<u>-</u>	<u>46,247,230</u>
Net Book Value								
at 30 June 2015	CI\$	<u>3,555,599</u>	<u>4,442,442</u>	<u>42,289,060</u>	<u>14,907,009</u>	<u>1,130,506</u>	<u>225,040</u>	<u>66,549,656</u>





Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

6. Loans payable

	Date of Loan	Loan Amount	Original Loan Term*** (Years)	Interest Rate		Current	1-2 yrs	3-5 yrs	TOTAL	
				Rate	At Year End				2016	2015
a) First Caribbean International Bank (Cayman) Limited (FCIB)** New Administration Building Loan* North Side Supply Extension & North Side Pumping Facility Credit Facility F Sub-total for FCIB	Jun 2007	2,421,500	15	LIBOR + 0.9%	0.00%	-	-	-	-	642,049
	Dec 2008	2,505,000	15	LIBOR + 0.9%	0.00%	-	-	-	-	1,105,198
	Jun 2009	4,676,000	15	LIBOR + 0.9%	0.00%	-	-	-	-	2,063,035
						-	-	-	-	3,810,282
b) Cayman Islands Government (CIG) Grand Cayman Sub-total for CIG	Apr 1995	4,822,349	25	0%	0.00%	-	-	-	-	1,012,023
						-	-	-	-	1,012,023
c) Ocean Conversion (Cayman) Ltd.* (OCL) North Side – Original Red Gate – Upgrade Sub-total for OCL TOTALS Less current loans payable Non-current loans payable	Jul 2009	9,176,442	10	6.50%	6.50%	1,060,485	2,338,584	-	3,399,069	4,393,048
	Jul 2010	3,063,816	7	6.50%	6.50%	527,205	-	-	527,205	1,021,319
						1,587,690	2,338,584	-	3,926,274	5,414,367
						1,587,690	2,338,584	-	3,926,274	10,236,672
									(1,587,690)	(2,670,022)
									CIS 2,338,584	CIS 7,566,650

(*) = refer to note 5

(**) = These loans were subject to a letter of undertaking dated December 21, 2000 issued by the Cayman Islands Government.

(***) = Commitments per year are based on loan repayment schedules with respective entities and institutions

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

6. Loans payable (continued)

The Water Authority has an overdraft facility at 4.25% interest per annum with First Caribbean International Bank in the amount of CI\$416,000 (2015: CI\$416,000). At 30 June 2016, \$nil (2015: \$nil) of the overdraft facility was being utilised.

The loans that were subject to a letter of undertaking by the Government of the Cayman Islands had the following covenants included in the agreements:

1. The Government shall retain full legal and beneficial ownership of the whole issued share capital of the Water Authority at all times.
2. The Government will not permit the Water Authority to pay dividends or authorise capital withdrawals (including, without limitation, withdrawals to make contributions to the Government) to the detriment of the Water Authority's full debt service obligations.
3. No agreements or arrangements will be entered into (whether by the Government, the Water Authority or otherwise) in terms of which any option, right to purchase or right to subscribe, in each case, in respect of any shares in capital of the Water Authority is granted to any third party.

At 30 June 2016, the Water Authority had settled all outstanding loans with FCIB.

As described in note 5, the administration building served as security for the loan thereon.

7. Contributed Capital

The Government provided 12.58 acres of land on Cayman Brac to the Water Authority of the Cayman Islands during the 2009/10 fiscal period at no cost. The fair market value at the time of transfer was CI\$236,000.

8. Related Party Transactions

The Government of the Cayman Islands appoints the Chairman and Members to the Water Authority's Governing Board. The following transactions occurred during the year between the Water Authority and the Government of the Cayman Islands.

1. The Water Authority made loan repayments to the Government during the year in the amount of CI\$1,012,023 (2015: CI\$210,894) to fully repay the outstanding loans, hence the outstanding balance of the loans with Government is CI\$nil (2015: CI\$1,012,023) at 30 June 2016. Refer to note 6.
2. The Water Authority paid a contribution to the Government in the amount of CI\$100,000 (2015: CI\$100,000).
3. The remuneration of directors and other members of key management personnel during the year was CI\$936,185 (2015: CI\$891,628), this amount entirely pertains to short-term employee benefits, namely salary, medical insurance and pension contributions. The long-term benefits obligation which includes the Defined Benefit Pension Plan and Defined Benefit Health Plan are CI\$2,123,781 (2015: CI\$1,428,400). No loans were issued to key management personnel during the year (2015: nil). There were 7 personnel categorised in 2016 broken down as 6 key management personnel and 1 Director (2015: 6 key management personnel and 1 Director).

