The Forecasts for 2015 - 2017 (subject to increase in water tariffs) are depicted in the table as hereunder:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Rs '000</th>
<th>2016 Rs '000</th>
<th>2017 Rs '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales (assuming a tariff increase of 60% in 2015)</td>
<td>2,234,120</td>
<td>2,283,100</td>
<td>2,333,660</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>326,000</td>
<td>327,000</td>
<td>129,000</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>2,560,120</td>
<td>2,610,100</td>
<td>2,462,660</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>(1,416,000)</td>
<td>(1,504,000)</td>
<td>(1,559,000)</td>
</tr>
<tr>
<td>Surplus/Deficit before Interest</td>
<td>1,144,120</td>
<td>1,106,100</td>
<td>903,660</td>
</tr>
<tr>
<td>Interest</td>
<td>(263,755)</td>
<td>(340,617)</td>
<td>(428,471)</td>
</tr>
<tr>
<td>Surplus/Deficit after Interest</td>
<td>880,365</td>
<td>765,483</td>
<td>475,189</td>
</tr>
</tbody>
</table>

Funding of Capital Projects

<table>
<thead>
<tr>
<th>Description</th>
<th>January - December 2015 Rs '000</th>
<th>January - June 2016 Rs '000</th>
<th>July 2016 - June 2017 Rs '000</th>
<th>July 2016 - June 2018 Rs '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Loan</td>
<td>835,000</td>
<td>542,000</td>
<td>829,000</td>
<td>165,000</td>
</tr>
<tr>
<td>EIB Loan</td>
<td>411,000</td>
<td>229,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>122,000</td>
<td>122,000</td>
<td>2,507,000</td>
<td>825,000</td>
</tr>
<tr>
<td>CWA Own Funds</td>
<td>689,000</td>
<td>204,000</td>
<td>336,500</td>
<td>131,500</td>
</tr>
<tr>
<td>Total Capital Investment</td>
<td>2,057,000</td>
<td>1,097,000</td>
<td>3,671,500</td>
<td>1,121,500</td>
</tr>
</tbody>
</table>
The year 2014 ended with an operating surplus of Rs 326.4 Million before accounting for finance costs and exchange gain; thus realising a net surplus of Rs 242.7 Million when compared to a net surplus of Rs 216.7 Million in the financial year ended 31 December 2013. The net surplus generated in 2014 is mainly attributed to an increase in revenue from water sales and decrease in Administrative expenses. In 2014, Total Revenue increased by 1% compared to the year 2014 which is mainly attributed to increases in revenue with respect to Domestic, Non-Domestic and Government consumers.

The Authority’s Operating expense has decreased by 1% in 2014 in relation to 2013. This is mainly attributed to decrease in salaries and related as well as legal and professional fees.

The Authority has experienced an increase in its Total Assets over the years, whereby an increase of 8% can be noted in 2014 compared to 2013.

The Capital and Reserves of the Authority have increased by 5% which is attributed mainly to surplus for the year posted to revenue reserves. The Non-current liabilities have increased by 14% due to an increase in Long Term Borrowing and Contribution in Kind.

Cash and cash equivalents stood at Rs 346.1 Million in 2014 in relation to the figure of Rs 138.6 Million in 2013. The increase in the Cash and cash equivalents was due to reimbursement of funds by the Government of Mauritius.

The Rate of Return has remained stagnant at the rate of 3% in 2014.

The Operating Ratio has decreased from 0.84 in 2013 to 0.81 in 2014, which is slightly outside the target range of 0.75 to 0.80.

The Finance Contract between European Investment Bank (EIB) and Central Water Authority provides that so long as the loan is outstanding the Authority should maintain in each of its Financial Year, Operating Cash Flow ratio of not less than 1.5 times finance costs. In 2014, the ratio was 5.73 times.
SUMMARY OF FINANCIAL MATTERS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2014

1.0 REVENUE ACCOUNT

1.1 Financial Results

The financial results for the year were:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2014 (Rs M)</th>
<th>2013 (Rs M)</th>
<th>2012 (Rs M)</th>
<th>2011 (Rs M)</th>
<th>2010 (Rs M)</th>
<th>2009 (Rs M)</th>
<th>2008 (Rs M)</th>
<th>2007 Rs’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>1,768.58</td>
<td>1,753.66</td>
<td>1,701.18</td>
<td>1,160.73</td>
<td>1,837.98</td>
<td>1,200.50</td>
<td>1,166.50</td>
<td>1,161.40</td>
</tr>
<tr>
<td>Expenditure</td>
<td>1,525.87</td>
<td>1,596.98</td>
<td>1,446.83</td>
<td>1,230.00</td>
<td>1,905.58</td>
<td>1,334.90</td>
<td>1,192.91</td>
<td>1,220.50</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>242.71</td>
<td>216.68</td>
<td>254.35</td>
<td>(69.27)</td>
<td>(67.60)</td>
<td>(134.30)</td>
<td>63.59</td>
<td>(59.10)</td>
</tr>
</tbody>
</table>

1.2 Provision for Depreciation

Depreciation provision made in the accounts amounts to **Rs 260.8M** (Year 2013: Rs 296.5M).

