

**Saint Lucia Solid Waste
Management Authority**
Financial Statements
Year Ended March 31, 2015
(Expressed in Eastern Caribbean Dollars)

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REGISTERED OFFICE

Maurice Mason Avenue
Sans Souci
Castries
Saint Lucia

DIRECTORS

Sylvester Clauzel
Cointha Thomas
Francis Fontenelle
Jan Drysdale
Ross Gardner
Luvette Louisy
Urban Clovis
Noorani Azeez
Reginald St. Juste
Justin Sealy
Augustus Cadette

SECRETARY

Arlett Ruiz

SOLICITOR

Greene Nelson & Associates

BANKER

Bank of Saint Lucia Limited

AUDITORS

BDO
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Directors of Saint Lucia Solid Waste Management Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Saint Lucia Solid Waste Management Authority which comprise the statement of financial position as at March 31, 2015, and the statements of changes in fund balances, comprehensive income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on 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 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saint Lucia Solid Waste Management Authority as at March 31, 2015, and the results of its financial performance and cash flows for the year then ended in accordance with IFRS for SME's.



July 28, 2015

Saint Lucia Solid Waste Management Authority

Statement of Financial Position


As at March 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	973,043	1,077,593
Trade and other accounts receivable	7	1,150,794	1,102,593
Inventory		305,245	374,278
		<u>2,429,082</u>	<u>2,554,464</u>
Long-term Assets			
Deferred expenditure	8	-	801,366
Property, plant and equipment	9	2,392,574	2,733,580
		<u>2,392,574</u>	<u>3,534,946</u>
TOTAL ASSETS		<u>4,821,656</u>	<u>6,089,410</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Trade and other accounts payable	10	865,892	677,120
Deferred income	11	5,141,435	5,141,435
		<u>6,007,327</u>	<u>5,818,555</u>
Fund Balances			
Fixed assets fund	12	1,166,065	1,610,291
Deferred funding assistance	13	-	470,201
Fund balance		(2,351,736)	(1,809,637)
		<u>(1,185,671)</u>	<u>270,855</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>4,821,656</u>	<u>6,089,410</u>

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

APPROVED ON BEHALF OF THE BOARD:-


Chairperson


Member

Saint Lucia Solid Waste Management Authority

Statement of Changes in Fund Balances
For the Year Ended March 31, 2015
(Expressed in Eastern Caribbean Dollars)

	Fixed Assets Fund \$	Deferred Funding Assistance \$	Fund Balance \$	Total \$
Balance as at March 31, 2013	2,091,759	1,383,767	(900,138)	2,575,388
Amortisation of fund balances	(481,468)	(913,566)	-	(1,395,034)
Excess of expenditure over income for the year	-	-	(909,499)	(909,499)
Balance as at March 31, 2014	1,610,291	470,201	(1,809,637)	270,855
Amortisation of fund balances	(444,226)	(470,201)	-	(914,427)
Excess of expenditure over income for the year	-	-	(542,099)	(542,099)
Balance as at March 31, 2015	1,166,065	-	(2,351,736)	(1,185,671)

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

Saint Lucia Solid Waste Management Authority

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Statement of Comprehensive Income

For the Year Ended March 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	2015 \$	2014 \$
INCOME			
Amortisation of deferred funding assistance	13	470,201	913,566
Environmental levy		4,396,756	4,254,068
Government of Saint Lucia		5,777,545	5,000,000
Interest income		10,477	27,622
Other income		669,747	518,248
Release of fixed assets fund		444,226	481,468
TOTAL INCOME		11,768,952	11,194,972
EXPENDITURE			
Advertising and public relations		31,208	28,367
Audit fees		14,084	14,351
Bank charges		3,666	3,581
Board expenses		19,400	29,200
Depreciation	9	672,675	724,881
Environmental levy deductions		1,109,052	411,852
Inventory written off		55,100	-
Landfill operating costs:			
- Amortisation	8	801,366	913,566
- Operating costs		1,852,015	2,210,972
Miscellaneous		4,760	15,888
Office expenses		26,577	25,540
Office rental		36,000	36,000
Professional fees		6,891	2,430
Safety equipment expenses		2,351	2,529
Salaries and staff benefits	16	998,638	1,040,716
Service contracts/maintenance		11,235	11,155
Subscriptions		436	1,324
Training/overseas travel/consultations		6,096	288
Travel and entertainment		25,986	31,905
Utilities		36,482	36,668
Waste collection		6,597,033	6,563,258
TOTAL EXPENDITURE		12,311,051	12,104,471
EXCESS OF EXPENDITURE OVER INCOME FOR THE YEAR		(542,099)	(909,499)

