(c) IFRS 13 Fair Value Measurement

The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of document for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from 01 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information for periods before the initial application of the standard.

2.2.2 New and revised IFRSs and IFRICs applied with no material impact on amounts reported and/or disclosures in the financial statements

The following relevant new and revised standards and interpretations have been applied in these financial statements. Their application has not had any significant impact on the amounts reported and/or disclosures in these financial statements but may impact the accounting for future transactions or arrangements.

- IAS 16 Property, plant and equipment - Amendments resulting from Annual Improvements 2009 - 2011 cycle (servicing equipment) and from Annual Improvements 2010 - 2012 cycle (proportionate restatement of accumulated depreciation on revaluation)
- IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010 - 2012 cycle (management entities)
- IAS 36 Impairment of Assets - Amendments arising from recoverable amount disclosures for Non-Financial Assets
- IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010 - 2012 cycle (proportionate restatement of accumulated amortization on revaluation)
- IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

2.3 New and revised IFRSs and IFRICs in issue but not yet effective

- IAS 1 Presentation of Financial Statements: Amendments resulting from the disclosure initiative
- IFRS 5 Non-Current Assets Held for Sale: Amendments resulting from September 2014 Annual Improvements to IFRSs (effective on 01 January 2016)
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

IFRS 7 Financial Instruments: Disclosures – Deferral of mandatory effective date of IFRS 7 and amendments to transition disclosures (effective on 01 January 2018)

IFRS 7 Financial Instruments: Disclosures – Amendments resulting from September 2014 Annual Improvements to IFRSs (01 January 2016)

IFRS 9 Financial Instruments: Classification and measurement of financial assets (effective on 01 January 2018)

IFRS 9 Financial Instruments: Reissue classification and measurement of financial liabilities and derecognition requirements (effective on 01 January 2018)

IFRS 9 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective on 01 January 2018)

IFRS 9 Financial Instruments: Disclosures – Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the “own credit” gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 (effective on 01 January 2018)

IFRS 10 Consolidated Financial Statements: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and amendments regarding the application of the consolidation exception (effective on 01 January 2016)

IFRS 11 Joint Arrangements: Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective on 01 January 2016)

IFRS 12 Disclosure of Interests in Other Entities: Amendments regarding the application of the consolidation exception (effective on 01 January 2016)

IFRS 14 Regulatory Deferral Accounts effective on 01 January 2016

IFRS 15 Revenue from Contracts with Customers effective on 01 January 2017

IAS 16 Property, plant and equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortization (effective on 01 January 2016)

IAS 19 Employee Benefits: Amendments resulting from September 2014 Annual Improvements to IFRSs (effective on 01 January 2016)

IAS 27 Separate Financial Statements: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective on 01 January 2016)

IAS 28 Investments in Associates and Joint Ventures: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and regarding the application of the consolidation exception (effective on 01 January 2016)
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

IAS 34 Interim Financial Reporting: Amendments resulting from September 2014 Annual Improvements to IFRSs (effective on 01 January 2016)

IAS 38 Intangible Assets: Amendments regarding the clarification of acceptable methods of depreciation and amortization (effective on 01 January 2016)

IAS 41 Agriculture: Amendments bringing bearer plants into the scope of IAS 16 (effective on 01 January 2016)

The Directors anticipate that the adoption of the Standards and amendments in the future period will have no material impact on the financial statements of the CWA.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, all of which have been consistently applied throughout the year is set out below:

3.1 Basis of Accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of Property, Plant and Equipment and except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the CWA take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The Financial Statements are presented in Mauritian rupees (MUR), rounded to the nearest thousand, which is the functional currency of the CWA.

3.2 Comparative Figures

Comparative figures have been re-grouped or re-stated where necessary to conform to the current period's presentation.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

3.3 Property, Plant and Equipment

Property, plant and equipment and buildings are stated at cost or revalued amount less accumulated depreciation and any accumulated impairment losses. A policy of revaluing the CWA’s assets was adopted in 1998. However, due to some administrative problems, this Authority has not been in a position to carry out this revaluation exercise again since the last one conducted in 1998. The value of Property, plant and equipment and buildings has been stated on this last revaluation exercise. In order to assess the fair value of the Authority’s assets, an exercise for the provision of Assets Management Consultancy Services is currently under progress.

Depreciation is charged so as to write off the cost or valuation of assets other than Land and Assets under construction, over their estimated useful lives using the straight-line method as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>No. of years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply Facilities</td>
<td>10 to 60</td>
</tr>
<tr>
<td>Irrigation Facilities</td>
<td>50</td>
</tr>
<tr>
<td>Cars and Mobile Service Equipment</td>
<td>5 to 10</td>
</tr>
<tr>
<td>Other Equipment</td>
<td>5 to 20</td>
</tr>
<tr>
<td>Buildings</td>
<td>50</td>
</tr>
</tbody>
</table>

The gain or loss arising on the disposal of an item of plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the Statement of Comprehensive Income.

The residual value on assets represents 0-10% of cost.

Depreciation is charged on additions in the year of acquisitions and when assets are ready for their intended use in case of constructed assets on a pro-rated basis as from the date of coming into operations. Similarly, depreciation on a pro-rata basis is charged up to the date of disposal in a particular financial year.

Repairs and maintenance costs are charged to the Statement of Comprehensive Income when the expenditure is incurred.

3.3.1 Intangible Assets

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalized at cost which is based on the costs incurred to acquire/develop and bring to use and amortised over its useful lives of 5-10 years.

3.3.2 Transfer of Services

Following the 1992 Management Audit Bureau’s (MAB) Report, the Board had approved the transfer of the Irrigation Services and Water Resources activities of the CWA to the then Ministry of Agro Industries and Fisheries and the Ministry of Energy and Public Utilities respectively. However, the finalization of the appropriate legislation is still awaited and for this reason these assets are still appearing in the reporting entity’s Accounts as at 31 December 2014.

