



**Belize Water Services Limited  
Annual Report  
2020**



# CORPORATE PROFILE

**Belize Water Services Limited (BWS)** is the national water and sewerage utility that was vested with the Assets and Liabilities of the Water and Sewerage Authority (WASA) in March 2001. The company has issued share capital of forty million (40,000,000) shares with the Government of Belize (GOB), the majority shareholder, owning approximately 83% of the total shares; the Social Security Board holds 10% and the remaining 7% is held by some 1,400 minority shareholders.

BWS is a regulated utility - the regulatory controls include a statutory regulator, the Public Utilities Commission, the Water Industry Act (2001) and related Statutory Instruments, an operating license issued by the PUC and a Codes of Practice which is agreed by the Regulator and BWS and updated periodically.

Belize Water Services Limited operates in licensed service areas, serving all the municipalities of the country as well as some 44 villages. As at March 2020, BWS serves over 62,000 connections or approximately 270,000 consumers, with a total average water demand of approximately 230 million US gallons per month. Over 60% of the water supplied is produced using conventional water treatment processes with rivers as the extraction sources. Satellite water wells are used for the majority of the other water systems; however, on the islands of Ambergris Caye and Caye Caulker, BWS distributes water which has been treated by Reverse Osmosis, an engineered process for converting sea water to drinking water.

Since its inception, BWS has continuously invested in improvement of assets and implementation of improved procedures and controls to increase its efficiency. In performing all the various investment projects, most of which are expansions or improvements to water systems, BWS focuses on the requirements of our stakeholders, including our Customers, Employees and Shareholders. Fundamental to meeting the company's vision, both in the short and long term, has been the initiation of a holistic strategic approach towards improving the Company's performance. This broad-based strategy, utilizing a structured approach to balance and align initiatives, provides the Company with a firm platform, which builds on achievements and aims to achieve further objectives in the coming years.

The Company's head office is in Belize City and it administrates operations via eleven (11) offices across the country.

## OFFICES

### **Toll-Free (All offices)**

0-800-CALL-BWS  
[0-800-225-5297]  
(NB: BTL/Digicell only)

### **Belize City (Head Office)**

7 Central American Blvd  
Belize City, Belize  
Tel: +501 222 4757

### **Belmopan City**

3 Mountain View Plaza  
Tel: +501 822 2400

### **Benque Viejo**

7 Churchill Street  
Tel: +501 823 3720

### **Caye Caulker**

Lagoon side  
(off Calle del Sol)  
Tel: +501 226 0119

### **Corozal**

7th Avenue  
Tel: +501 422 2101

### **Dangriga**

Market Square  
Tel: +501 522 2068

### **Punta Gorda**

New Compound Area  
Tel: +501 722 2176

### **Placencia Peninsula**

Main Road, Placencia Village  
Tel: +501 523 4036

### **Orange Walk**

5 Stadium Street  
Tel: +501 322 2382

### **San Ignacio/ Santa Elena**

8 Liberty Street  
Tel: +501 824 2154

### **San Pedro**

Manta Ray Street  
Tel: +501 226 2749

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# CHAIRMAN'S REPORT



Belize Water Services Limited continued its exemplary performance in fiscal year 2019/2020. The Board, Management and Staff of BWS maintained focus on achieving our mission and vision – this led to even further improvements in reliability, efficiency, customer reach, and financial and operational viability.

Our strategic plan, which is built on the foundation of our mission and vision statements, drives our improvements in operational activities. The success of this strategy is shown by the continued growth in customer connections, the continued increase in production and sales and in the astounding 99.9% continuity of service, which the company has maintained year after year. These, and the many other excellent key performance indicators that we monitor constantly, are documented within this annual report.

The main customer-oriented objectives of our strategy are to provide water to new customers and new areas, and to provide improved water pressure and continuity to existing customers. We continue to expand water services reaching thousands of new consumers in all service areas countrywide. During 2019/20, we added 1,713 new water connections, increasing the company's active customer base to 62,104 at March 2020. For the 5-year Business Plan April 2015 to March 2020, the overall increase in active connections was 8,627 – an increase of 16%, but more importantly, this additional number of households connected meant that some 40,000 more people gained access to reliable potable water. We proudly inform that the 8,627 new connections exceeded the 5-year Business Plan target of 5,738 by over 50%.

BWS' financial performance was again stalwart in 2019/20. For the fifth consecutive year, the company attained profits above \$8 million. This is good news for shareholders, as it allowed us to issue dividends at 7.5% of share value to all minority shareholders, for the fifth consecutive year. This strong, consistent return is easily the best return on shares in the utility sector in Belize. Furthermore, due to this strong performance and financial forecasts, in the Full Five-year Business Plan (FFBP) submission for the period, April 2020 to March 2025, the Company advised the Public Utilities Commission that it did not need to apply for any immediate tariff changes, but requested consideration for a 10% at the beginning of Year 3 (April 2022).

This reporting year was also the last year of the third FFBP, and therefore the launchpad for the fourth Five-year Business Plan. BWS contracted the well reputed US-based consulting firm of Raffetis, to assist with preparing our FFBP submission. The summary of recommendations in the new FFBP submission were as follows:

1. *During the FFBP, BWS is planning to expend approximately **BZD \$237 million** of capital improvements including sewer collection and treatment systems, water expansion projects, water supply projects, meter replacement, capital renewal and replacement, and similar projects. These projects are funded from a blend of tariff revenue, available reserves, additional debt, and Government of Belize (GOB) assistance.*



2. The existing tariff levels will need to be adjusted within the FTP to fully fund the planned capital projects along with addressing inflationary cost increases and operating costs. This Business Plan forecasts a tariff increase of 10.0% in April 2022 in order to obtain adequate revenue to cover expenditures.

It also recommended a simplification of the tariff structure and revisions to miscellaneous charges and fees.

The PUC approved a 2.25% increase at April 2022 and did not approve the changes to the tariff structure and fees.

The Business Plan also identified that

*“A portion of the Capital Expenditure is assumed to be funded from proceeds obtained from the issuance of additional debt. It is anticipated that there will be a total of two separate loans issued to fund the various projects. Projects include but are not limited to the expansion of water and sewer service into Northern Ambergris Caye, a sewer system in Caye Caulker, climate resilience improvements, new buildings and compounds, wells, renewal of mains and services, new reservoirs and boosters, improvements to water plants, and other water distribution expansion projects. Debt funding can provide significant advantages by spreading out the cost of major capital projects over ten or more years, which reduces the burden on existing customers and shares the debt repayment on future customers that benefit from such improvements or expansions.”*

In previous years, I reported that one of the company's main challenges is that of obtaining adequate financing for all the investments needed for this critical sector. After the review of the FFBP, it was decided that the best way for the company to raise adequate financing, with the option to raise



additional financing in the future, is to issue a series of debentures backed by the company's assets. This, the company's first venture into issuing debentures, is underway and, from all indications, it appears it will be fully subscribed.

Our strategic plan, as well as being committed to continuing improvements in operational and financial activities, also focuses on continuing collaboration with our key stakeholders and financiers. These include the Government of Belize, the Caribbean Development Bank and the Inter-American Development Bank, as well as other international funding agencies. With the assistance of these partners, BWS has a number of ongoing and planned projects for water and sewer expansions, as well as studies and assessments as preliminaries to future projects.

COVID-19 is now an unavoidable topic of discussion. Although its full effect on the company's performance will show in the new 2020/21 fiscal year, COVID-19 has been rough on the overall economy and especially on

BWS' largest customers – those hotels and resorts which depend on tourism. We therefore expect a reduction of at least 10% in revenues, but I assure you that Belize Water Services continues to be proactive in planning to ensure sustainability. Our strategic planning and readiness has stood us in good stead, helping us to plan and react quickly as changes are needed in our operations. Furthermore, thanks to our excellent financial performance, BWS was able to contribute \$1 million directly to the Government to assist with early COVID-19 relief efforts. We also granted a further \$500,000 in discounts to customers over the first three months of the new fiscal year. The company's strongest role though is to continue to provide safe reliable potable water and related services, during this pandemic period, when consumers must put health and sanitization as their highest priority. Looking forward then, I think we all understand that the 2020/21's financial performance will not be as robust as the last few previous years. However, we are confident that BWS will continue to earn a profit and that the company's future viability will be even more secure, after this pandemic passes.

The Board of Directors and its sub-committees continued their vigilance with oversight and guidance of the Company's strategic and operational activities verifying compliance to regulations and policies. This governance ensures fiduciary responsibility to all shareholders and other stakeholders.

Again for 2019/20, as it has done in previous years, the Government of Belize, our majority shareholder, continued its pledged support and commitment to the Company and to minority shareholders by granting its portion of the dividends to minority shareholders. We are therefore pleased to announce the uninterrupted payment of dividend to minority

shareholders for the fourteenth consecutive year. As stated earlier, the dividend is again at 7.5% per share for minority shareholders; this equates to 11.25 cents per share, matching the figure from the previous four years.

On behalf of the Board of Directors of Belize Water Services Limited, I must convey our gratitude and appreciation to all of our key stakeholders. First and foremost, I must say thanks to our shareholders - the Government of Belize, the Belize Social Security Board and the more than 1,400 smaller shareholders who made the prudent choice to invest in the Company. I must recognize the funding agencies, particularly, the Caribbean Development Bank and the Inter-American Development Bank who continue to show so much confidence in BWS and who continue to help us to make our larger projects possible.

I want to express special gratitude and appreciation to our employees, many of whom are shareholders of the company, and to the BWS Workers' Union Executive for their unwavering commitment to the success of BWS.

Finally, I must personally say thank you to the Board Members and the Management Team, whose commitment and dedication have helped to bring the company to this level of success.

*Thank You.*

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

This year 2019/20, the final year of our Third Full Business Plan and the nineteenth year of operation of Belize Water Services Limited (BWS), resulted in a net profit of \$8.034 million, which is the fifth consecutive year in profits exceeding \$8 Million. Contributing to this performance was a 6.4% increase in water sales revenue which was driven by a 2.8% increase in sales volume. There were no changes in tariffs for the year 2019/20.

The Government of Belize (GOB), our majority shareholder, continues to give its unwavering financial support with assisting the company with

its capital investment programme; supporting expansion to connect more customers and both new assets and improvements to assets to facilitate improved service. Cognisant of the Government's assistance over the years, we were pleased to assist the GOB with a donation of \$1 million dollars towards its COVID19 relief efforts.

## FINANCIAL PERFORMANCE

### Sales and Income

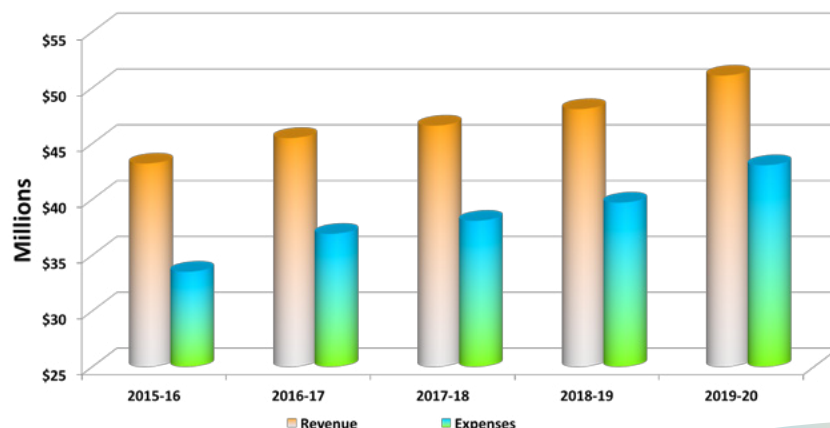
Gross revenue for the year was \$51.075 Million, a 6.2% increase when compared to last year's revenue of \$48.074 Million. Attributing to this was 2.8% increase in sales volume consumption compared to last year's 2.9%.

Despite the cost reduction of water purchases by CWBL (now merged into BWS Assets), total expenses increased by 10%, from \$39.091 Million last year to \$43.041 Million this year. Attributed to this increase are staff cost, the special donation of \$1 million to the GOB,

depreciation and amortization cost and inflation.

The Graph below shows the comparison of Revenues and Expenses for the last 5 fiscal years.

The Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the year increased by 5% to \$19.178M (38% of total revenue), from previous year of \$18.277M. Due to increases in costs mentioned above, EBIT, the Earnings Before Interest and Tax, was \$11.206M, down 4.5% from the previous year's figure of \$11.729M.



## Dividends

For the fourteenth year in a row, the Board of Directors was able to approve dividend payment to the minority shareholders. This decision is supported by the Government of Belize, the majority shareholder, having formally agreed to grant its dividend payments to the minority shareholders until 2025 in order to assist both the company and the minority shareholders. The Board declared total dividends amounting to \$0.761M or about 9.5% of net profit.

Based on the 40 million shares issued, the net profit of \$8.034M equates to earnings of approximately \$0.20 (twenty cents) per share which is comparable to previous year of \$0.21 (twenty-one cents). Dividend was distributed solely to minority shareholders who received dividends equivalent to \$0.1125 (11.25 cents) per share.

## Major Costs and Expenses

The table insert shows the breakdown of costs for FY2019/20 as compared to the previous financial year.

| <b>Costs Summary</b>                     | <b>FY 2019/2020</b>         |                             | <b>FY 2018/2019</b>         |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <b>Total<br/>(BZ\$'000)</b> | <b>Percent of<br/>Total</b> | <b>Total<br/>(BZ\$'000)</b> | <b>Percent of<br/>Total</b> |
| *Water Purchases                         | 4,007                       | 9.31%                       | 6,235                       | 15.95%                      |
| *Electricity                             | 2,865                       | 6.66%                       | 2,757                       | 7.05%                       |
| *Staff Costs                             | 13,586                      | 31.57%                      | 12,501                      | 31.98%                      |
| Other direct/Operating Costs             | 11,276                      | 26.20%                      | 8,104                       | 20.73%                      |
| <b>Total direct costs &amp; Expenses</b> | <b>31,734</b>               | <b>73.73%</b>               | <b>29,597</b>               | <b>75.71%</b>               |
| *Depreciation & Amortization             | 7,971                       | 18.52%                      | 6,548                       | 16.75%                      |
| *Interest expense                        | 2,196                       | 5.10%                       | 1,833                       | 4.69%                       |
| Taxes & Fees                             | 1,140                       | 2.65%                       | 1,113                       | 2.85%                       |
| <b>Total Other Expenses</b>              | <b>11,307</b>               | <b>26.27%</b>               | <b>9,494</b>                | <b>24.29%</b>               |
| <b>Total Costs and Expenses</b>          | <b>43,041</b>               | <b>100.00%</b>              | <b>39,091</b>               | <b>100.00%</b>              |
| <b>*Total Major Costs</b>                | <b>30,625</b>               | <b>71.15%</b>               | <b>29,874</b>               | <b>76.42%</b>               |



Staff Costs, Interest, Water Purchases, Depreciation and Electricity remain the major costs for the company. The main direct costs continued to be Staff Costs, Water Purchases (San Pedro) and Electricity. The major indirect costs are Depreciation, Loan Interest Expense, and Taxes.