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

Saint Lucia Solid Waste Management Authority

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Statement of Cash Flows

For the Year Ended March 31, 2015

(Expressed in Eastern Caribbean Dollars)

	2015 \$	2014 \$
Cash Flows from Operating Activities		
Excess of expenditure over income for the year	(542,099)	(909,499)
Adjustments for:		
Amortisation of deferred funding assistance	(470,202)	(913,566)
Release of fixed assets fund	(444,226)	(481,468)
Interest income	(10,477)	(27,622)
Amortisation of deferred expenditure	801,366	913,566
Depreciation	672,675	724,881
Gain on disposal	-	(33,000)
Operating income/(loss) before working capital changes	7,037	(726,708)
(Increase)/decrease in trade and other accounts receivable	(48,201)	370,745
Decrease in inventory	69,033	88,603
Increase/(decrease) in trade and other accounts payable	188,772	(176,928)
Net cash generated from/(used in) operating activities	216,641	(444,288)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(331,669)	(9,523)
Disposal of property, plant and equipment	-	33,000
Interest received	10,478	27,621
Net cash (used in)/generated from investing activities	(321,191)	51,098
Decrease in Cash and Cash Equivalents	(104,550)	(393,190)
Cash and Cash Equivalents - Beginning of Year	1,077,593	1,470,783
Cash and Cash Equivalents - End of Year	973,043	1,077,593

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

Saint Lucia Solid Waste Management Authority

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1. Introduction

Saint Lucia Solid Waste Management Authority was formed under the Saint Lucia Solid Waste Management Authority Act No. 20 of 1996. This Act was later repealed and replaced by the Waste Management Act No. 8 of 2004.

The primary responsibility of Saint Lucia Solid Waste Management Authority is to provide co-ordinated and integrated systems for the collection, treatment and disposal of solid waste, including hazardous waste and to establish and manage sanitary landfills throughout Saint Lucia as appropriate.

2. Going Concern

The Authority's expenditure exceeded its income in the current financial year and this is forecast to continue in the subsequent year. In addition, payment of \$5,100,000 and the further contingent liability of \$3,240,000 (see note 15) may jeopardise the ability of the Authority to continue as a going concern, due to lack of cashflows, without the additional support from Government.

3. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on October 15, 2015.

4. Significant Accounting Policies

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements of St. Lucia Solid Waste Management Authority have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies.

(b) Foreign Currencies

The financial statements are presented in Eastern Caribbean dollars which is the currency of the primary economic environment in which the Authority operates (its functional currency).

Transactions in foreign currencies are translated into Eastern Caribbean dollars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the financial statements are translated into Eastern Caribbean dollars at the foreign exchange rate ruling at the date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean dollars at the foreign exchange rates ruling at the dates the values were denominated.

4. Significant Accounting Policies (Cont'd)

(c) Impairment of Non-Financial Assets

The carrying amounts of the Authority's assets are reviewed at each date of the financial statements to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(e) Financial Assets

(i) Classification

The Authority classifies its financial assets as trade and other receivables:-

Management determines the appropriate classification of these assets at initial recognition.

Trade and other accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) Recognition and measurement

Trade and other accounts receivable are carried at amortised cost less allowance for impairment.

(iii) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

The impairment loss for financial assets is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses. Impairment losses are recognised in the Statement of Comprehensive Income.

(f) Inventory

Inventory is valued at the lower of cost and net realisable value. In general, cost is determined on a specific item basis. Net realisable value is the price at which inventory can be disposed of in the normal course of business after allowing for the cost of realisation. Allowance is made for obsolete, slow-moving and damaged goods.

4. Significant Accounting Policies (Cont'd)

(g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis, so as to write-off the cost of property, plant and equipment over their estimated useful lives as follows:-

Assets	Estimated Useful Lives
Land improvements	5 and 6 2/3 years
Office equipment	3 and 5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Sanitary equipment	3 and 5 years
Buildings	20 years

Gains or losses arising on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income.

(h) Trade and Other Accounts Payable

Trade and other accounts payable are measured at amortised cost.