During the year, the Water Authority provided, at no charge to the Government of the Cayman Islands, the availability and use of water for fire fighting, free sewerage service to a number of indigent persons in the Watler's Road area, supervision of water resources, administration of Plumbers Examination Board, consultative services for development control, and water at a reduced Public Authority rate. The Water Authority does not estimate the value of services provided to the Government.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

9. Employee Benefits

a) Defined Benefit Pension Plan

The Public Services Pension Plan is managed by the Government of the Cayman Islands through the Public Services Pension Board. The Board is responsible for among other things, administering the Public Service Pensions Fund (the "Fund"), communicating with plans participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Public Service Pensions plans as needed. The current number of active employees enrolled under the defined benefit plan is 5 (2015: 5).

The Water Authority recognises the defined benefit pension plan as liabilities on its financial statements once the actuarial valuations are completed. For the defined pension liability the Water Authority recognises the actual liability since 1990 (date of establishment) is determined.

The most recent actuarial valuations for IAS 19 reporting was conducted on 22 September 2016 using data as at 1 January 2016. Management use this as best estimate to record the defined benefit pension plan and the profit and loss charges associated with the plans participation as at and for the year ended 30 June 2016.

The actuarial position is as follows:

	30 June 2016 CIS000's	30 June 2015 CIS000's
Defined benefit obligation	(5,217)	(4,284)
Fair value of plan assets	1,818	1,753
Net liability in financial position, end of year	<u>(3,399)</u>	<u>(2,531)</u>

The present value of the funded obligation changes as follows:

	30 June 2016 CIS000's	30 June 2015 CIS000's
Defined benefit obligation, beginning of year	4,284	4,175
Current service cost	107	106
Interest cost	203	188
Plan participant contributions	23	23
Benefit Payments from Plan	(70)	-
Remeasurements	670	(208)
Defined benefit obligation, end of year	<u>5,217</u>	<u>4,284</u>

The fair value of the plan assets during the year changed as follows:

	30 June 2016 CIS000's	30 June 2015 CIS000's
Fair value of plan at the beginning of year	1,753	1,593
Interest income	84	73
Employer contributions	24	24
Plan participant contributions	23	23
Benefits paid by the plan	(70)	-
Remeasurements	4	40
Fair value of plan at the end of year	<u>1,818</u>	<u>1,753</u>



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The defined benefit cost included in Profit

	30 June 2016	30 June 2015
	CIS000's	CIS000's
Current service cost, net of employee contributions	107	106
Net interest cost	119	115
Administrative expenses	-	-
Total defined benefit cost	226	221
Employer contributions recognised in administrative expenses	(24)	(24)
Net defined benefit cost	202	197

The remeasurements included in other comprehensive (loss)/income

	30 June 2016	30 June 2015
	CIS000's	CIS000's
Effect of changes in demographic assumptions	-	8
Effect of changes in financial assumptions	706	(216)
Effect of experience adjustments	(36)	-
Effect of changes in actuarial assumptions	-	-
(Return) on plan assets (excluding interest income)	(4)	(40)
Remeasurements	666	(248)

The distribution of the plan assets based on the share of the total fund allocated to the Water Authority was as follows:

	30 June 2016	30 June 2015
Global equities	80%	80%
Bonds	19%	19%
Other / cash	1%	1%
Property	0%	0%

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

B. Economic assumptions used to determine the net benefit obligations as at:

	30 June 2016	30 June 2015
Discount rate	4.00%	4.75%
Salary increase	3.50%	3.50%
Future pension increases	2.50%	2.50%
Inflation rate	2.50%	2.50%

C. Other assumptions –

1. Mortality – standard U.S. mortality rates
2. Retirement age – completion of age 57 and 10 years of service

D. Asset valuation –fair market value



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The defined benefit pension obligation is calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the defined benefit pension obligation. The pension plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. A decrease in corporate bond yields will increase the defined benefit pension obligations. This will be partially offset by an increase in the fair value of the pension plans' bond holdings.

The Water Authority's defined benefit pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The defined benefit pension obligation will be affected by the rate of pension increase as well as increase in pensionable earnings which stayed consistent at 2.5% and 3.5% (2015: 2.5% and 3.5%).