## Loans, Grants and Debt Servicing

The majority shareholder, GOB continues to assist by covering debt repayments to the Caribbean Development Bank for loans #5 and #10 which totalled \$1.919M in principal and interest payments for this financial year. At the beginning of the 2019/20 financial year, BWS had outstanding loans of \$52.889 million.

Total drawdown/increase of \$1.043M from the Caribbean Development Bank (CDB Loan #22) representing retention of 5% of the purchase price of CWBL and capitalized interest for the period. At March 31, 2020, the total outstanding loan balance was decreased to \$50.354 million.

### LOAN MOVEMENT AND DEBT SERVICING

| Net Loan Movement         | 2019/20      | 2018/19      |
|---------------------------|--------------|--------------|
| Beginning Balance         | 52,889       | 43,046       |
| Draw downs/Increases      | 1,043        | 13,574       |
| Principal Repaid          | 3,578        | 3,731        |
| Principal Balance         | 50,354       | 52,889       |
| <b>Debt Servicing</b>     |              |              |
| Principal Repaid          | 3,578        | 3,731        |
| Interest Charges          | 2,196        | 1,833        |
| <b>Total Debt Service</b> | <b>5,774</b> | <b>5,564</b> |
| All figures in BZ\$ '000  |              |              |

## Asset Expansion and Improvement

During 2019/20, investments in new assets totalling \$22.972 million were undertaken with approximately \$1.319 million being contributed by the Government of Belize (GOB). The company continues its strategic focus of expanding our water network in various municipalities and replacing aged infrastructures to improve on our pressure management controls and service

delivery. Major investments in water network expansions are ongoing in San Pedro, Orange Walk, Cayo and the Belize District.

The overall investment in assets inclusive of new assets, refurbishments and maintenance was \$26.833 million in 2019/20 as compared to \$24.101 million in 2018/19.

The table insert shows the breakdown of the Investment in Assets and Asset Improvement over the last two financial years.

| <b>New Assets, Refurbishment and Maintenance</b> | <b>2019/20</b> | <b>2018/19</b> |
|--|----------------|----------------|
| Plant & Equipment                                | 6,254          | 9,625          |
| Water Expansion                                  | 16,718         | 11,926         |
| <b>Total New Assets</b>                          | <b>22,972</b>  | <b>21,551</b>  |
| Developer's Contributions & Grants               | (1,533)        | (4,071)        |
| <b>BWS Expenditure</b>                           | <b>21,440</b>  | <b>17,480</b>  |
| Repairs & Maintenance                            | 3,861          | 2,550          |
| <b>Total Assets &amp; Maintenance</b>            | <b>26,833</b>  | <b>24,101</b>  |
| All figures in BZ\$ '000                         |                |                |

## Government Contributions

During the course of FY 2019/20, GOB has contributed both directly and indirectly \$6.7M, made up as shown in the table insert.

| <b>Government Contributions</b> | <b>2019/20</b> | <b>2018/19</b> |
|---------------------------------|----------------|----------------|
| Debt Repayment                  | 1,919          | 2,361          |
| Expansion Projects              | 1,319          | 1,902          |
| GST Savings - Zero Rated Status | 3,438          | 2,885          |
| <b>Total Contributions</b>      | <b>6,676</b>   | <b>7,148</b>   |
| All figures in BZ\$ '000        |                |                |

# OPERATIONS

## Continuous Improvements

During the year 2019/20, the company achieved several operational improvements and successes - continuity of service was sustained above 99% even in drought conditions, average pressure was sustained from the previous year and expansion helped to increase our customer base in all branches.

The comparison of the key performance indicators (KPIs) for the reporting year to the previous year is shown in the table below.

Initiatives which helped propel the continued improvement included: continued training certification of our employees; process improvements in water supply, treatment and delivery; similar improvements to wastewater collection and treatment systems; and investments on expanding and improving the sewer collection, transportation and treatment systems.



| Operating KPI's          | Year 2019/20 | Year 2018/19 | %Change |
|--------------------------|--------------|--------------|---------|
| Water Production         | 3,613.8      | 3,534.5      | 2.2%    |
| Water Sales              | 2,770.5      | 2,695.4      | 2.7%    |
| Non-Revenue Water Volume | 843.3        | 839.1        | 0.5%    |
| Non-Revenue %            | 23.34%       | 23.74%       | -0.40%  |

Volume Figures are in Millions of US Gallons (MUSG)

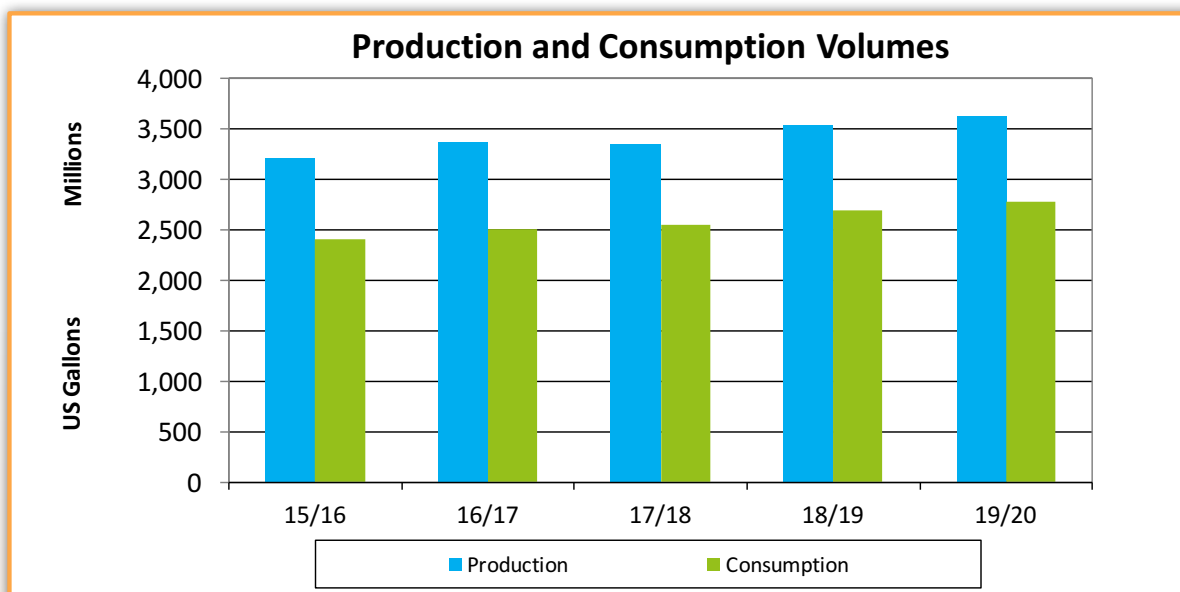
## Production and Consumption

The 2,770.5 million US gallons (MUSG) of potable water consumed during the year is the highest in the company's nineteen (19) year history. This 2.8% increase in sales volumes was achieved via water network expansions and growth in service

connections, combined with a high continuity of supply percentage, increased pressures and our continued expansion program. The increase in consumption led to production increase by 2.2%.



The Chart below highlights the movement in water production and consumption volumes for the last five (5) years.



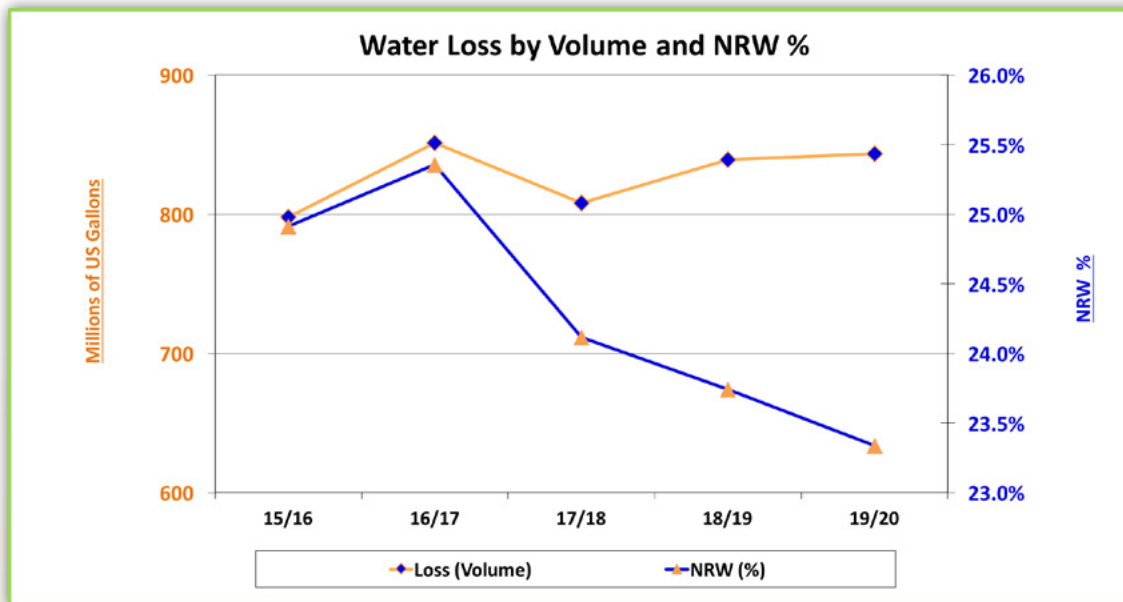
## Non-Revenue Water (NRW) Losses

The 843.3 MUSG water loss volume for this financial year is an increase from the 839.1 million MUSG of the previous year. However, there was a decrease of the overall NRW percentage to 23.34%, the second lowest in the company 19-year history, from 23.74% in the previous year. The company's water loss reduction programme includes proactive searching and repairing of leaks, replacing older water mains, identification/removal of illegal connections, and pressure management controls. During the year, the company continued its proactive replacement of aged infrastructure, and the identification and elimination of unauthorized connections and tampering.

This company remains proud of the achievement in keeping NRW below 25% for the past 3 years. This figure is well below many water systems in even the most developed countries and is among the very best in the Caribbean and Latin America.



The Chart below highlights the movement in water loss volume and NRW percentage for the last five (5) years.



## CUSTOMER SERVICES AND BILLING

### Overview

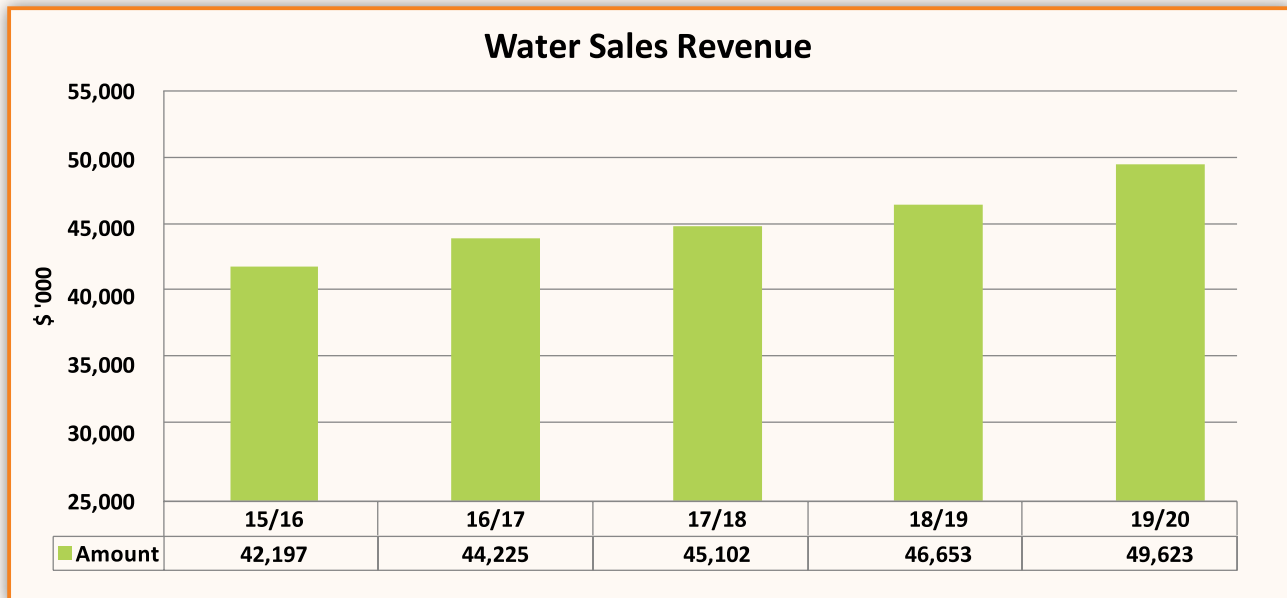
During the fiscal year 2019/20 the company's focus was geared towards reviewing and improving our customer delivery. Two main initiatives were ensuring that the customer accounts in the system had accurate customer type and realignment of customers' accounts within our DMZ.

### Sales

In 2019/20 the gross water sales revenue was \$49,923M, or 6.1% more than the same period last year. We recorded a 2.8% increase in total water consumption from 2,695.4 MUSG previous year to 2,770.5 MUSG which is the result of a 2.8% increase in our customer base. This affected our average monthly sales volume per connection which increase from 3,710 to 3,862 US gallons or 1.9% and our average tariff per 1,000 gallons increased by 0.4%, from \$17.82 to \$17.90. The average monthly income per connection increased by 3.2%, from \$65.30 to \$67.44.



The chart insert illustrates the trend in annual Water-related Sales Revenue.