(i) Fixed Assets Fund

The fixed assets fund is released to income at a rate consistent with the related assets' depreciation.

(j) Deferred Funding Assistance

Deferred funding assistance is amortised over a period which approximates the related projects' useful lives as follows:-

Projects	Estimated Useful Lives
Deglos landfill	15 years
Upgrade of Vieux Fort landfill	10 years

(k) Revenue

Revenue is recognised at the fair value of the consideration received or receivable from the rendering of services.

Interest income is accrued on a time basis.

(l) Income Tax

The Authority is not subject to taxation according to the statutory instrument by which it was formed.

5. Transition to the IFRS for SMEs

The Authority's financial statements for the year ended March 31, 2015, are its first annual financial statements prepared under accounting policies that comply with the IFRS for SME's.

St. Lucia Solid Waste Management Authority transition date is April 1, 2013. The Authority prepared its opening IFRS for SME's statement of financial position at that date. In preparing these financial statements in accordance with IFRS for SMEs, the Authority has applied all mandatory exceptions from full retrospective application of the IFRS for SMEs.

6. Cash and Cash Equivalents

	2015 \$	2014 \$
Operating account	457,328	532,731
Gratuity account	514,915	544,062
Petty cash	800	800
	<u>973,043</u>	<u>1,077,593</u>

The accrued gratuities balance at year end, as indicated in note 10 is \$71,319 (2014 : \$41,319). The balance in the gratuity account represents short-term surplus funds which are deposited here in order to obtain interest income.

7. Trade and Other Accounts Receivable

	2015 \$	2014 \$
Saint Lucia Air and Sea Ports Authority	898,128	851,930
Other trade receivables	137,074	124,570
	<u>1,035,202</u>	<u>976,500</u>
Prepaid expenses	115,592	119,475
Other receivables	-	6,618
	<u>1,150,794</u>	<u>1,102,593</u>

8. Deferred Expenditure

	Deglos Landfill \$
Balance - March 31, 2013	<u>1,714,932</u>
Amortisation for the year	(913,566)
Balance - March 31, 2014	<u>801,366</u>
Amortisation for the year	(801,366)
Balance - March 31, 2015	<u>-</u>

The deferred expenditure includes consulting fees incurred for advice on the purchase of capital equipment and costs incurred for the development of the Deglos Landfill. Management has agreed to expense the cost of the projects over 15 years. The Deglos Landfill is to be used for waste disposal for a period of 20 years.

Saint Lucia Solid Waste Management Authority

Notes to the Financial Statements
 For the Year Ended March 31, 2015
 (Expressed in Eastern Caribbean Dollars)

9. Property, Plant and Equipment

	Land Improvements \$	Office Equipment \$	Furniture and Fittings \$	Heavy Equipment and Motor Vehicles \$	Sanitary Equipment \$	Buildings \$	Total \$
At March 31, 2013							
Cost	371,710	261,516	109,240	4,019,424	5,369,532	1,083,525	11,214,947
Accumulated depreciation	(99,497)	(236,866)	(98,662)	(3,242,446)	(3,638,753)	(449,785)	(7,766,009)
Net book value	272,213	24,650	10,578	776,978	1,730,779	633,740	3,448,938
Year ended March 31, 2014							
Opening net book value	272,213	24,650	10,578	776,978	1,730,779	633,740	3,448,938
Additions	-	5,806	1,695	2,022	-	-	9,523
Depreciation charge	(22,653)	(13,205)	(4,688)	(155,800)	(474,359)	(54,176)	(724,881)
Closing net book value	249,560	17,251	7,585	623,200	1,256,420	579,564	2,733,580
At March 31, 2014							
Cost	371,710	214,517	110,935	3,533,446	5,369,532	1,083,525	10,683,664
Accumulated depreciation	(122,150)	(197,266)	(103,350)	(2,910,246)	(4,113,112)	(503,961)	(7,950,084)
Net book value	249,560	17,251	7,585	623,200	1,256,420	579,564	2,733,580
Year ended March 31, 2015							
Opening net book value	249,560	17,251	7,585	623,200	1,256,420	579,564	2,733,580
Additions	319,117	12,552	-	-	-	-	331,669
Depreciation charge	(22,651)	(11,555)	(3,797)	(155,799)	(424,697)	(54,176)	(672,675)
Closing net book value	546,026	18,248	3,788	467,401	831,723	525,388	2,392,574
At March 31, 2015							
Cost	690,827	227,069	110,935	3,533,446	5,369,532	1,083,525	11,015,334
Accumulated depreciation	(144,801)	(208,821)	(107,147)	(3,066,045)	(4,537,809)	(558,137)	(8,622,760)
Net book value	546,026	18,248	3,788	467,401	831,723	525,388	2,392,574