The majority of the defined benefit pension plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the defined benefit pension obligations.

b) Defined Contribution Plan

In accordance with the *National Pensions Law of June 1998*, all new employees who are not participants in the Public Service Pensions Fund are enrolled in an approved local defined contribution pension plan with British Caymanian Pension. During the year, the Water Authority and its employees paid 5% and 5% (2015: 5% and 5%), respectively of salary contributions to the defined pension contribution plan. The total employees enrolled in the defined pension contribution plan is 121 (2015: 121).

The total amount recognised as employer contributions for the 12 months ended 30 June 2016 was CI\$335,051 (2015 CI\$314,155) to the defined pension contribution plan. This amount is included as administrative expenses (staff training and benefits).

c) Defined Benefit Healthcare Plan

At the 270th Board Meeting, held on 18 May 2016, the Board of Directors approved that the Water Authority engage with the actuaries to determine the defined healthcare liability for the year ended June 30, 2016. This was performed on all active employees whom are members of the Defined Benefit Pension Plan (as administered by the Public Service Pension Board) some of whom were staff members of the Cayman Islands Government prior to being transferred to the Water Authority. The Water Authority recognised 100% of the defined benefit healthcare liability on behalf of these specific employees. At this time, the Water Authority's Post-Retirement Health Care Program will be managed in house, and the Executive Office will be responsible for administering the healthcare plan, communicating with plan participants, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the healthcare plans as needed.

The current number of active employees entitled to the defined benefit healthcare plan is 11 (2015: Nil), 6 of the 5 employees qualified for early retirement which exercised their right and will therefore not be part of the Defined Benefit Pension Plan. The total amount recognised as employer contributions for the 12 months ended 30 June 2016 was CI\$91,000. This amount is included as administrative expenses (staff training and benefits).

The most recent actuarial valuations for IAS 19 reporting was conducted on 26 August 2016 using data as at 1 January 2016. Management use this as best estimate to record the defined benefit healthcare liability and the profit and loss charges associated with the plans participation as at and for the year ended 30 June 2016.



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

9. Employee Benefits (continued)

c) Defined Benefit Healthcare Plan (continued)

The actuarial position is as follows:

	30 June 2016 CIS000's	30 June 2015 CIS000's
Defined benefit obligation	(5,666)	-
Fair value of plan assets	-	-
Net liability in financial position, end of year	<u>(5,666)</u>	<u>-</u>

The present value of the funded obligation changes as follows:

	30 June 2016 CIS000's	30 June 2015 CIS000's
Defined benefit obligation, beginning of year	-	-
Current service cost	5,085	-
Employer direct benefit payments	(91)	-
Interest cost	234	-
Remeasurements	438	-
Defined benefit obligation, end of year	<u>5,666</u>	<u>-</u>

The defined benefit cost included in Profit

	30 June 2016 CIS000's	30 June 2015 CIS000's
Current service cost, net of employee contributions	5,085	-
Net interest cost	234	-
Total defined benefit cost	5,319	-
Employer contributions recognised in administrative expenses	(91)	-
Net defined benefit cost	<u>5,228</u>	<u>-</u>

The remeasurements included in other comprehensive (loss)/income

	30 June 2016 CIS000's	30 June 2015 CIS000's
Effect of changes in demographic assumptions	(295)	-
Effect of changes in financial assumptions	733	-
Remeasurements	<u>438</u>	<u>-</u>



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

9. Employee Benefits (continued)

c) Defined Benefit Healthcare Plan (continued)

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

B. Economic assumptions used to determine the net benefit obligations as at:

	30 June 2016	30 June 2015
Discount rate for obligation	4.05%	-
Discount rate for costs	4.75%	-
Medical inflation rate	5.00%	-

C. Other assumptions –

3. Mortality – standard U.S. mortality rates
4. Retirement age – completion of age 57 and 10 years of service

D. Asset valuation –fair market value

The Water Authority's defined benefit healthcare obligations are linked to inflation, and higher inflation will lead to higher liabilities. The defined benefit healthcare obligation will be affected by the medical inflation rate at 5% in the current year and is based on historical claims information and long-term medical inflation expectation.

The majority of the defined benefit healthcare obligations are to provide post-retirement healthcare for the life of the member, so increases in life expectancy will result in an increase in the defined benefit healthcare obligations.

10. Leases

The Water Authority leases a parcel of land in Cayman Brac under an operating lease. Lease payments are currently CI\$1,028 per month and are subject to periodic review to reflect open market rental values. The lease was signed in January 2000, and is for a period of thirty years.