1.3 Return on Net Operational Assets

The return on net operational assets is 3%.

The operating ratio is 0.81.

1.4 Analysis of Income and Expenditure

i. Potable and Irrigation Water Supply Services

Income

The total income of the two services represents 116% (Year 2013: 114%) of the total expenditure.

Finance Costs and Depreciation

The finance costs and depreciation represent 23% (Year 2013: 24%) of the total expenditure of the two services.

Surplus for the Year

The surplus for the year is Rs 242.7M representing 14% of total income (Year 2013: Surplus of Rs 216.7M; 12% of total income)

Cash Generated from Operating Activities

Cash generated from operating activities amounts to Rs 368.8M (Year 2013: Rs 474.3M).
ii. Potable Water Supply Service

Percentage Revenue Collectible

The percentage revenue collectible from each category of consumers falling in this service is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>55</td>
<td>56</td>
<td>56</td>
<td>55</td>
<td>56</td>
</tr>
<tr>
<td>Non-Domestic</td>
<td>38</td>
<td>38</td>
<td>38</td>
<td>37</td>
<td>36</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Government</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>

Income

Water Sales have contributed a sum of Rs 1.31 Billion (Year 2013: Rs 1.29 Billion) of the overall revenue which represented 74% (Year 2013: 74%) of total income.

iii. Irrigation Water Supply Service

Irrigation Water Sales have contributed a sum of Rs 42.2M (Year 2013: Rs 38.4M) of the overall revenue which represented 2% (Year 2013: 2%) of total income.

2.0 CAPITAL ACCOUNT

2.1 Net Cash Outflow from Investing Activities

Net Cash Outflow from Investing Activities for the period ended 31 December 2014 amounted to Rs 758.3M (Year 2013: Rs 636.5M).

2.2 Additions to Non-Current Assets

Assets capitalized during the period amounted to Rs 406.9M (Year 2013: Rs 780.1M).

2.3 Assets under Construction

Assets under Construction as at 31 December 2014 amounted to Rs 594.9M (Year 2013: Rs 252.8M).
3.0 FINANCIAL TARGETS

3.1 General

Most of the Loan Agreements provide that the Authority shall generate sufficient revenue to cover:
   i. operating expenses;
   ii. depreciation;
   iii. interests on borrowings and repayment of long-term indebtedness to the extent that it does not exceed the depreciation provisions; and
   iv. a surplus for financing a reasonable portion of future expansion.

3.2 IBRD Requirements

   i. Assets to be revalued from time to time in accordance with sound and consistently maintained method of valuation satisfactory to the Bank;
   ii. The Authority to bill domestic consumers on actual consumption;
   iii. Arrears collectible not to exceed 3 months average bills;
   iv. An annual debt service coverage of not less than 1.5 times.

3.3 MAB (Now Office of Public Sector Governance) Requirements

The Management Audit Bureau (MAB) had recommended in 1992 that the Authority should endeavour to achieve the following targets:

   i. an operating ratio of 0.75 to 0.80;
   ii. a rate of return of not less than the minimum rate of interest on its loans which is 3.0% based on EIB Loan;
   iii. a current ratio of 1.25 and a liquidity ratio of 1.00;
   iv. an annual debt service coverage of 1.50 - 2.00;
   v. a debt/net assets ratio of less than 0.50 and a debt/equity ratio below 1.0;
   vi. an average collection period of 2 months and a receivable turnover of 6.00.