10. Trade and Other Accounts Payable

	2015	2014
	\$	\$
Accounts payable	749,017	576,548
Accrued gratuities	71,319	41,319
Audit fees payable	12,500	12,500
Credit card payable	-	589
VAT payable	250	5,430
Withholding tax payable	32,806	40,734
	<u>865,892</u>	<u>677,120</u>

11. Deferred Income

This relates to funds received from Canadian Commercial Corporation (CCC) for the settlement of some of the claims relating to the Deglos Landfill dispute. The amount is deferred because the Authority plans to use this amount to settle separate claims filed by CCC against the Authority (see note 15).

12. Fixed Assets Fund

This balance represents the written down value of fixed assets purchased using funding from the World Bank Project and Government of Saint Lucia. The assets are to be used at the landfills and are also included in property, plant and equipment. The funding is released to revenue over the estimated useful lives of the assets.

13. Deferred Funding Assistance

	Deglos Landfill CDB \$
Balance - March 31, 2013	<u>1,383,767</u>
Released to revenue	(913,566)
Balance - March 31, 2014	<u>470,201</u>
Released to revenue	(470,201)
Balance - March 31, 2015	<u>-</u>

Deferred Funding Assistance comprises the following:-

Caribbean Development Bank

The funds received from the Caribbean Development Bank for the Deglos landfill is released to revenue over a 15-year period (see Note 8). The deferred funding assistance for consulting fees is released to income over the useful life of the equipment purchased (see Note 8).

14. Reserve Fund

As per Schedule 3, Section 17 (1) and (2) of the Waste Management Act No. 8 of 2004, the Authority shall establish a Reserve Fund derived from the surplus of the Authority at a percentage to be determined by the Minister of Physical Development, Environment and Housing. However, that percentage has not yet been decided. This fund can be used for purposes as determined by the Authority.

15. Contingent Liabilities

Deglos Landfill Project

Due to various decisions of the Dispute Adjudication Board (DAB), Canadian Commercial Corporation (CCC), which was the main contractor for the Deglos Landfill Project, was awarded to date approximately \$8,340,000 inclusive of interest. This was as a result of claims made by CCC against Saint Lucia Solid Waste Management Authority for breach of contract in respect of the Deglos Landfill Project. The award was subsequently negotiated between CCC and the Authority, and a settlement was agreed to in principle in the amount \$5,100,000.

However, an injunction was granted by the High Court in Claim No: SLUHCV 2008/1015 on October 16, 2008 by virtue of which the court restrained CCC from receiving any further payments from the Authority in respect of settlement of the DAB claims. This claim is pending before the High Court in which National Contractors Ltd. (NCL), one of the joint venture partners, seeks among other things to cancel a separate Settlement Agreement between CCC and the Authority under which the Authority was paid \$5,100,000. There are no claims subsisting against the Authority in the Saint Lucia Courts at this time in reference to this project.

In order to minimize further possible interest costs, the Authority intends to pay into the courts in Saint Lucia the negotiated settlement of \$5,100,000, which is already recorded in the accounts as deferred income (see note 11). However, there is an injunction preventing payment to the courts. There is a contingent liability of a further \$3,240,000, being the difference between DAB awards and the negotiated settlement, pending the injunction coming to a close and the end of all litigation and arbitration.

16. Employee and Management Costs

Included in expenditure are the following:-

	2015 \$	2014 \$
Administrative Staff		
Salaries	911,735	929,321
National Insurance contributions	32,486	32,405
Gratuity	30,000	53,411
Other staff costs	24,417	25,579
	<u>998,638</u>	<u>1,040,716</u>
Landfill Staff		
Salaries and wages	440,278	482,063
National Insurance contributions	19,434	22,050
Gratuity	-	2,200
Other staff costs	9,307	7,027
	<u>469,019</u>	<u>513,340</u>
	<u>1,467,657</u>	<u>1,554,056</u>

Employee costs for the landfill staff are included in landfill operating costs.

The average number of employees for the year ended March 31, 2015 was 33 (2014 : 33).