3.4 Lease

There are operating lease agreements and payments for the occupation of land and buildings by the CWA. Details thereof are given under Note 24.

3.5 Impairment

At the end of each reporting period, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
An impairment loss is immediately recognised in the Statement of Comprehensive Income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.6 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. The cost of inventories issued to and returned from maintenance and projects are determined through the weighted average cost (AVCO) formula. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling.

3.7 Cash and cash equivalents

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

3.8 Financial instruments

Financial instruments comprise financial assets and financial liabilities and are when the Authority becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to and deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.8.1 Financial assets

Financial assets are classified into the following specified categories: "held to maturity" investments, "available for sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.8.1.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
3.8.1.2 Loans and receivables

The financial assets of the CWA are classified as loans and receivables. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.8.1.3 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include CWA's past experience of collecting payment, an increase in the number of delayed payments in the portfolio past 36 months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at cost, the amount of the impairment because of financial difficulties, the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against that allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income.

3.8.1.4 Derecognition of financial assets

The CWA derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of that asset to another entity. If the CWA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognize its retained interest in the asset and associated liability for amounts it may have to pay. If it retains substantially all the risks and rewards of ownership of a transferred financial asset, the CWA continues to recognize the financial asset and also recognizes a collateral borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3.8.2 Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.
(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities.

(iii) Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or “other financial liabilities”.

(iv) Financial liabilities at “fair value through profit or loss”

Financial liabilities are as “at fair value through profit or loss where the financial liability is either held for trading or it is designated as “at fair value through profit or loss”.

A financial liability is classified as held for trading if:
- It has been incurred principally for the purpose of repurchasing in the near future;
- It is part of an identified portfolio of financial instruments that an entity manage together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument;

A financial liability other than a financial liability held for trading may be designated as “at fair value through profit or loss” upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with an entity’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as “at fair value through profit or loss”.

Financial liabilities as “at fair value through profit or loss” are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

(v) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

(vi) Derecognition of financial liabilities

The CWA derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or when they expire.

3.9 Borrowing costs

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition and construction of a qualifying asset has been capitalized as part of the cost of that asset.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

3.10 Retirement and Other Benefit Obligations

3.10.1 Defined Benefit Pension Plan

Provision for retirement pension benefits is made under the Statutory Bodies Pension Funds Act of 1978, as amended. The schemes are Defined Benefit Plan and Defined Contribution Plan and its assets are managed by the State Insurance Company of Mauritius (SICOM) Ltd. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified in profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The retirement benefit obligations recognized in the statement of financial position represent the actual deficit or surplus in CWA’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refund from the plan or future reductions in contribution in the plan.

3.10.2 State Plan and Defined Contribution Plan

Contributions to the National Pension Scheme, Family Protection Scheme and National Savings Fund are charged to the Statement of Comprehensive Income the period in which they fall due.

3.10.3 Employee Entitlements

3.10.3.1 Sick Leave

Sick leaves not taken are accumulated by employees to a bank maximum of 110 days. Sick leave is either cashed in full on resignation, on retirement or taken as leave prior to retirement and are recognized as liability in the Financial Statements.

3.10.3.2 Passage Benefits

Passage benefits are provided to eligible employees as part of their contract of employment. It is calculated as a percentage of employee’s salaries and are earned during active employment. The amount earned is accrued and the accrual cleared as and when employees take their passage benefit entitlement. They are therefore classified as employee benefits and are measured at their nominal value.

The carrying amount is re-measured each year and after taking into account amount paid and earned during the year.
3.10.3.3 Annual Leaves - Contract Officers

Unutilised annual leaves with respect to Officers on contract are expensed during the period and amounts unpaid as at the date of reporting are accrued and recognized as a liability.

3.10.3.4 Vacation Leaves

Provision is made at the end of each reporting date with respect to vacation leaves accruing to employees. They have the option to cash in full the accumulated vacation leaves in lieu of proceeding on leave prior to their normal retirement as per the provisions of the PRB Report 2013.

3.11 Car Loans

Car loans are disbursed to staff by the CWA on applications by eligible employees as part of their conditions of service. The loans are executed by way of a registered agreement between the CWA and the employees. The car loans granted to eligible Officers prior to the year 2013 bear an interest rate of 7.5% per annum whilst those granted during the year 2013 are subject to an interest rate of 4% as per the PRB Report 2013 and are repayable monthly over a period of five or seven years, as appropriate. The interest rate on car loans advanced to new entrants as from 01 July 2013 is based on the prevailing Repo Rate. The balances of principal amounts are shown under receivables.

3.12 Revenue Recognition

Revenue comprises income from sales of water and arises from water treatment and distribution services. The sale is recognized when:
- a contract exists;
- delivery has taken place or service has been rendered;
- a quantitative price has been established or can be determined; and
- the receivables are likely to be recovered.

Delivery is measured based on cyclical meter readings.
Water sales are recognized in the Statement of Comprehensive Income in the same year.
Interest Income is accrued in the Statement of Comprehensive Income.
Other revenues are recognized as they accrue unless collectability is in doubt.

3.13 Government Grants

Depreciable assets-related grants whose primary condition is that the CWA should purchase, construct or otherwise acquire non-current assets are treated as deferred income in the Statement of Financial Position. A portion thereof is transferred to the Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

3.14 Contribution in Kind

Contribution in kind representing Morcellement Financial Contribution and New Supplies are treated as deferred income in the Statement of Financial Position. A portion thereof is released to the Statement of Comprehensive Income on a systematic and rational basis over a period of 15 years.