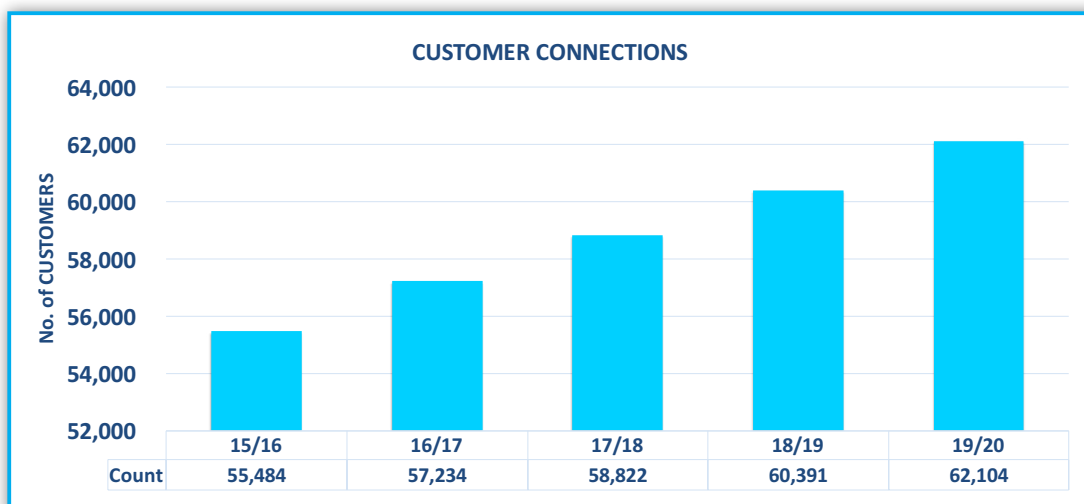


## Customer Connections and Accounts

At the end of the fiscal year, the active customer base had grown by 2.8%, from 60,391 to 62,104 water connections. Contributing factors to the overall increase were, 2,134 customers requested

discontinuation of their services, new installations were 4,917, of which 1,834 were new customer accounts. The net of reconnection and disconnection were 1,070 customers.

The chart highlights the growth in our customer connections over the last 5 years.





# ENGINEERING AND PROJECTS

## Overview

BWS completed approximately 70 projects despite the major constraints imposed by cashflow in year 2019/20. The focus of our capital expenditure program during year 2019/2020 included:

- Improve Customer Satisfaction
- Increase Customer Base
- Improve Resources
- Improve Service Delivery.

## Water Distribution System

We have upgraded approximately 33,000 feet of water mains and 559 service connections country wide in year 2019/2020. The Company has invested approximately \$2.8M on water mains upgrade/replacement countrywide; this includes the supply and installation of new pipes and fittings, flushing, pressure testing and disinfection. The company also invested approximately \$6.15M in water network expansion countrywide. This works included expansion of our water network system approximately by 120,618 feet and installation of 2,344 immediate beneficiaries.

## Civil and Building Works

**One Million Gallon Tank, San Pedro:** BWS has invested tremendous effort and time to construct a one-million-gallon tank in San Pedro to increase storage to help meet high seasonal demands. San Pedro has now three functional storage tanks – 1 clear well and 2 reservoirs. The additional tank permits preventative maintenance works without affecting supply. Overall cost of the project was \$7.4 Million and included the tank, chemical dosing room, electrical room, operator's office, storage room, pumping area and full perimeter fence.

**Standby Generators:** Corozal, Teakettle and Benque Viejo Del Carmen are now equipped with Standby Generation which will permit water to be pumped during black outs and provide security of supply if we suffer any natural disaster.



The table below includes a summary of some of the major completed projects:

| Branch           | Description   |
|------------------|---|
| Corozal District | Supply and install standby generator, Calcutta              |
| Corozal District | Disposal of Santa Rita elevated tank                        |
| Belize City      | BWS new storage facility finishes and furniture, Lords Bank |
| Belize City      | Southside tank face lift (protecting Coat for outside face) |
| Belmopan         | Intake fencing.   |
| Belmopan         | Operations office at water treatment plant.                 |
| San Pedro        | Pumping station and sewer station #7 improvements.          |
| Caye Caulker     | Water reservoir repairs.                                    |
| Caye Caulker     | Water treatment plant refurbishment.                        |
| Benque           | Supply and install standby generator.                       |
| Dangriga         | Water treatment plant refurbishment PH3                     |
| Placencia        | Residential apartment building                              |
| Toledo District  | M&E upgrade for well no. 1, Forest Home.                    |
| Toledo District  | Generator building, Forest Home                             |
| Countrywide      | Improvement of buildings and compounds, Countrywide         |

## Special Projects

**Belize City to Hattieville Link Project:** BWS invested approximately \$1.0M to connect Hattieville water system with Belize City water system to provide backup water supply to Hattieville in case of a natural disaster.

**Water network expansion for San Mateo, San Pedro:** Project goal is to supply potable water to the residents of San Mateo, San Pedro. It requires installation of underwater transmission line and, distribution lines and service connections. Phase 1 of the project estimated at \$1.25M, provided safe and reliable water to 123 immediate beneficiaries.

## Major Funded Projects

The financial year ending March 31, 2020, saw BWS's successful completing two of its externally funded projects, with a third almost finished and the fourth projecting to be completed in the year 2021. This report focuses on the disposition of these projects and some of the underpinning issues going forward.

## SUMMARY OF ON-GOING PROJECTS

### 1. Detailed Designs for Expansion of Ambergris Caye Water and Wastewater Facilities

Details of this consultancy was previously reported on and same was awarded to Dillon Consulting Ltd. of Canada for a total contract value of US\$0.937 M. It is scheduled to be finalized early in the upcoming financial year – 2020/21. The consultancy is funded by CDB – loan fund of US\$0.720M, CDB-CALC – grant fund of US\$0.099 M, and GIZ – grant fund of US\$0.126M.

The projected capital investment budget for realization of this detailed design first phase of the expansion is BZ\$156M and will result in new water and sewage treatment plants, water storage reservoir, and water and sewage linear infrastructure on north Ambergris Caye. Sourcing for the full capital investment of BZ\$156M is currently being discussed and explored.

### 2. Water Utility Climate Risk Vulnerability Assessment (CRVA) Consultancy

This Water Utility Climate Risk and Vulnerability Assessment (CRVA) Consultancy was completed during the last quarter of the period under review, 2019/20, by Dillon Consulting Ltd. (DCL) of Canada at a cost of US\$0.133M. The consultancy was fund by CDB by way of a grant to BWS.

The project developed a Climate Change Adaptation Plan for the BWS's assets and services in Belize City, the Cayes and Benque Viejo, along with estimated budgets to implement the adaptation measures.

BWS has proceed and implemented some of the non-financial measures and at the same time sourcing financing, grant and/or loan, to implement the adaptation plan through a scheduled programme.

### 3. Nutrient fate and Transport (NFT) Study

### for Wastewater Collection and Treatment Systems for the Placencia Peninsula

CDB approved a loan/grant of US\$0.996 M for funding the Placencia Nutrient Fate and Transport (NFT) Study consultancy. The loan and grant amounts are US\$0.596M and US\$0.400M respectively.

The consultancy was conducted by CBCL Ltd., a Canadian firm, for a contract value of US\$0.909M, and completed same during the last quarter of the period under review.

The NFT Study developed a comprehensive model to predict the fate of nutrients and fecal bacteria in the Placencia lagoon and surrounding coastal Caribbean Sea off the peninsula. The completed model has been used to determine preferred sites for both the sewage treatment plant and effluent disposal.

Financing for the detailed designs component of the Placencia Sewerage project is currently being sourced.

### 4. Third Water (South Ambergris Caye Water and Sewerage Expansion) Project

CDB's Board of Directors approved a project budget of US\$10.903 M primarily for the acquisition of CWBL and other project components. Included in the project budget are loan fund of US\$8.517M, grant fund totaling US\$0.205M and BWS's contribution of US\$2.181M. The major components of the project are (i) Acquisition of CWBL, (ii) Purchase of water and sewage mains for installation by BWS, and (iii) Development of a Communication policy and Gender policy.

The acquisition of CWBL was finalized and taken over during the last quarter of the financial year 2018/19, and the other two components of the project are programed to be completed by the end of the financial year 2020-2021.



# HUMAN RESOURCES AND PUBLIC RELATIONS

Two major accomplishments in 2019/20, were the successful signing of a new Collective Bargaining Agreement (CBA) and training aligned to our objective of improving knowledge and skills, through which we improved future capacity aimed at improving services to our valued customers. As a result, there were 537 instances where employees participated in varying trainings and developmental workshops. One such focus was climate change resilience, this will continue to be a focal area for our



development considering the challenges facing the industry not only in Belize, but globally.

Strategically, staff structure and compliment are designed to meet the needs of our valued customers. As a result, our permanent staff count was increased from 293 to 298. However, due to the completion of some of the expansion projects, our temporary contract employees decreased by 12% (from 147 to 130).

## Employee Development and Training

Our investment in human capital development has served as a significant morale booster and assisted those employees looking at advancing their careers. This process also assists in identifying leaders to support succession planning. The training programs cover a wide cross section, spanning across all departments. Along with water and wastewater systems, Climate change, Time management and other Operational courses were selected to improve in operational excellence. The company continued to sponsor numerous employees' participation in the international certification training for operational staff, with a high success rate.

*"Ability is what you're capable of doing, motivation determines what you do. Attitude determines how well you do it."*

*Lou Holtz*

| Course Name   | No.        |
|---|------------|
| Confined Space Entry - Operators without Borders Specialized Training       | 95         |
| Defensive Driving Course  | 16         |
| Time Management Training  | 165        |
| How Water Utilities are Building Climate Resilience (Part 1)                | 35         |
| Emotional Intelligence  | 34         |
| Water Distribution System Operation and Maintenance -Certification Training | 12         |
| GIS   | 36         |
| Water Management Training   | 153        |
| Communications Skills   | 33         |
| Climate Adaptation Planning Workshop BWS                                    | 25         |
| <b>Total Participants</b>   | <b>604</b> |

## Employee Wellbeing and Performance

As one of our strategic objectives, the company maintained its participation in staff initiatives which build morale and teamwork among co-workers. One such initiative is our staff recognition program of top performers for the year. Coupled

with these incentives, staff well-being continues to be a high priority. One new initiative added is a special assistance fund established to assist employees with major medical situations or for cases of disaster recovery.

## Public Relations and Community Outreach

BWS continues to uphold its corporate responsibility. As has become customary, community leaders and youth programs were our focus during this financial year. Our Assistance program provided the means to reach out to our communities in meaningful ways. Our contributions were many - food pantry programs, sports, communities need and support to organizations such as Cancer Society, the Diabetes and Kidney Association. Over the last four years, we have partnered with the RESTORE Belize which continues to do an exceptional job assisting needy children from the southside of Belize City, with many success stories coming as a direct result of the program.



We also continued our strategic partnership with local tertiary educational institutions. We have attended sessions with St Johns College, the University of Belize and other secondary and tertiary education institutions.

The company utilized the public relations resources to share important and meaningful messages to customers, staff and other key stakeholders, especially regarding the pandemic we are currently facing. This on-going challenge commenced in March 2020 and has forced our company, like almost every organization, to make some major operational changes, all to the benefit of our valued stakeholders. BWS ensures that these changes are communicated in a timely and effective manner, especially given the critical importance of our services.





# SUPPORT SERVICES AND PROGRAMMES

## Information Technology

Information Technology solutions continue to be a key driver to a number the company's strategic objectives. We are committed to providing a reliable service that suits the business needs and allows employees to undertake their tasks in an efficient and productive manner. We aim to keep pace with modern technology, to serve as a platform for improved business processes and to mitigate against emerging threats and risks.

We continue to upgrade our core network infrastructure to facilitate business growth and have upgraded network speeds by migrating all locations to BTL's Diginet service which has also allowed us to reduce cost in this area. As a 24/7/365 business, continuity of service is at the forefront of our endeavours and this year we have maintained over 99.9% service uptime countrywide.

We have implemented a brand-new datacentre which allows for replication of critical systems,

instant failover and continuous availability. This new datacentre is at the heart of our strategic plan to have a secondary centre inland which will mitigate against the risks of hurricanes and other natural disasters.

With these projects we expect to realize our strategic goal of providing fast, secure, reliable and always-on technology.

The implementation of GIS began during the past year with the collection of data and the creation of applications and dashboards. We will continue to build our capabilities over the next fiscal year.

BWS continues to provide the convenience of making payments via the banks and through payment agents. Collection options remained consistent on a month by month basis with BWS collections accounting for 58%, Bank/Online collections accounting for 36% and agent collections accounting for 6%.

## Health and Safety

In line with our strategic objectives, initiatives were executed to improve Health and Safety. The staff safety committee continued with branch visits and regular worksite inspections countrywide. As a result, we have been able to catalogue a history which clearly identifies improvements as well as areas where further improvement is needed.

Following on from last year's visit from Operators Without Borders the committee created several new safe systems of work, safety procedure and permit to work practices.



We will continue to promote Health and Safety awareness in everything we do, both to minimize risks to staff and the public and to uphold our commitment to our stakeholders to be a highly responsible Belizean enterprise.



## Strategy

The company's strategy is the key driver to unifying activities across all the business units to achieve our mission and vision. During the year the company worked on completing the Inter-American Development Bank's Aquarating™ characterization tool which supports comparison of the effectiveness of its business processes with other water utilities across the globe. Other developing world water

utilities taking part in this study achieve scores of 50 or less, our score by comparison was 63.5 which is encouraging considering that our vision is to be the leading utility in the developing world. We will now focus on making improvements in line with their recommendations and request the opportunity for audit and certification.

## Internal Audit

### **Assurance and Consultation**

Internal audit does not only perform assurance type of engagement but also perform consultation engagements based upon the request of management. During the year, a total of seventeen engagements were completed. These engagements affected the operations, customer services, technical services, finance and information technology departments. The results identified noncompliance and internal control weaknesses which were addressed by management.

### **Risk Assessment**

Internal Audit was instrumental in assessing the risks and keeping Management abreast of the changes happening globally.

The Board of Directors' and Management's close monitoring of risk combined with Internal Audit's continuous monitoring resulted in improved processes and controls in place.