3.4 European Investment Bank’s Requirements

As per the Loan Agreement with EIB, the Authority has to maintain an Operating Cash Flow which is not less than 1.5 times its financial costs.
SUMMARY OF FINANCIAL MATTERS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

THE WATER INCOME RUPEE

The water income rupee was earned as demonstrated in the charts below:

- **TOTAL INCOME 2014 JANUARY - DECEMBER**
  - Portable Water Sales 74%
  - Others 26%

- **TOTAL INCOME 2013 JANUARY - DECEMBER**
  - Portable Water Sales 74%
  - Others 26%

The water income rupee was spent as shown below:

- **TOTAL EXPENDITURE 2014 JANUARY - DECEMBER**
  - Operating Costs 75%
  - Administrative Expenses 15%
  - Other Expenses 9%
  - Finance Costs 6%

- **TOTAL EXPENDITURE 2013 JANUARY - DECEMBER**
  - Operating Costs 75%
  - Administrative Expenses 15%
  - Other Expenses 9%
  - Finance Costs 4%

TEN-YEAR TREND ANALYSIS OF POTABLE WATER SALES

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (INR M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>900</td>
</tr>
<tr>
<td>2006</td>
<td>919</td>
</tr>
<tr>
<td>2007</td>
<td>922</td>
</tr>
<tr>
<td>2008</td>
<td>960</td>
</tr>
<tr>
<td>2009</td>
<td>493</td>
</tr>
<tr>
<td>2010</td>
<td>884</td>
</tr>
<tr>
<td>2011</td>
<td>300</td>
</tr>
<tr>
<td>2012</td>
<td>1302</td>
</tr>
<tr>
<td>2013</td>
<td>1294</td>
</tr>
<tr>
<td>2014</td>
<td>1306</td>
</tr>
</tbody>
</table>

YEARS

annual report 2014
# SUMMARY OF FINANCIAL MATTERS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## PERFORMANCE INDICATORS

### KEY RATIOS

#### Statement of Financial Comprehensive Income

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Jan14-Dec14</th>
<th>Jan13-Dec13</th>
<th>Jan12-Dec12</th>
<th>Jan11-Dec11</th>
<th>Jul09-Dec10</th>
<th>Jul08-Jun09</th>
<th>Jul07-Jun08</th>
<th>Jul06-Jun07</th>
<th>Jul05-Jun06</th>
<th>Jul04-Jun05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of Return (%)</td>
<td>3.00</td>
<td>3.00</td>
<td>4.00</td>
<td>-0.12</td>
<td>0.92</td>
<td>-0.66</td>
<td>2.35</td>
<td>0.66</td>
<td>-0.40</td>
<td>2.89</td>
</tr>
<tr>
<td>Operating Ratio</td>
<td>0.81</td>
<td>0.84</td>
<td>0.79</td>
<td>1.01</td>
<td>0.96</td>
<td>0.96</td>
<td>0.87</td>
<td>0.97</td>
<td>1.02</td>
<td>0.85</td>
</tr>
<tr>
<td>Debt Servicing Ratio</td>
<td>0.06</td>
<td>0.05</td>
<td>0.07</td>
<td>0.04</td>
<td>0.08</td>
<td>0.07</td>
<td>0.08</td>
<td>0.08</td>
<td>0.08</td>
<td>0.10</td>
</tr>
<tr>
<td>Financing Ratio</td>
<td>3.72</td>
<td>4.06</td>
<td>3.61</td>
<td>-0.17</td>
<td>0.52</td>
<td>-0.52</td>
<td>1.51</td>
<td>0.37</td>
<td>-0.23</td>
<td>1.51</td>
</tr>
</tbody>
</table>

#### Statement of Financial Position

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Jan14-Dec14</th>
<th>Jan13-Dec13</th>
<th>Jan12-Dec12</th>
<th>Jan11-Dec11</th>
<th>Jul09-Dec10</th>
<th>Jul08-Jun09</th>
<th>Jul07-Jun08</th>
<th>Jul06-Jun07</th>
<th>Jul05-Jun06</th>
<th>Jul04-Jun05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>0.57</td>
<td>0.42</td>
<td>0.52</td>
<td>0.26</td>
<td>0.52</td>
<td>0.76</td>
<td>0.88</td>
<td>0.90</td>
<td>0.80</td>
<td>0.99</td>
</tr>
<tr>
<td>Liquidity Ratio</td>
<td>0.27</td>
<td>0.11</td>
<td>0.20</td>
<td>-0.07</td>
<td>0.15</td>
<td>0.35</td>
<td>0.47</td>
<td>0.48</td>
<td>0.41</td>
<td>0.28</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>0.18</td>
<td>0.15</td>
<td>0.17</td>
<td>0.18</td>
<td>0.21</td>
<td>0.23</td>
<td>0.25</td>
<td>0.29</td>
<td>0.30</td>
<td>0.29</td>
</tr>
<tr>
<td>Debt/Equity Ratio</td>
<td>4.87</td>
<td>4.37</td>
<td>4.03</td>
<td>3.94</td>
<td>3.72</td>
<td>4.28</td>
<td>4.27</td>
<td>4.33</td>
<td>4.24</td>
<td>4.05</td>
</tr>
<tr>
<td>Average Collection Period</td>
<td>2.04</td>
<td>2.00</td>
<td>1.93</td>
<td>2.05</td>
<td>1.48</td>
<td>1.92</td>
<td>1.87</td>
<td>2.02</td>
<td>2.09</td>
<td>2.11</td>
</tr>
<tr>
<td>Receivable Turnover</td>
<td>5.90</td>
<td>6.01</td>
<td>6.21</td>
<td>5.82</td>
<td>8.15</td>
<td>6.26</td>
<td>6.42</td>
<td>5.95</td>
<td>5.73</td>
<td>5.68</td>
</tr>
</tbody>
</table>