Future minimum lease rentals payable follow:

	<u>2016</u>	<u>2015</u>
Within one year	12,335	12,335
After one year but not more than five years	49,340	49,340
After more than five years	104,846	117,181
	<u>CI\$ 166,521</u>	<u>178,856</u>



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

11. Change in estimates

During the review of the useful lives of assets performed by the Water authority for the year ended 30 June 2016, the Water Authority identified a change in useful lives of assets relating to the water meters. Management had previously amortised the assets over 15 years. Based on the value in use, the expected useful life decreased to 8 years. The effect of these changes on the actual and expected depreciation expense was as follows:

		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Later</u>
Increase in depreciation expense	CI\$	661,070	52,814	79,855	38,650	16,627	9,676

12. Financial Risk Management objectives and policies

The Water Authority's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The Water Authority's Board has overall responsibility for the establishment and oversight of its risk management framework. The most important types of financial risk to which the Water Authority is exposed to are credit risk, liquidity risk and market risk. This note presents information about the Water Authority's exposure to each of these risks and the Water Authority's objectives, policies and processes for measuring and managing risk and the Water Authority's management of capital.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Water Authority. Financial assets which potentially subject the Water Authority to credit risk consist principally of trade receivables. Concentrations of credit risks with respect to trade receivables are small as the customer base is large and unrelated.

Customer credit risk is jointly managed within the finance and customer service departments of the Water Authority. Outstanding customer receivables are regularly monitored, and the Water Authority will disconnect water supply to any customers who do not pay their invoices within 60 days. Payment agreements are available to customers who seek assistance and are monitored closely to ensure compliance. Failure to pay within the outlined time will result in disconnection. The Water Authority holds customer deposits on each account as collateral against non-payment amounting to CI\$1,322,790 (2015: CI\$1,217,679).

The maximum exposure to credit risk for financial assets at the reporting date without taking account of any collateral held or other credit related enhancements and based on the carrying amounts as reported in the statements of financial position, is:

	<u>2016</u>	<u>2015</u>
Trade receivables	4,793,594	5,068,600
Non-trade receivables	642,188	659,703
CI\$	<u>5,435,782</u>	<u>5,728,303</u>



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

12. Financial risk management objectives and policies (continued)

Liquidity risk

As at 30 June 2016, an allowance for doubtful receivables of CI\$1,919,677 has been made against accounts receivable (2015: CI\$1,919,677). The aging of trade receivables at 30 June is as follows:

	<u>2016</u>	<u>2015</u>
Current	3,334,256	3,442,850
Between 30 days and 60 days	218,349	23,749
Between 60 days and 90 days	76,282	275,451
Greater than 90 days	1,806,895	1,986,253
	<u>CI\$ 5,435,782</u>	<u>5,728,303</u>

Liquidity risk is the risk that the Water Authority will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to predict and manage the Water Authority's expected cash outflows. Management monitors rolling forecasts of the cash and cash equivalents on the basis of expected cash outflows.

As at 30 June 2016, accounts payable and interest payable are all due within 3 months of the statement of financial position date. The repayment dates on the loans and borrowings are as described in note 6.

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or commodity prices will affect the financial performance of the Water Authority. The Water Authority's activities expose it to interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Loans and borrowings are subject to interest rate risk. As outlined in Note 6, the loans and borrowings attracts fixed interest rates based on market interest rates. Management does not consider there to be a significant interest rate risk due to the low interest environment. As at 30 June 2016, the interest rate profile of the Water Authority's interest-bearing financial instruments were:

	<u>2016</u>	<u>2015</u>
Financial Liabilities		
Fixed rate instruments	3,926,274	6,426,390
Variable rate instruments	-	3,810,282
	<u>CI\$ 3,926,274</u>	<u>10,236,672</u>

A change of 1% in interest rates on variable rate instruments throughout the reporting period would have increased/decreased comprehensive (loss)/income by CI\$nil (2015: CI\$38,103)



Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016

12. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The nature of the Water Authority's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior year. Subsequent to 30 June 2016, the market interest rates have remained static, and Water Authority has therefore not experienced any adverse effects as a result of interest rate risk.

Currency risk

As substantially all transactions are denominated in Cayman Island dollars, the Water Authority is not significantly exposed to currency risk due to the Cayman Islands dollar being fixed to the United States dollar. The nature of the Water Authority's exposure to currency risk has not changed significantly from the prior year.

13. Financial Instruments

Fair values

As at 30 June 2016 and 2015, the carrying amount of cash and cash equivalents, accounts receivable, accounts payable, interest payable, contract retention payable and customer deposits approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

The loans payable are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

14. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to October 31, 2016, which is the date that the financial statements were approved and available to be issued. No subsequent events were identified that require additional disclosures in these financial statements.