# KEY PERFORMANCE INDICATORS (KPI'S)

| Description of KPI                             | UNIT           | 2019/20                               | 2018/19 | 2017/18 | 2016/17 | 2015/16   | 2014/15 | 2013/14 | 2012/13 | 2011/12            | 2010/11 |
|--|----------------|---------------------------------------|---------|---------|---------|---|---------|---------|---------|--------------------|---------|
| <b>PROFITABILITY</b>                           |                |                                       |         |         |         |   |         |         |         |                    |         |
| Gross Revenue                                  | \$' 000        | 51,076                                | 48,074  | 46,584  | 45,484  | 43,194  | 40,084  | 34,923  | 33,583  | 35,327             | 34,869  |
| Operations and Maintenance                     | \$' 000        | 31,898                                | 29,797  | 29,166  | 28,269  | 25,889  | 25,725  | 24,640  | 24,535  | 23,673             | 21,810  |
| EBITDA   | \$' 000        | 19,178                                | 18,277  | 17,418  | 17,215  | 17,305  | 14,359  | 10,282  | 9,049   | 11,654             | 13,059  |
| EBIT   | \$' 000        | 11,206                                | 11,729  | 11,304  | 11,453  | 12,336  | 9,501   | 5,608   | 5,095   | 8,058              | 9,696   |
| Net Profit (Loss)                              | \$' 000        | 8,034                                 | 8,983   | 8,509   | 8,586   | 9,690   | 6,765   | 2,961   | 2,360   | 5,391              | 5,457   |
| EBITDA/Net Turnover                            | %              | 38%                                   | 38%     | 37%     | 38%     | 40%   | 36%     | 29%     | 27%     | 33%                | 37%     |
| Earnings Per Share                             | \$             | 0.201                                 | 0.225   | 0.213   | 0.215   | 0.242   | 0.169   | 0.074   | 0.059   | 0.135              | 0.136   |
| Dividends Per Share <sup>1</sup>               | \$             | 0.0190                                | 0.0190  | 0.0190  | 0.0190  | 0.0189  | 0.0126  | 0.0126  | 0.0126  | 0.025              | 0.025   |
| Retained Earnings (Deficit)                    | \$' 000        | 64,292                                | 56,999  | 48,774  | 41,022  | 33,195  | 24,262  | 18,003  | 15,546  | 13,692             | 9,311   |
| <b>LIABILITIES &amp; EQUITY</b>                |                |                                       |         |         |         |   |         |         |         |                    |         |
| Long Term Liabilities*                         | \$' 000        | 98,195                                | 98,382  | 54,551  | 51,809  | 52,217  | 40,149  | 43,947  | 44,330  | 47,023             | 47,854  |
| Current Liabilities                            | \$' 000        | 14,751                                | 11,672  | 12,442  | 11,187  | 10,558  | 11,655  | 13,189  | 13,162  | 11,327             | 12,136  |
| Total Equity                                   | \$' 000        | 204,923                               | 175,327 | 167,102 | 159,351 | 150,856   | 111,253 | 104,993 | 102,537 | 100,682            | 96,302  |
| <b>ASSETS</b>                                  |                |                                       |         |         |         |   |         |         |         |                    |         |
| Current Assets                                 | \$' 000        | 21,950                                | 28,860  | 32,650  | 33,143  | 32,325  | 14,995  | 15,396  | 14,341  | 15,250             | 16,022  |
| Total Net Assets                               | \$' 000        | 317,869                               | 285,381 | 234,096 | 222,348 | 213,631   | 163,057 | 162,129 | 160,029 | 159,032            | 156,291 |
| Additions to Assets                            | \$' 000        | 26,211                                | 23,289  | 19,353  | 19,187  | 21,041  | 12,197  | 12,124  | 10,906  | 7,294              | 10,113  |
| <b>BALANCE SHEET STRUCTURE</b>                 |                |                                       |         |         |         |   |         |         |         |                    |         |
| Current Assets/Current Liabilities             | No.            | 1.49                                  | 2.47    | 2.62    | 2.96    | 3.06  | 1.29    | 1.17    | 1.09    | 1.35               | 1.32    |
| Gearing (LT Liabilities/Equity)                | %              | 48%                                   | 56%     | 33%     | 33%     | 35%   | 36%     | 42%     | 43%     | 47%                | 50%     |
| Total Assets/Total Equity                      | No.            | 1.55                                  | 1.63    | 1.40    | 1.40    | 1.42  | 1.47    | 1.54    | 1.56    | 1.58               | 1.62    |
| Total Assets/Share Capital                     | No.            | 5.30                                  | 4.76    | 3.90    | 3.71    | 3.56  | 2.72    | 2.70    | 2.67    | 2.65               | 2.60    |
| Return on Assets (EBIT/Avg. Assets)            | %              | 3.7%                                  | 4.5%    | 5.0%    | 5.3%    | 6.5%  | 5.8%    | 3.5%    | 3.2%    | 5.1%               | 6.3%    |
| <b>WATER VOLUMES</b>                           |                |                                       |         |         |         |   |         |         |         |                    |         |
| Water Production                               | MUSG           | 3,613.70                              | 3,534.5 | 3,350.9 | 3,356.2 | 3,202.4   | 2,982.8 | 2,787.1 | 2,788.8 | 2,706.6            | 2,659.4 |
| Water Sales                                    | MUSG           | 2,770.50                              | 2,695.4 | 2,543.0 | 2,505.4 | 2,404.6   | 2,277.9 | 2,105.0 | 2,020.4 | 1,975.1            | 1,948.3 |
| Non-Revenue Water Volume                       | MUSG           | 843.2                                 | 839.1   | 812.4   | 850.8   | 797.8   | 704.9   | 682.1   | 768.4   | 731.4              | 711.1   |
| Non-Revenue Water %                            | %              | 23.3%                                 | 23.7%   | 24.1%   | 25.4%   | 24.9%   | 23.6%   | 24.5%   | 27.6%   | 27.0%              | 26.7%   |
| Non-Revenue Water (M <sup>3</sup> /Conn/Day)   | M <sup>3</sup> | 0.14                                  | 0.14    | 0.15    | 0.16    | 0.15  | 0.14    | 0.14    | 0.17    | 0.17               | 0.17    |
| Non-Revenue Water (M <sup>3</sup> /Km/Day)     | M <sup>3</sup> | 5.66                                  | 5.78    | 5.69    | 6.11    | 5.89  | 5.38    | 5.35    | 6.49    | 6.40               | 6.50    |
| <b>CONNECTIONS</b>                             |                |                                       |         |         |         |   |         |         |         |                    |         |
| Beginning Connections                          | No.            | 60391                                 | 58,822  | 57,234  | 55,484  | 53,477  | 51,433  | 49,138  | 47,906  | 46,936             | 45,537  |
| New Connections Added                          | No.            | 4917                                  | 4,769   | 4,614   | 4,893   | 4,846   | 4,836   | 5,234   | 4,500   | 4,768              | 1,777   |
| Requested Disconnections                       | No.            | 2134                                  | 2,075   | 2,111   | 2,101   | 1,999   | 2,062   | 2,039   | 2,009   | 2,039              | 2,121   |
| Disconnections - Non-payment                   | No.            | 11444                                 | 9,941   | 8,807   | 9,539   | 7,088   | 7,618   | 11,950  | 12,380  | 14,693             | 12,365  |
| Total Disconnections                           | No.            | 13,578                                | 12,016  | 10,918  | 11,640  | 9,087   | 9,680   | 13,989  | 14,389  | 16,732             | 14,486  |
| Reconnections                                  | No.            | 10374                                 | 8,816   | 7,892   | 8,497   | 6,248   | 6,888   | 10,591  | 11,120  | 11,089             | 10,548  |
| Ending Connections                             | No.            | 62,104                                | 60,391  | 58,822  | 57,234  | 55,484  | 53,477  | 50,974  | 49,137  | 46,061             | 43,376  |
| Ending Sewer Connections**                     | No.            | 11594                                 | 11,382  | 10,972  | 10,843  | 10,691  | 10,519  | 10,264  | 10,158  | 10,121             | 10,279  |
| <b>BILLING</b>                                 |                |                                       |         |         |         |   |         |         |         |                    |         |
| Avg. Number of Connections                     | No.            | 62,104                                | 60,595  | 57,943  | 56,422  | 55,710  | 54,019  | 50,619  | 47,599  | 44,719             | 42,540  |
| Water Sales Revenue                            | \$' 000        | 49,623                                | 46,546  | 44,979  | 44,076  | 42,026  | 38,965  | 34,151  | 32,815  | 34,250             | 33,867  |
| Avg. Usage per Connection Monthly              | Gal            | 3,862                                 | 3,710   | 3,649   | 3,704   | 3,669   | 3,626   | 3,465   | 3,537   | 3,681              | 3,817   |
| Avg. Sales per Connection Monthly              | \$             | 67.44                                 | 65.32   | 64.73   | 65.33   | 64.44   | 62.27   | 57.50   | 56.32   | 60.68              | 61.09   |
| Avg. Tariff per 1000 Gallons                   | \$             | 17.90                                 | 17.82   | 17.74   | 17.59   | 17.48   | 17.11   | 16.22   | 16.24   | 17.34              | 17.38   |
| <b>OPERATIONAL EFFICIENCY</b>                  |                |                                       |         |         |         |   |         |         |         |                    |         |
| Avg. No. of Staff (Permanent)                  | No.            | 298                                   | 293     | 294     | 287     | 262   | 256     | 251     | 252     | 246                | 238     |
| Staff Per 1000 Connections                     | No.            | 4.8                                   | 4.8     | 5.1     | 5.1     | 4.7   | 4.7     | 5.0     | 5.3     | 5.5                | 5.6     |
| Total Staff Costs                              | \$'000         | 13,586                                | 12,501  | 11,376  | 10,423  | 9,739   | 8,931   | 8,546   | 8,567   | 8,252              | 7,745   |
| Staff Costs/Emp.                               | \$             | 4,559                                 | 4,267   | 3,869   | 3,632   | 3,717   | 3,489   | 3,405   | 3,400   | 3,355              | 3,254   |
| Revenue/Emp.                                   | \$             | 171,395                               | 164,075 | 158,449 | 158,480 | 164,864   | 156,580 | 139,135 | 133,267 | 143,607            | 146,507 |
| <b>COLLECTION EFFICIENCY</b>                   |                |                                       |         |         |         |   |         |         |         |                    |         |
| Overdue Debtors/Trade Debtors                  | %              | 15.6%                                 | 11.0%   | 16.6%   | 10.2%   | 14.4%   | 12.4%   | 14.0%   | 13.4%   | 15.0%              | 17.4%   |
| Bad Debts Write Off/Net Turnover               | %              | 0.2%                                  | 0.2%    | 0.2%    | 0.3%    | 0.3%  | 0.4%    | 0.0%    | 0.2%    | 1.1%               | 0.7%    |
| Collection Efficiency                          | %              | 98.6%                                 | 98.8%   | 98.3%   | 98.9%   | 98.8%   | 98.9%   | 98.2%   | 98.3%   | 98.1%              | 96.8%   |
| <b>WATER INFRASTRUCTURE</b>                    |                |                                       |         |         |         |   |         |         |         |                    |         |
| Total Length of Mains**                        | Miles          | 956.9                                 | 935.8   | 919.7   | 897.7   | 870.1   | 844.3   | 821.5   | 763.0   | 734.4              | 704.5   |
| Total Length of Mains**                        | Km             | 1,540                                 | 1,506   | 1,480   | 1,445   | 1,400   | 1,359   | 1,322   | 1,228   | 1,182              | 1,134   |
| Length of Mains/Connection                     | Ft.            | 81.4                                  | 81.8    | 82.6    | 82.8    | 82.8  | 83.4    | 85.1    | 82.0    | 84.2               | 85.8    |
| <b>KPI Description Note</b>                    |                | <b>Key - Units</b>                    |         |         |         | <b>Key - Units</b>  |         |         |         | <b>Key - Units</b> |         |
| **=Includes some estimated figures             |                | MUSG = Millions of U.S. Gallons       |         |         |         | Gal = US Gallon   |         |         |         | % = Percentage     |         |
| <sup>1</sup> See Management report for details |                | \$' 000 = Thousands of Belize Dollars |         |         |         | No. = Number/Count of Units/Ratio                             |         |         |         | Ft. = Feet         |         |
| * Reclassification of Capital Contributions    |                | \$ = Belize Dollars                   |         |         |         | M <sup>3</sup> = Cubic meters (1M <sup>3</sup> = 264.1721Gal) |         |         |         | Km. = Kilometer    |         |



# FINANCIAL STATEMENTS

## BELIZE WATER SERVICES LIMITED

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020

**BELIZE WATER SERVICES LIMITED**  
**Financial Statements and Independent Auditor's Report**  
For the year ended 31 March 2020

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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF BELIZE WATER SERVICES LIMITED

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of **Belize Water Services Limited (the Company)**, which comprises the statement of financial position as at 31 March 2020, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Belize, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to form a basis for our opinion.

##### Emphasis of matter regarding going concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 34 of the financial statements, Management has made an assessment with regard to the potential financial impact that the COVID 19 pandemic can cause to its operations. Our opinion is not modified with respect to this matter.



**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal controls as Management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;



**MOORE**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the Company. We remain solely responsible for our audit opinion;

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Wloore Wloagan LLP*

**Chartered Accountants**  
**Belize City, Belize**  
**31 July 2020**

**BELIZE WATER SERVICES LIMITED**

## Statement of financial position

As at 31 March 2020


In Belize dollars

|  | Notes | 2020               | 2019 Restated *    |
|--|-------|--------------------|--------------------|
| <b>Assets</b>                                      |       |                    |                    |
| <b>Non-current assets</b>                          |       |                    |                    |
| Property, plant and equipment                      | 5     | 289,578,973        | 249,007,349        |
| Intangible asset                                   | 6     | 6,440,331          | 7,513,719          |
| Total non-current assets                           |       | 296,019,304        | 256,521,068        |
| <b>Current assets</b>                              |       |                    |                    |
| Materials and supplies                             | 7     | 8,266,659          | 7,552,186          |
| Contract balances and other receivables            | 8     | 7,856,048          | 7,625,980          |
| Cash and cash equivalents                          | 9     | 5,827,445          | 13,681,866         |
| Total current assets                               |       | 21,950,152         | 28,860,032         |
| <b>Total assets</b>                                |       | <b>317,969,456</b> | <b>285,381,100</b> |
| <b>Equity and liabilities</b>                      |       |                    |                    |
| <b>Equity</b>                                      |       |                    |                    |
| Share capital                                      | 10    | 60,000,001         | 60,000,001         |
| Contributed capital reserve (Government of Belize) | 11    | 11,714,281         | 11,714,281         |
| Capital reserve on vesting                         | 12    | 15,276,362         | 15,276,362         |
| Revaluation reserve                                | 13    | 53,660,652         | 31,337,802         |
| Retained earnings                                  |       | 64,271,830         | 56,998,516         |
| Total shareholders' equity                         |       | 204,923,126        | 175,326,962        |
| <b>Non-current liabilities</b>                     |       |                    |                    |
| Capital contributions                              | 14    | 33,541,843         | 32,603,300         |
| Long term borrowings                               | 15    | 47,251,062         | 49,473,108         |
| Deferred income                                    | 26    | 17,402,061         | 16,305,825         |
| Total non-current liabilities                      |       | 98,194,966         | 98,382,234         |
| <b>Current liabilities</b>                         |       |                    |                    |
| Current portion - borrowings                       | 15    | 3,102,800          | 3,416,268          |
| Trade and other payables                           | 16    | 11,748,564         | 8,255,637          |
| Total current liabilities                          |       | 14,851,364         | 11,671,905         |
| <b>Total liabilities</b>                           |       | <b>113,046,330</b> | <b>110,054,138</b> |
| <b>Total equity and liabilities</b>                |       | <b>317,969,456</b> | <b>285,381,100</b> |

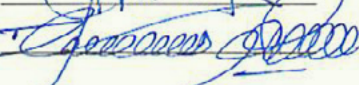
The accompanying notes form an integral part of these financial statements.