#### Statement of Cash Flows

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Jan14-Dec14</th>
<th>Jan13-Dec13</th>
<th>Jan12-Dec12</th>
<th>Jan11-Dec11</th>
<th>Jul09-Dec10</th>
<th>Jul08-Jun09</th>
<th>Jul07-Jun08</th>
<th>Jul06-Jun07</th>
<th>Jul05-Jun06</th>
<th>Jul04-Jun05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>5.73</td>
<td>5.71</td>
<td>3.54</td>
<td>1.71</td>
<td>1.85</td>
<td>0.55</td>
<td>0.99</td>
<td>0.77</td>
<td>0.79</td>
<td>1.35</td>
</tr>
</tbody>
</table>

### RATIO DEFINITIONS

1. The **Rate of return** indicates the financial return generated from the assets employed by the Authority.

   \[
   \text{Rate of return} = \frac{\text{Surplus/(Deficit) before interest}}{\text{Rate base}}
   \]

2. The **Operating ratio** gauges the ability of the Authority to finance its operating expenses from its operating revenue.

   \[
   \text{Operating ratio} = \frac{\text{Total expenditure before interest}}{\text{Total income}}
   \]
SUMMARY OF FINANCIAL MATTERS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. The Debt servicing ratio gauges how large a burden interests are as part of the total operational expenses.

\[
\text{Debt servicing ratio: } \frac{\text{Interest charged to operations}}{\text{Total expenditure including interest}}
\]

4. The Financing ratio gauges the ability of the Authority to meet its total interest commitments.

\[
\text{Financing ratio: } \frac{\text{Surplus/(Deficit) before interest}}{\text{Total interest}}
\]

5. The Current ratio gauges the ability of the Authority to meet its short term financial obligations.

\[
\text{Current ratio: } \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

6. The Liquidity ratio (Acid test ratio) indicates the ability of the Authority to meet its immediate financial obligations.

\[
\text{Liquidity ratio: } \frac{\text{Bank deposits and Cash & Bank balances}}{\text{Current Liabilities}}
\]

7. Gearing ratio indicates the financial dependability of the Authority on its long term loans.

\[
\text{Gearing ratio: } \frac{\text{Long Term Loans}}{\text{Total Assets - Current Liabilities}}
\]

8. Debt/Equity ratio indicates the Authority's burden of debt in relation to its equity.

\[
\text{Debt/Equity ratio: } \frac{\text{Total Liabilities}}{\text{Equity}}
\]

9. Average collection period indicates the time taken by the Authority to collect its debts on water sales.

\[
\text{Average collection period: } \frac{\text{Debtors x 12 months}}{\text{Water Sales}}
\]

10. Receivable turnover indicates the ratio between water sales and average net debtors.

\[
\text{Receivable Turnover: } \frac{\text{Water sales}}{\text{Average net debtors}}
\]

11. The Operating Cash Flow ratio gauges the ability of the authority to meet its loans repayment and interest on loans from operations.

\[
\text{Operating cash flow ratio: } \frac{\text{Surplus before depreciation and financial cost}}{\text{Debt repayment + interest}}
\]
REPORT OF THE
DIRECTOR OF AUDIT

On the Financial Statements
of the Central Water Authority
for the year ended 31 December 2014

NATIONAL AUDIT OFFICE
REPORT OF THE DIRECTOR OF AUDIT

TO THE BOARD OF THE

CENTRAL WATER AUTHORITY

Report on the Financial Statements

I have audited the accompanying financial statements of the Central Water Authority which comprise the statement of financial position as of 31 December 2014, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions. Those standards require that I 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 the auditor’s 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, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a reasonable basis for my audit qualified opinion.