\* See Note 4.6

Approved on behalf of the Board of Directors on 31 July 2020.

Signature of Director: 

Print Name: Alberto O. August

Signature of Director: 

Print Name: THOMAS G. MORRISON



**BELIZE WATER SERVICES LIMITED****Statement of comprehensive income****For the year ended 31 March 2020****In Belize dollars**

|  | <b>Notes</b> | <b>2020</b>       | <b>2019</b>       |
|--|--------------|-------------------|-------------------|
| Operating revenue  | 17           | 50,928,023        | 47,880,225        |
| Other income   | 21           | 147,724           | 193,858           |
| <b>Gross revenue</b>                                       |              | <b>51,075,747</b> | <b>48,074,083</b> |
| Materials and other external costs                         | 18           | (8,033,752)       | (9,592,240)       |
| Staff costs  | 19           | (13,585,929)      | (12,500,940)      |
| Other operating charges                                    | 20           | (10,280,259)      | (7,729,130)       |
| Depreciation and amortisation                              | 25           | (7,971,383)       | (6,547,864)       |
| Gain on disposal of asset                                  |              | 1,781             | 25,181            |
| <b>Profit before interest and taxes</b>                    |              | <b>11,206,205</b> | <b>11,729,090</b> |
| Finance costs  | 22           | (2,279,729)       | (1,896,888)       |
| <b>Profit before tax</b>                                   |              | <b>8,926,476</b>  | <b>9,832,202</b>  |
| Business tax   | 23           | (892,179)         | (849,316)         |
| <b>Profit for the year</b>                                 |              | <b>8,034,297</b>  | <b>8,982,886</b>  |
| <b>Other comprehensive income not allocated to profits</b> |              |                   |                   |
| Gain on revaluation of land                                | 13           | 22,322,850        | -                 |
| <b>Total comprehensive income for the year</b>             |              | <b>30,357,147</b> | <b>8,982,886</b>  |
| <b>Basic earnings per share</b>                            |              |                   |                   |
| <b>(BZD per share)</b>                                     |              |                   |                   |
| Basic earnings per share                                   | 24           | 0.20              | 0.22              |

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

**BELIZE WATER SERVICES LIMITED**

**Statement of changes in equity**

**For the year ended 31 March 2020**

In Belize dollars

|                                    | Share capital     | Contributed capital | Capital reserve   | Revaluation reserve | Retained earnings | Total              |
|------------------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|--------------------|
| <b>Balance as at 01 April 2018</b> | <b>60,000,001</b> | <b>11,714,281</b>   | <b>15,276,362</b> | <b>31,337,802</b>   | <b>48,773,690</b> | <b>167,102,136</b> |
| Profit for the year                | -                 | -                   | -                 | -                   | 8,982,886         | 8,982,886          |
| Dividends declared (Note 29)       | -                 | -                   | -                 | -                   | (758,060)         | (758,060)          |
| <b>Balance as at 31 March 2019</b> | <b>60,000,001</b> | <b>11,714,281</b>   | <b>15,276,362</b> | <b>31,337,802</b>   | <b>56,998,516</b> | <b>175,326,962</b> |
| <b>Balance as at 01 April 2019</b> | <b>60,000,001</b> | <b>11,714,281</b>   | <b>15,276,362</b> | <b>31,337,802</b>   | <b>56,998,516</b> | <b>175,326,962</b> |
| Profit for the year                | -                 | -                   | -                 | -                   | 8,034,297         | 8,034,297          |
| Dividends declared (Note 29)       | -                 | -                   | -                 | -                   | (760,983)         | (760,983)          |
| Land revaluation (Note 13)         | -                 | -                   | -                 | 22,322,850          | -                 | 22,322,850         |
| <b>Balance as at 31 March 2020</b> | <b>60,000,001</b> | <b>11,714,281</b>   | <b>15,276,362</b> | <b>53,660,652</b>   | <b>64,271,829</b> | <b>204,923,126</b> |

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

**BELIZE WATER SERVICES LIMITED****Statement of cash flows**

For the year ended 31 March 2020

In Belize dollars

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>             |                     |                     |
| Profit for the year                                     | 8,034,297           | 8,982,886           |
| Adjustments for non-cash items:                         |                     |                     |
| Depreciation and amortisation                           | 7,971,383           | 6,547,864           |
| Gain on disposal of property, plant and equipment       | (1,781)             | (25,181)            |
| Impairment allowance                                    | 43,873              | 16,000              |
| Interest paid   | (1,914,036)         | (1,673,438)         |
| Finance cost  | 2,279,729           | 1,896,888           |
| Government grants                                       | (1,919,441)         | (2,357,122)         |
| <b>Cash flows before working capital changes</b>        | <b>14,494,025</b>   | <b>13,387,897</b>   |
| Changes in working capital components:                  |                     |                     |
| Contract balances and other receivables                 | (246,068)           | (891,323)           |
| Material and supplies                                   | (742,346)           | 1,547,775           |
| Trade and other payables                                | 3,400,264           | 1,873,779           |
| <b>Cash flow provided by operating activities</b>       | <b>16,905,874</b>   | <b>15,918,128</b>   |
| <b>Cash flow from investing activities</b>              |                     |                     |
| Purchase of property, plant and equipment               | (25,435,000)        | (23,289,171)        |
| Acquisition of subsidiary                               | -                   | (14,501,490)        |
| Contributions to fixed assets                           | 1,532,760           | 4,071,863           |
| Proceeds from sale of property, plant and equipment     | 518,997             | 165,644             |
| <b>Net cash used in investing activities</b>            | <b>(23,383,242)</b> | <b>(33,553,354)</b> |
| <b>Cash flows from financing activities</b>             |                     |                     |
| Dividends   | (760,980)           | (758,060)           |
| Proceeds from borrowings                                | 1,042,814           | 13,573,707          |
| Repayment of borrowings                                 | (3,578,328)         | (1,637,729)         |
| Increase in deferred income                             | 1,919,441           | 1,117,149           |
| <b>Net cash provided by financing activities</b>        | <b>(1,377,053)</b>  | <b>12,295,067</b>   |
| <b>Net change in cash and equivalents</b>               | <b>(7,854,421)</b>  | <b>(5,340,159)</b>  |
| Cash and cash equivalents at the beginning of the year  | 13,681,866          | 19,022,025          |
| <b>Cash and cash equivalents at the end of the year</b> | <b>5,827,446</b>    | <b>13,681,866</b>   |
| <b>Comprised of:</b>                                    |                     |                     |
| Cash on hand  | 17,059              | 15,959              |
| Bank balances   | 3,549,802           | 8,254,580           |
| Short-term deposits                                     | 2,260,585           | 5,411,327           |
|   | <b>5,827,446</b>    | <b>13,681,866</b>   |

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



## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **1. General information**

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**Belize Water Services Limited (BWSL)** (the "Company") was incorporated by the Government of Belize on 22 January 2001 as the successor Company to the Water and Sewerage Authority ("WASA"). Belize Water Services Limited was vested with the assets and liabilities of WASA on 23 March 2001. The Company is majority owned by the Government of Belize.

The Company is the monopoly water and sewerage utility for the country of Belize, serving all the municipalities of the country as well, as some 35 villages. The registered office is at 7 Central American Boulevard, Belize City, Belize.

Effective 01 January 2019, the Company acquired 100% of shares of Consolidated Water (Belize) Limited ("CWBL") for USD 7,000,000 which was funded by a loan from the Caribbean Development Bank. CWBL utilised reverse osmosis technology to produce potable water from seawater and operates under a contractual agreement with BWSL to supply potable water on an exclusive basis to San Pedro, Ambergris Caye. CWBL was previously owned by Consolidated Water Co. Limited, a Cayman Island company. Financial statements for the Company include the consolidation of net assets from CWBL based on the value presented in the 31 December 2018 audited financial statements for CWBL. CWBL was wound up on 15 January 2020 and merged with BWSL. Financials for the year ended 31 March 2020 are presented on a basis of full merger of CWBL into BWSL.

### **2. Application of new and revised International Financial Reporting Standards (IFRSs)**

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#### **2.1 Amendments to IFRSs and the new Interpretation that are effective for the current year**

The following standards and amendments have become effective for the annual periods commencing on or after 01 January 2019.

- IFRS 16 Leases;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures;
- Annual Improvements 2015-2017 Cycle;
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement;
- Interpretation 23 Uncertainty over Income Tax Treatments.

Adoption of amendments and interpretations stated above has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### **2.2 New and revised IFRSs in issue but not yet effective**

The following standards and amendments will become effective for the annual periods beginning on or after 01 January 2020.

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 and IAS 8 Definition of Material;

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

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#### **2.2 New and revised IFRSs in issue but not yet effective (continued)**

- Amendments to IFRS 3 Definition of a Business;
- Revised Conceptual Framework for Financial Reporting;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture.

#### **New IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity.

#### **Amendments to IAS 1 and IAS 8 on the definition of material**

The Standard principally amends IAS 1 and IAS 8. The amendments refine the definition of material in IAS 1. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across IFRSs and other publications. The amendment also includes some supporting requirements in IAS 1 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

#### **Amendments to IFRS 3 – definition of a business**

The Standard amends IFRS 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

### **3. Significant accounting policies**

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#### **3.1 Statement of compliance**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board.

#### **3.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Certain asset categories, freehold and leasehold property and infrastructure, have been recorded at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies as follows.

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

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.2 Basis of measurement (continued)**

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 Company takes 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 instruments is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement 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 market 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, rather directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **3.3 Functional and presentation currency**

The financial statements are presented in Belize dollars (BZD), unless otherwise indicated. The Belize dollar is considered to be the functional currency as the majority of the Company's transactions are denominated, measured, or funded in Belize dollars. All financial information presented in Belize dollars has been rounded to the nearest dollar.

#### **3.4 Foreign currency transactions/translation**

Transactions in foreign currencies during the year are translated into Belize dollars at the rates in effect on the dates of the transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates in effect on that date. Gains or losses on ordinary foreign exchange transactions are included in the results of operations.

#### **3.5 Property, plant and equipment**

##### **(i) Initial recognition and measurement**

Items of property, plant and equipment are initially recognised at cost.

##### **(ii) Subsequent measurement**

Freehold and leasehold property and infrastructure are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Additions, major renewals and improvements are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.



## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.5 Property, plant and equipment (continued)**

##### **(ii) Subsequent measurement (continued)**

Any revaluation increase arising on the revaluation of freehold and leasehold property and infrastructure is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

##### **(iii) Depreciation**

Depreciation is recognised to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and equipment are depreciated on the straight-line basis over their estimated useful lives.

Infrastructure assets comprise a network of underground systems. Expenditure on infrastructure assets relating to increases in capacity or enhancement of the network in accordance with defined standards of service is treated as an addition and included at cost and any grants and contributions are amortised over the life of the asset. Infrastructure assets are depreciated over their estimated useful lives.

##### **(iv) Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **3.6 Materials and supplies**

Materials and supplies are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.7 Contract balances**

Contract balances are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Contract balances are stated at their amortised cost less any allowances for doubtful receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The loss allowance is calculated based on lifetime expected credit losses. Loss allowance for contract balances is BZD 199,000 for the year ended 2020. Impairment and details of Company's exposure to credit, currency and interest rate risks relating to trade and other receivables is detailed in Note 31. The carrying amount of current receivables is considered to be the same as their fair value, given the short term nature.

#### **3.8 Prepayments**

Prepayments represent costs paid in advance of their intended use or coverage. Prepayments are measured at fair value, based on the relevant exchange rates at the date of payment. Prepayments are expensed in the period the service is delivered.

#### **3.9 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of 3 months or less. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

#### **3.10 Borrowings and borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.11 Government grants and other contributions**

##### **Government grants**

Government grants received for capital expenditure which have not yet been utilised by the Company are recorded as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the associated assets. These grants are in the form of loan payments made on behalf of the Company. Government grants are stated at fair value.

##### **Other contributions**

Other contributions received from third parties for capital expenditure are deducted in calculating the carrying amount of the asset. Other contributions are recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

#### **3.12 Trade and other payables**

Trade payables represent amounts outstanding to vendors for goods and services obtained. Trade payables are measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

The average credit period on purchases of goods approximates 35.5 days (2019: 35.5 days). No interest is charged on overdue payables; the Company has financial risk management policies in place to ensure all payables are paid within the agreed credit terms. Fair value of trade and other payables is considered to be the same as carrying value given the short term nature of it.

#### **3.13 Security deposits**

Security deposits are recognised as a liability upon activation of new customer accounts. Security deposits are applied to accounts in arrears after Management has deemed the account as non-billable after a suitable timeframe has elapsed during which the Company has actively pursued collection without recourse. Security deposits net of arrears are refunded upon closing of the account.

#### **3.14 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.



## **BELIZE WATER SERVICES LIMITED**

### **Notes to the financial statements**

**For the year ended 31 March 2020**

**In Belize dollars**

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### **3. Significant accounting policies (continued)**

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#### **3.15 Revenue from contracts with customers**

a. The Company is in the business of producing and selling potable water and providing ancillary services to the general public. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The IFRS 15, Revenue from Contracts with Customers became effective on periods starting 1 January 2018 or later, and is based around five steps in recognising revenue that the Company adheres to.

i. Identify the contract with the customer – the contract must be approved by the parties and should have commercial substance. The parties to the contract should also be able to identify their rights regarding the goods or services to be transferred, and the payment terms in relation to those goods or services. It must also be probable that consideration will be received for the goods or services transferred. Contracts with the same customer can be combined if specific criteria are met, for example the contracts are negotiated as a package, the amount of consideration is linked to the performance of another contract, or goods or service are a single performance obligation.

ii. Identify the performance obligations in the contract – these are distinct goods or services that are to be transferred to the customer. A good or service is distinct if the customer can benefit from the good or service either on its own or with other resources that are readily available to the customer and if the promise to transfer the good or service is separately identifiable from other promises in the contract. A good or service is still likely to be separately identifiable if it has a functional dependence on another, but not if this relationship has a 'transformative' effect.

iii. Determine the transaction price – based on the contract terms the transaction price should be determined. The transaction price is the amount that the entity expects to receive in exchange for transferring promised goods or services to a customer. The amount should exclude those collected on behalf of third parties (such as sales taxes). Contract price can include both fixed and variable consideration. An entity is required to estimate variable consideration to which it will be entitled to either using an expected value approach (sum of probability weighted amounts) or the most likely amount (single amount). Variable consideration is only included in the transaction price if it is highly probable that a significant reversal of the consideration will not occur. Reassessment of the variable consideration is required at the end of each reporting period. Contracts may include significant financing components and non-cash consideration. A contract with a financing component is discounted using a discount rate that reflects the credit characteristics of the customer. The effects of financing are presented separately from revenue from customers. The Company uses the practical expedient in IFRS 15 and does not adjust for the financing element if the contracts are to complete within a 12 month period. Any non-cash consideration received is measured at the fair value of the non-cash consideration.

iv. Allocate the transaction price – the transaction price should be allocated to each performance obligation identified in step 2, based on the relative stand-alone selling prices of each distinct good.

## **BELIZE WATER SERVICES LIMITED**

### **Notes to the financial statements**

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.15 Revenue from contracts with customers (continued)**

v. Recognise revenue when a performance obligation is satisfied – a performance obligation is satisfied when the customer obtains control of the good or service. At the inception of the contract the entity must establish if the performance obligation is to be satisfied over time or at a point in time. An entity that satisfies a performance obligation over time recognises revenue over time when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or where the entity's performance creates or enhances an asset that the customer controls; or where the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date (for example, an incomplete voyage in a voyage charter).

b. Production and selling potable water is based on supply agreements with one or more customers agreeing a fixed price per metered water. This is considered to be a series of identical obligations that are consummated as they are delivered. It is appropriate to recognise revenue over a period of time as it is delivered. Invoicing is used as a practical expedient if this is the only obligation in the arrangement or if the amount invoiced for water & sewer only is clear. The revenue is recognised as obligation is satisfied or when it expires.

#### **c. Other income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **3.16 Expense**

Expenses are recognised when related services have been provided.

#### **3.17 Pension costs**

The Company operates a defined contribution pension scheme. A defined contribution scheme is a post-employment scheme under which an entity and employees pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions payable under the defined contribution schemes are charged to the income statement in the periods during which services are rendered by employees.

#### **3.18 Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Company's Board of Directors.

#### **3.19 Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.19 Impairment of non-financial assets (continued)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **3.20 Financial Instruments**

##### **A. Recognition and derecognition of financial instruments**

Financial instruments, other than derivative financial instruments, are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets that are regular way purchased or sold are recognised using the trade date accounting, that is when the Company commits to purchase or sell.

Financial instruments that are not trade receivables are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value.

Contract balances are recognised at transaction cost, if they do not contain a significant financing element ( IFRS 15). Note 4.4 provides additional information.

Financial assets are derecognised when:

- The contractual rights to cash flows from the financial asset expire, or
- The asset is transferred such that contractual rights to cash flows of the assets and the risks and rewards of ownership are transferred.

On de-recognition, the Company recognised the differences between carrying amount and consideration.

In factoring arrangements and guaranteed receivables, transfer may not result in de-recognition, because the Company retains exposure to risks and rewards to some extent. The Company assesses its extended involvement and recognises a liability, such that the net of asset and liability represents the rights and obligations retained, measured based on the classification of the original asset.



## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.20 Financial Instruments (continued)**

##### **A. Recognition and derecognition of financial instruments (continued)**

Financial liabilities (or a part of) are derecognised when, and only when the obligation is extinguished. That is when the obligation specified in the contract is discharged or cancelled or expires. The gain or loss between the carrying value and amount paid is recognised in profit or loss.

If the terms of an existing financial liability (loans and borrowings) are substantially modified this will be considered to meet the criteria for derecognition of the original liability, and a new financial liability is recognised.

##### **B. Classification and subsequent measurement of financial assets**

Measurement of financial assets depends on the classification, which is determined by the business model for holding the asset and characteristics of its cash flows.

###### **i) Amortised cost**

Assets are held for the purpose of obtaining contractual cash flows, which are solely interest and principal, such as the simplest form of financial instruments, loans and receivables including contract assets. Interest is calculated using effective interest method and included in finance income in profit or loss. Impairment is presented in a separate line in profit or loss.

###### **ii) Fair value through other comprehensive income (FVOCI)**

If in addition to above, if the business model also includes selling the assets, then these assets are measured at fair value with changes in fair value flowing through OCI. Interest income is calculated and presented as above. Impairment is included in profit or loss and reduces/ increases the fair value gain/ loss recognised in OCI reserve.

On derecognition, gains and losses are charged to profit or loss and included in other gains/ losses.

###### **iii) Fair value through profit or loss (FVTPL)**

Assets that do not meet the criteria above are measured as FVTPL with changes in fair value presented in other gains/ losses.

For equity investments that the Company considers to be long term strategic investments, the Company has taken the election in IFRS 9 to present the changes in fair value through other comprehensive income. Unlike ii) above however, on sale of investments, the cumulative OCI gain/ loss will be transferred within equity and will not be charged through profit or loss.

##### **C. Classification and measurement of financial liabilities**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.20 Financial instruments (continued)**

##### **C. Classification and measurement of financial liabilities (continued)**

###### **Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities, which are measured at amortised cost. Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised within other gains and losses in the statement of comprehensive income.

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

A financial liability may otherwise be designated at fair value through profit or loss upon initial recognition if such designation eliminates or reduces significantly a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a Company of financial assets, financial liabilities or both, which is managed and its performance evaluated on a fair value basis as a part of the Company's documented risk management and investment strategies; and (c) it forms part of a contract containing one or more embedded derivatives and the entire contract can be so designated in accordance with applicable financial reporting standards.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, within finance costs in the statement of comprehensive income.

The Company derecognises financial liabilities when the obligations of the Company are discharged, cancelled or have expired.

###### **Embedded derivatives**

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value through profit and loss.

However financial liabilities which contain multiple embedded derivatives are not separated and are treated as fair value through profit and loss.

###### **Compound financial instruments**

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.20 Financial instruments (continued)**

##### **C. Classification and measurement of financial liabilities (continued)**

###### **Compound financial instruments (continued)**

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The interest expense on the liability component is calculated by applying the effective interest method. This is obtained by calculating the present value of future cash flows at a market rate for a loan without the convertible component. The difference between the effective interest rate and the interest paid is added to the carrying amount of the convertible loan note.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised in equity, net of attributable taxation.

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

#### **3.21 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any effects.

#### **3.22 Consolidation**

Prior to the 2020 winding up and merger of the Company's subsidiary, CWBL, the financial statements for the period as at 31 December 2019 comprise those of the Company and its subsidiary. Subsidiaries including special purpose entities which are directly or indirectly controlled by the Company are consolidated. Control is achieved where the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **3. Significant accounting policies (continued)**

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#### **3.22 Consolidation (continued)**

The acquisition method of accounting is used by the Company when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the Company. Consideration can include cash, contingent consideration and options. Acquisition related costs are expensed as incurred unless they relate to the issue of financial instruments in which case they are accounted for in accordance with accounting policies relating to that specific type of financial instrument. The assets acquired and liabilities assumed are recognised at the acquisition date at their fair value. At the acquisition date any equity interest held prior to the acquisition date is recognised at fair value with a resulting gain or loss recognised in profit or loss. The Company has an option on a combination by combination basis on how to recognise a non-controlling interest at the acquisition date either at fair value or proportionate share of net assets.

BWSL exercises control over its subsidiary, CWBL, as it acquired 100% of the stock in this subsidiary entity. In accordance with IFRS 3, Business Combinations, financial statements are presented on a consolidated basis and are indicated as "Company". All intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company have been eliminated in full consolidation. In accordance with IFRS 3, consolidated financial statements for the period as at 31 March 2019 reflect the elimination of the investment in the subsidiary of CWBL.

CWBL was officially wound up on 15 January 2020 and was merged into the Company. Financial statements for the period ended 31 March 2020 are presented on basis of this merger and elimination of the Company's subsidiary.

#### **3.23 Intangible asset**

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Contractual rights acquired regarding the purchase of "CWBL" will be amortised over 7 years which was the remaining life of the "New Agreement for the Provision of Water from a Seawater Desalination Plant" between BWSL and CWBL. Contractual rights are presented at cost less amortisation and impairment losses. With control of the contract with CWBL, BWSL gained synergies to more efficiently manage the increasing demand for potable water supply from the residents and businesses of Ambergris Caye. During 2020, CWBL was liquidated and the contractual rights were effectively transferred to BWSL retaining the synergies as described herein to continue to the benefit of the Company.



## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **4. Critical accounting estimates and judgements**

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In implementation of the Company's accounting policies, Management used the following judgements that have the most significant effect on the amounts recognised in the financial statements.

#### **4.1 Useful lives of property, plant and equipment**

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

| Category                        | Years          |
|---------------------------------|----------------|
| Freehold and leasehold property | 25 to 40 years |
| Plant and equipment             | 3 to 10 years  |
| Infrastructure                  | 75 years       |

#### **4.2 Fair value measurements and valuation processes**

The methodology used to revalue buildings was the estimated market value rates per square foot as provided by an independent consultant. The methodology for the revaluation of the water infrastructure assets utilised an average installation cost per foot, based on a costing breakdown which included pipes and fittings, bedding and restoration material, labour and supervision. Since the Company's engineering staff are the only available local personnel with the necessary expertise to conduct water infrastructure valuations, the team was responsible for the inspection and field work of this exercise. Where the installation dates were not known, reasonable estimates of the remaining useful life were determined using the condition of the asset.

#### **4.3 Impairment of property, plant and equipment**

At each reporting date the Company's Management assesses whether there is any indication of impairment of property, plant and equipment. If at least one such indication exists, Management estimates the recoverable amount of assets, which is calculated as the higher of fair value less costs to sell and the value in use. An asset's carrying amount is written down to its recoverable amount and the difference is charged as impairment loss immediately on profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. If the circumstances change and management decides that the value of property, plant and equipment and capital construction-in-progress has increased, the provision for impairment will be fully or partially reversed.

#### **4.4 Impairment allowance in respect of contract balances and other receivables**

Receivables are presented on the statement of financial position net of impairment allowance. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses.

At each reporting date, the Company evaluates the recoverability of trade receivables and records allowances for doubtful receivables using the percentage of receivables method based on experience which among other things, considers the actual collection history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **4. Critical accounting estimates and judgements (continued)**

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#### **4.5 Going concern**

These financial statements have been prepared based on the going concern assumption, which means that assets are realised and liabilities are settled in the course of normal business operations. These financial statements do not include any adjustments which would be required had the Company been unable to continue as a going concern.

#### **4.6 Restatement and presentational reclassification for 2019**

Financial statements issued for the period ended 31 March 2019 did not reflect leasehold land held by Consolidated Water (Belize) Limited which was acquired by the Company. IFRS 3 (Business combinations) guidelines provide for the retrospective adjustment of the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. Management has obtained an independent appraisal for this property in the amount of BZD 977,500 and is in process of transferring title to the Company with the Belize Ministry of Natural Resources and Lands Registry and Land Titles Unit. Recognition of the appraised land value will increase originally reported property, plant and equipment and reduce the intangible asset balance which was determined at the time of acquisition.

Financial statements issued for the period 31 March 2019 were also reclassified to reflect the separation of activity for government and customer contributions, grants and related amortization from net property, plant and equipment. Financial statements for the period ended 31 March 2020 were presented in conformity with the revised 2019 format. Note 14 provides further detail related to the separation of contributions and grant activity from property plant and equipment.

#### **4.7 Impairment of contract rights**

In accordance with IAS 36, Management, makes an annual assessment of the current net value of contract rights associated with the acquisition of CWBL in 2019. Assessed impairment losses are recognised as a loss whenever it is determined that the current asset value, net of amortization, is less than the remaining future value of obligations under the original contract by CWBL.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

**4. Critical accounting estimates and judgements (continued)****4.7 Impairment of contract rights (continued)**

The effect of restatement and reclassification are as follows (extracts):

|  | Notes | 31 March 2019<br>(as previously<br>reported) | Adjustment        | 31 March 2019<br>(restated) |
|--|-------|--|-------------------|-----------------------------|
| <b>Statement of financial position</b> |       |  |                   |                             |
| <b>Non-current assets</b>              |       |  |                   |                             |
| Property, plant and equipment          | 5     | 215,426,548                                  | 33,580,800        | 249,007,348                 |
| Intangible asset                       | 6     | 8,491,220                                    | (977,500)         | 7,513,720                   |
| <b>Total non-current</b>               |       | <b>223,917,768</b>                           | <b>32,603,300</b> | <b>256,521,068</b>          |
| <b>Total assets</b>                    |       | <b>252,777,800</b>                           | <b>32,603,300</b> | <b>285,381,100</b>          |
| <b>Non-current liabilities</b>         |       |  |                   |                             |
| Capital contributions                  | 14    | -  | 32,603,300        | 32,603,300                  |
| Long term borrowings                   | 15    | 49,473,108                                   | -                 | 49,473,108                  |
| Deferred income                        | 16    | 16,305,825                                   | -                 | 16,305,825                  |
| <b>Total non-current liabilities</b>   |       | <b>65,778,933</b>                            | <b>32,603,300</b> | <b>98,382,233</b>           |
| <b>Total liabilities</b>               |       | <b>77,450,838</b>                            | <b>32,603,300</b> | <b>110,054,138</b>          |
| <b>Total equity and liabilities</b>    |       | <b>252,777,800</b>                           | <b>32,603,300</b> | <b>285,381,100</b>          |

**5. Property, plant and equipment**

| 2020                       | Freehold and<br>leasehold<br>property<br>Valuation | Plant and<br>equipment<br>Cost | Infrastructure<br>RESTATED<br>Valuation | Construction<br>in progress<br>RESTATED<br>Cost | Total              |
|----------------------------|--|--------------------------------|---|---|--------------------|
| <b>Cost</b>                |  |                                |   |   |                    |
| As at 01 April 2019        | 29,182,012   | 74,575,179                     | 183,690,312                             | 13,680,523                                      | 301,128,026        |
| Additions                  | 2,584,969  | 3,716,802                      | 16,718,379                              | 3,238,055                                       | 26,258,205         |
| Reclass CWBL               | -  | (4,389,268)                    | -                                       | -   | (4,389,268)        |
| Accumulated Depreciation   |  |                                |   |   |                    |
| Disposals                  | (126,909)  | (343,617)                      | (86,490)                                | -   | (557,016)          |
| Land revaluation           | 22,322,850   | -                              | -                                       | -   | 22,322,850         |
| <b>As at 31 March 2020</b> | <b>53,962,922</b>                                  | <b>73,559,096</b>              | <b>200,322,201</b>                      | <b>16,918,578</b>                               | <b>344,762,797</b> |

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

**5. Property, plant and equipment (continued)**

| 2020                                     | Freehold with<br>leasehold<br>property | Plant and<br>equipment | Infrastructure      | Construction<br>in progress | Total               |
|--|--|------------------------|---------------------|-----------------------------|---------------------|
|  | Valuation                              | Cost                   | Valuation           | Cost                        |                     |
| <b>Accumulated depreciation</b>          |  |                        |                     |                             |                     |
| As at 01 April 2019                      | (1,456,960)                            | (36,644,887)           | (14,018,831)        | -                           | (52,120,678)        |
| Charge for the period                    | (319,592)                              | (3,903,123)            | (3,269,498)         | -                           | (7,492,213)         |
| Reclass CWBL<br>Accumulated Depreciation | -                                      | 4,389,268              | -                   | -                           | 4,389,268           |
| Disposals/Reclasses                      | (22,629)                               | 58,713                 | 3,715               | -                           | 39,799              |
| <b>As at 31 March 2020</b>               | <b>(1,799,181)</b>                     | <b>(36,100,029)</b>    | <b>(17,284,614)</b> | <b>-</b>                    | <b>(55,183,824)</b> |
| <b>Net book value:</b>                   |  |                        |                     |                             |                     |
| <b>As at 31 March 2020</b>               | <b>52,163,740</b>                      | <b>37,459,067</b>      | <b>183,037,587</b>  | <b>16,918,578</b>           | <b>289,578,973</b>  |
| As at 31 March 2019                      | 27,725,052                             | 37,930,290             | 169,671,484         | 13,680,523                  | 249,007,349         |

As at 31 March 2020 the Company maintains insurance coverage from commercial fire associated perils and burglary including catastrophic perils over buildings, plant and equipment, and water tanks countrywide valued at BZD 68,362,751 (2019: 53,013,139).

| 2019<br>Restated for<br>Contributions (Note 14)<br>and Contract Rights<br>(Note 4.6) | Freehold and<br>leasehold property | Plant and<br>equipment | Infrastructure     | Construction<br>in progress | Total              |
|--|------------------------------------|------------------------|--------------------|-----------------------------|--------------------|
|  | Valuation                          | Cost                   | Valuation          | Cost                        |                    |
| <b>Cost</b>  |                                    |                        |                    |                             |                    |
| As at 1 April 2018   | 24,287,194                         | 65,182,660             | 142,980,672        | 8,244,558                   | 240,695,084        |
| Additions  | 3,478,009                          | 4,696,494              | 11,926,221         | 3,188,449                   | 23,289,173         |
| Acquisition of CWBL assets   | 439,309                            | 5,377,574              | -                  | -                           | 5,816,883          |
| Disposals  | -                                  | (681,549)              | (2,725)            | -                           | (684,274)          |
| Contributions  | -                                  | -                      | (4,240,410)        | 168,747                     | (4,071,663)        |
| <b>As at 31 March 2019</b>   | <b>28,204,512</b>                  | <b>74,575,179</b>      | <b>150,663,758</b> | <b>11,601,754</b>           | <b>265,045,203</b> |
| <b>2019 Restatement Items:</b>   |                                    |                        |                    |                             |                    |
| Land appraisal - San Pedro<br>CWBL acquisition                                       | 977,500                            | -                      | -                  | -                           | 977,500            |
| Reclass contributions  | -                                  | -                      | 33,026,554         | 2,078,769                   | 35,105,323         |
| <b>As at 31 March 2019<br/>Restated</b>  | <b>29,182,012</b>                  | <b>74,575,179</b>      | <b>183,690,312</b> | <b>13,680,523</b>           | <b>301,128,026</b> |



**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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In Belize dollars

**5. Property, plant and equipment (continued)**

| 2019<br>Restated for<br>Contributions (Note 14) | Freehold with<br>leasehold property<br>Restated<br>Valuation | Plant and<br>equipment<br>Cost | Infrastructure<br>Valuation | Construction<br>in progress<br>Cost | Total               |
|---|--|--------------------------------|-----------------------------|-------------------------------------|---------------------|
| <b>Accumulated depreciation</b>                 |  |                                |                             |                                     |                     |
| As at 01 April 2018                             | (953,658)  | (29,305,723)                   | (8,990,198)                 | -                                   | (39,249,579)        |
| Charge for the period                           | (253,230)  | (3,768,125)                    | (2,526,509)                 | -                                   | (6,547,864)         |
| Acquisition of CWBL assets                      | (243,743)  | (4,121,282)                    | -                           | -                                   | (4,365,025)         |
| Disposals/Reclasses                             | (6,329)  | 550,241                        | (101)                       | -                                   | 543,811             |
| As at 31 March 2019                             | (1,456,960)  | (36,644,889)                   | (11,516,808)                | -                                   | (49,618,657)        |
| <b>2019 Restatement Item:</b>                   |  |                                |                             |                                     |                     |
| Reclass contribution<br>amortisation            | -  | -                              | (2,502,020)                 | -                                   | (2,502,020)         |
| <b>As at 31 March 2019<br/>Restated</b>         | <b>(1,456,960)</b>   | <b>(36,644,889)</b>            | <b>(14,018,828)</b>         | <b>-</b>                            | <b>(52,120,677)</b> |
| <b>Net book value:</b>                          |  |                                |                             |                                     |                     |
| <b>As at 31 March 2019<br/>Restated</b>         | <b>27,725,052</b>  | <b>37,930,290</b>              | <b>169,671,484</b>          | <b>13,680,523</b>                   | <b>249,007,349</b>  |
| As at 31 March 2018                             | 23,333,536   | 35,876,937                     | 133,990,474                 | 8,244,558                           | 201,445,505         |

**6. Intangible asset - contract rights**

|                                 | 2020             | 2019 Restated    |
|---------------------------------|------------------|------------------|
| <b>Cost</b>                     |                  |                  |
| At beginning of the year        | 7,513,719        | -                |
| Translation difference          | -                | -                |
| Disposals                       | -                | -                |
| Additions                       | -                | 7,513,719        |
| <b>At the end of the year</b>   | <b>7,513,719</b> | <b>7,513,719</b> |
| <b>Accumulated amortisation</b> |                  |                  |
| At beginning of the year        | -                | -                |
| Amortisation expense            | 1,073,388        | -                |
| Impairment charge for the       | -                | -                |
| <b>At the end of the year</b>   | <b>1,073,388</b> | <b>-</b>         |
| <b>Carrying amount</b>          |                  |                  |
| <b>At end of the year</b>       | <b>6,440,331</b> | <b>-</b>         |

**BELIZE WATER SERVICES LIMITED**

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**6. Intangible asset - contract rights (continued)**

Management has made the required annual assessment of the intangible contract rights to determine the appropriateness of the current valuation of this asset and whether there were any requirements to record an impairment charge or other adjustment deemed necessary. The assessment for 2020 was impacted by an independent appraisal of leasehold land related to the acquisition of CWBL in 2019. This land was appraised at BZD 977,500 in 2020, but not reflected in the original assessment of intangible contract rights. The value of contract rights as of 31 March 2019 were restated for this valuation as a reduction from intangible contract rights and increase in leasehold land. Refer to Note 4.6 for further details of the accounting basis supporting this restatement.

**7. Materials and supplies**

|   | 2020             | 2019             |
|---|------------------|------------------|
| Pipework and appurtenances                          | 7,859,924        | 7,080,206        |
| Spares and consumables                              | 267,189          | 269,315          |
| Fuel and chemicals                                  | 168,463          | 251,888          |
| Office supplies                                     | 51,212           | 58,779           |
|   | <b>8,346,788</b> | <b>7,660,188</b> |
| Less: Provision for obsolete materials and supplies | (80,129)         | (108,002)        |
|   | <b>8,266,659</b> | <b>7,552,186</b> |

Provision for obsolete materials and supplies consists of the following:

|                                  | 2020          | 2019           |
|----------------------------------|---------------|----------------|
| Provision, beginning of the year | 108,002       | 132,628        |
| Write-offs                       | (27,873)      | (24,626)       |
| Provision, end of the year       | <b>80,129</b> | <b>108,002</b> |

**8. Contract balances and other receivables**

|                                 | 2020             | 2019             |
|---------------------------------|------------------|------------------|
| Contract balance with customers | 3,594,770        | 3,563,882        |
| Allowance for doubtful debts    | (199,000)        | (215,000)        |
|                                 | <b>3,395,770</b> | <b>3,348,882</b> |
| Other receivables (GST)         | 3,404,915        | 2,093,576        |
| Prepayments                     | 1,055,363        | 2,183,522        |
|                                 | <b>7,856,048</b> | <b>7,625,980</b> |

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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**8. Contract balances and other receivables (continued)**

Allowance for doubtful debts consists of the following:

|                                  | 2020      | 2019      |
|----------------------------------|-----------|-----------|
| Allowance, beginning of the year | 215,000   | 214,000   |
| Increase of the allowance        | 101,964   | 176,467   |
| Reversal of the allowance        | (117,964) | (175,467) |
| Provision, end of the year       | 199,000   | 215,000   |

The Company has adopted the simplified approach to measure the impairment of contract balance receivables as outlined in IFRS 9. The loss allowance is calculated on the basis of lifetime expected credit losses. To measure the expected credit losses, management has used historic ageing data of the value of actual contract write-offs as a % of outstanding balances. The loss allowance was supported as follows:

| 2020                                       | 0 - 30    | 31 - 60 | 61 - 90 | 90 +    | Total     |
|--|-----------|---------|---------|---------|-----------|
| Expected credit loss %                     | 0%        | 0%      | 0%      | 90%     |           |
| Gross carrying amount of contract balances | 2,868,694 | 429,145 | 75,298  | 221,633 | 3,594,770 |
| Lifetime expected loss                     | -         | -       | -       | 199,470 | 199,470   |

| 2019                                       | 0 - 30    | 31 - 60 | 61 - 90 | 90 +    | TOTAL     |
|--|-----------|---------|---------|---------|-----------|
| Expected credit loss %                     | 0%        | 0%      | 0%      | 90%     |           |
| Gross carrying amount of contract balances | 2,981,736 | 268,796 | 74,700  | 238,650 | 3,563,882 |
| Lifetime expected loss                     | -         | -       | -       | 215,000 | 215,000   |

**9. Cash and cash equivalents**

|                           | 2020      | 2019       |
|---------------------------|-----------|------------|
| Current accounts          | 3,549,802 | 8,254,580  |
| Short-term fixed deposits | 2,260,585 | 5,411,327  |
| Cash on hand              | 17,059    | 15,959     |
| Total                     | 5,827,445 | 13,681,866 |

Short-term deposits are amounts held at commercial banks which mature within 365 days and earn 0.25% to 1.30% interest per annum.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

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**10. Share capital**

|  | 2020        | 2019        |
|--|-------------|-------------|
| <b>Authorised</b>  |             |             |
| 66,666,666 ordinary shares of BZD 1.50 each                    | 100,000,000 | 100,000,000 |
| 1 Special Rights Redeemable Preference Share                   | 1           | 1           |
|  | 100,000,001 | 100,000,001 |
| <b>Issued and fully paid</b>                                   |             |             |
| 40,000,000 ordinary shares (2018: 40,000,000) of BZD 1.50 each | 60,000,000  | 60,000,000  |
| Special Rights Redeemable Preference Share                     | 1           | 1           |
|  | 60,000,001  | 60,000,001  |
| <b>Ordinary shares outstanding are held as follows</b>         |             |             |
| Government of Belize   | 82.59%      | 82.59%      |
| Social Security Board  | 10.00%      | 10.00%      |
| Others   | 7.41%       | 7.41%       |
|  | 100.00%     | 100.00%     |

**Special Rights Redeemable Preference Share**

The Special Rights Redeemable Preference Share, owned by the Government of Belize, has the following rights:

**As to income**

The Special Share shall not be entitled to participate in any dividends or other distributions by the Company.

**As to redemption**

The holder of the Special Share may require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate to the Company. Any redemption shall be subject to the provisions of the Statutes and the Articles of the Company.

**As to further participation**

The Special Share shall not entitle the holder thereof to participate in the profits or assets of the Company beyond such rights as are expressly set forth in the Articles of Association no. 4.

**As to voting**

The holder of the Special Share shall be entitled to receive notice of, and to attend and speak, at any general meeting or any meeting of any class of shareholders of the Company but the Special Share shall carry no right to vote or any other rights at any such meeting.



**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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**10. Share capital (continued)**As to purchase and transfers

The Company shall not purchase (but may redeem as set out above) the Special Share. The Special Share may be transferred only to a Minister of the Government of Belize or any person acting on the written authority of the Government of Belize.

As to appointment of Directors

1) The holder of the Special Share shall have the right from time to time:

(a) to appoint any person who is not an existing director; or

(b) to nominate any existing director (with the consent of the director concerned) to be a director of the Company ("Government Appointed Director") but so that there shall not be more than two Government Appointed Directors at any time. The holder of the Special Share may remove one or both of the same or terminate the nomination and appoint or nominate another or others in their place.

2) At any time during which the Social Security Board is the holder of Ordinary Shares amounting to 10% or more of the issued share capital of the Company the holder of the special share may appoint any Government Appointed Director as a Chairman of the Board and at any time thereafter may terminate such appointment by like notice in writing.

**11. Contributed capital**

Represents amounts contributed by the Government of Belize, majority shareholder.

**12. Capital reserve**

Upon vesting on 23 March 2001, net assets of WASA totalling BZD 75,276,362 were received as consideration for the shares allotted by the Government of Belize totalling BZD 60,000,001 resulting in a capital reserve of BZD 15,276,362. This capital reserve was transferred to the Company upon formation.

**13. Revaluation reserve**

|  | 2020       | 2019       |
|--|------------|------------|
| Beginning balance                                | 31,337,802 | 31,357,533 |
| Gain on revaluation of property - Ambergris Caye | 22,322,850 | -          |
|  | 53,660,652 | 31,357,533 |

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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**13. Revaluation reserve (continued)**

In 2020, Management obtained ten independent appraisals dated 13 March 2020, for several parcels of land located in San Pedro, Belize. Management is in process of obtaining land titles where appropriate for these properties through the Belize Ministry of Natural Resources and Lands Registry and Land Titles Unit. The valuations were deemed necessary to establish a lease as is current fair market value. Appraisals were obtained from the certified appraisal firm of Mitchell-Moody Associates, Belize. Land valuations were derived based on a comparative sales basis using square footage values for similar properties recently sold in San Pedro. The revaluation reserve was increased by BZD 22,322,850 for these ten properties. An additional appraisal from Mitchell-Moody Associates was obtained in the amount of BZD 977,500 for land acquired in the acquisition of Consolidated Water (Belize) Limited in 2019. The appraised value of this land was reallocated from contract rights as this intangible asset was originally valued at the time of acquisition without consideration of this acquired property. Notes 4.6 and 6. discusses the impact of this transaction in further detail.

Driven by written requests from the Public Utilities Commission (PUC), the fixed asset revaluation exercise commenced in September 2014. A consultant was hired to collate all findings and develop a detailed asset register by asset type, location, value, date acquired and remaining useful life among other specifications. The Board of Directors approved the proposal by management to employ the valuation method for Water Infrastructure and Buildings. As a result of the revaluation exercise, there was a total net gain of BZD 30,670,741. This breakdown includes BZD 1,685,277 on Buildings and BZD 28,985,464 on Water Infrastructure assets. In 2017 a part of water infrastructure assets was revalued for the total net gain of BZD 686,792.

**14. Total contributions and total amortisations**

|                                   | 2020              | 2019              |
|-----------------------------------|-------------------|-------------------|
| Capital contributions             |                   |                   |
| Beginning balance                 | 35,105,321        | 31,034,382        |
| Additions                         | 1,532,759         | 4,070,939         |
|                                   | <b>36,638,081</b> | <b>35,105,321</b> |
| Capital contribution amortization |                   |                   |
| Beginning balance                 | 2,502,021         | 1,967,158         |
| Amortization                      | 594,217           | 534,862           |
|                                   | <b>3,096,238</b>  | <b>2,502,021</b>  |
| Capital contributions - net       | <b>33,541,843</b> | <b>32,603,300</b> |

Capital contributions represent contributions and grants by customers and the Government of Belize towards installation and capital projects associated with maintaining infrastructure for the delivery of water to customers of the Company. Capital Contributions are amortized over the useful life of the relevant asset.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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**15. Long-term debt**

|                                       | 2020        | 2019        |
|---------------------------------------|-------------|-------------|
| (i) Social Security Board             | 24,542,053  | 25,613,159  |
| (ii) Caribbean Development Bank #10   | 4,071,158   | 5,544,324   |
| (iii) Caribbean Development Bank #5   | 2,884,274   | 3,110,491   |
| (iv) Belize Wastewater Revolving Fund | 4,239,856   | 5,019,836   |
| (v) Caribbean Development Bank #53    | -           | 27,859      |
| (vi) Caribbean Development Bank #22   | 14,616,521  | 13,573,707  |
| Total loans                           | 50,353,862  | 52,889,376  |
| Less: current portion                 | (3,102,800) | (3,416,268) |
| Long-term portion                     | 47,251,062  | 49,473,108  |

The loans are payable as follows:

|                          | 2020       | 2019       |
|--------------------------|------------|------------|
| Within one year          | 3,102,800  | 3,416,268  |
| Within two to five years | 17,700,272 | 14,679,501 |
| Over five years          | 29,550,790 | 34,793,607 |
|                          | 50,353,862 | 52,889,376 |

(i) Secured BZD 22,000,000 Social Security Board (SSB) loan was obtained in January 2007 in order to refinance the previously held Alliance Bank of Belize loan. In December 2008, SSB approved a restructuring of the loan. Under the new terms, the interest rate was reduced from 12% to 8.5% per annum. In addition, the moratorium period on principal payments was extended from 31 December 2009 to 31 December 2010. Commencing on 31 March 2011, interest and principal were paid in quarterly payments of BZD 652,194. The loan is guaranteed by a mortgage debenture over fixed and floating assets of the Company. On 31 March 2015, the Social Security Board approved an additional BZD 12,000,000 to be consolidated with previously disbursed loans. In 2020 and 2019 the interest rate on the loan was 6% per annum. The interest rate is to be revised at five year intervals to reflect prevailing market rates. The loan is repayable in quarterly instalments of BZD 606,226. The maturity date is March 2036. The loan was fully drawn down as at 31 March 2020.

(ii) Unsecured BZD 27,660,000 Caribbean Development Bank loan #10 guaranteed by the Government of Belize (GOB) repayable by quarterly instalments. Average interest rate on the loan was 3.80% per annum for the year ended 31 March 2020. The loan has varying maturity dates at 2028, 2031. There were no drawdowns for the current year 2020.

(iii) Unsecured BZD 16,800,000 Caribbean Development Bank loan #5 guaranteed by GOB repayable by quarterly instalments. Average interest rate on the loan was 2% per annum for the year ended 31 March 2020. The loan has a final maturity date in 2032. The loan was fully drawn down as at 31 March, 2020.

(iv) Unsecured loan (Belize Wastewater Revolving Fund) with Government of Belize, under the GRT/FM-12724-RG grant from Inter-American Development Bank, repayable by quarterly instalments. Average interest rate on the revolving loan is 2% per annum. The loan has varying maturity dates at 2022 and 2027.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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In Belize dollars

**15. Long-term debt (continued)**

(v) Unsecured loan #53 of USD 250,000 was signed between Caribbean Development Bank, Government of Belize and the Company on 15 July, 2008. The purpose of the loan is for the feasibility study of expansion of the water and sewerage system on Ambergris Caye. The agreement stipulated that if the Bank determines that the project is not feasible, the loan will be converted to a grant. The maturity date is July 2019. The loan is repayable in quarterly payments with interest of 2.5% which commenced on 1 July, 2011. The loan was fully paid off as of 31 March 2020.

(vi) Unsecured loan #22 of USD 8,517,000 was signed between Caribbean Development Bank, and the Company on 25 September 2018. The purpose of this loan is to fund the 1) purchase of 100% of shares of CWBL from Consolidate Water Co. Ltd., a Cayman Island corporation, 2) expand the related water treatment plant and 3) invest in other related improvement projects. The loan is guaranteed by the Government of Belize. The loan is repayable in quarterly instalments after 2 years of the expiry grace period at an interest rate of 4.5% per annum. As at 31 March 2020, the Company has drawdown a total amount valuing BZD 14,616,521. Interest is capitalized on to the principal balance until the loan's repayment schedule begins.

**16. Trade and other payables**

|                             | 2020              | 2019             |
|-----------------------------|-------------------|------------------|
| Trade payables              | 3,767,904         | 1,957,616        |
| Security deposits           | 3,580,727         | 3,422,388        |
| Other payables              | 1,595,913         | 397,291          |
| Dividend payable            | 953,150           | 892,173          |
| Contract retentions payable | 883,053           | 816,523          |
| Accrued expenses            | 688,369           | 581,347          |
| Interest payable            | 197,961           | 108,165          |
| Taxes payable               | 81,487            | 80,134           |
|                             | <b>11,748,564</b> | <b>8,255,637</b> |



**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

**17. Revenue from contracts with customers**

Set out as follows is the Company's revenue from contracts with customers:

|                                    | 2020              | 2019              |
|------------------------------------|-------------------|-------------------|
| Water charges                      | 49,243,241        | 46,442,214        |
| Water infrastructure charges       | 490,575           | 339,379           |
| Water connection charges           | 480,525           | 487,170           |
| Services Income                    | 311,037           | 283,723           |
| Other water sales                  | 270,797           | 206,365           |
| Late payment charges and penalties | 259,322           | 223,710           |
| Bad debt recovery                  | 21,177            | 32,438            |
| Sewerage connection charges        | 13,250            | 26,150            |
| Discount - measured water sales    | (161,901)         | (160,924)         |
|                                    | <b>50,928,023</b> | <b>47,880,225</b> |

**18. Materials and other external costs**

|                            | 2020             | 2019             |
|----------------------------|------------------|------------------|
| Water purchases            | 4,006,953        | 4,926,929        |
| Electricity costs          | 2,864,910        | 2,799,353        |
| Chemical expenses          | 860,502          | 1,030,360        |
| Plant running costs        | 178,313          | 651,073          |
| Meter reading costs        | 117,653          | 115,328          |
| Physical shortage expenses | 5,421            | 69,198           |
|                            | <b>8,033,752</b> | <b>9,592,240</b> |

**19. Staff costs**

|                              | 2020              | 2019              |
|------------------------------|-------------------|-------------------|
| Salaries and wages           | 9,507,567         | 9,121,783         |
| Other staff costs and grants | 1,067,810         | 597,281           |
| Allowances                   | 941,200           | 870,601           |
| Pension Plan contribution    | 730,657           | 580,739           |
| Company health insurance     | 708,715           | 748,526           |
| Social security expense      | 422,562           | 330,548           |
| Training and recruitment     | 156,030           | 224,426           |
| Redundancy costs             | 51,387            | 27,037            |
|                              | <b>13,585,929</b> | <b>12,500,940</b> |

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

**20. Other operating charges**

|                              | 2020              | 2019             |
|------------------------------|-------------------|------------------|
| Repairs and maintenance      | 3,861,013         | 2,550,475        |
| Security                     | 1,454,761         | 1,437,596        |
| Office supplies and sundries | 693,172           | 624,609          |
| Meetings costs               | 486,322           | 479,152          |
| Licenses and taxes           | 478,118           | 414,669          |
| Travel                       | 429,665           | 381,385          |
| Telephone                    | 313,184           | 332,819          |
| Collection fees              | 353,560           | 316,974          |
| Insurance                    | 315,174           | 302,239          |
| Electricity – office         | 279,366           | 222,850          |
| Professional fees            | 58,959            | 155,282          |
| Donations                    | 1,119,860         | 153,563          |
| Advertisement and marketing  | 239,712           | 122,822          |
| Bad debt expense             | 101,964           | 115,104          |
| Rent                         | 53,100            | 54,441           |
| Loose tools                  | 29,385            | 32,825           |
| Other                        | 12,946            | 32,325           |
|                              | <b>10,280,259</b> | <b>7,729,130</b> |

**21. Other income**

|                                    | 2020           | 2019           |
|------------------------------------|----------------|----------------|
| Interest income from third parties | 89,359         | 108,414        |
| Other income                       | 58,365         | 85,444         |
|                                    | <b>147,724</b> | <b>193,858</b> |

**22. Finance costs**

|                    | 2020             | 2019             |
|--------------------|------------------|------------------|
| Bank loan interest | 2,196,031        | 1,832,866        |
| Bank charges       | 83,698           | 64,022           |
|                    | <b>2,279,729</b> | <b>1,896,888</b> |

**23. Taxation**

A Business Tax of 1.75% is applied on gross measured water revenues. There is no deferred tax resulting from this business tax.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

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**23. Taxation (continued)**

A General Sales Tax of 12.5% is charged on consumer spending that is collected in stages, at the point of importation of the business' purchases and on the sales of the business' goods and services when the goods are sold or services are provided in country. The sale of water is classified as a zero rated item and as such no input tax is collected on such sales. Output tax on purchases and importation are reimbursed to the Company regularly after being carried forward after 4 months as prescribed by the GST Act 49 of 2005.

**24. Earnings per share**

Basic earnings per share are calculated by dividing the profit after taxes (before gain on land revaluation) by the weighted average number of ordinary shares outstanding during the period.

|  | 2020       | 2019       |
|--|------------|------------|
| <b>Basic earnings per share</b>                        |            |            |
| Profit attributable to owners of the Company           | 8,034,297  | 8,982,886  |
| Weighted average number of outstanding ordinary shares | 40,000,000 | 40,000,000 |
| Basic earnings per share                               | 0.20       | 0.22       |

**25. Depreciation and amortisation grant income and contract rights**

|  | 2020      | 2019      |
|--|-----------|-----------|
| Depreciation                           | 7,492,212 | 7,082,726 |
| Contribution/Grant income amortization | (594,217) | (534,862) |
| Contract rights amortization           | 1,073,388 | -         |
|  | 7,971,383 | 6,547,864 |

**26. Related party transactions**

|                                      | 2020        | 2019        |
|--------------------------------------|-------------|-------------|
| <b>Government of Belize</b>          |             |             |
| <b>Water sales</b>                   |             |             |
| Balance at the beginning of the year | 265,305     | 522,228     |
| Billed                               | 3,021,250   | 2,950,322   |
| Receipts                             | (3,042,779) | (3,207,245) |
| Balance at the end of the year       | 243,776     | 265,305     |

**BELIZE WATER SERVICES LIMITED****Notes to the financial statements****For the year ended 31 March 2020****In Belize dollars****26. Related party transactions (continued)**

|                                      | 2020              | 2019              |
|--------------------------------------|-------------------|-------------------|
| <b>Government of Belize</b>          |                   |                   |
| Deferred revenue                     |                   |                   |
| Balance at the beginning of the year | 16,305,825        | 15,188,675        |
| Loan payments                        | 1,915,506         | 2,361,646         |
| Projects fulfilled                   | (819,270)         | (1,244,496)       |
|                                      | <b>17,402,061</b> | <b>16,305,825</b> |
| <b>Social Security Board</b>         |                   |                   |
| Loans                                |                   |                   |
| Balance at the beginning of the year | 25,613,159        | 26,466,384        |
| Repayments                           | (1,050,749)       | (853,225)         |
| Balance at the end of the year       | <b>24,562,410</b> | <b>25,613,159</b> |

The Company receives grants in the form of loan payments made to the Caribbean Development Bank by the Government of Belize on behalf of Belize Water Services Limited earmarked for capital expenditures. Once utilised, these funds are recognised as project contributions. See also Note 5.

**Key management personnel**

The following information is presented only in respect of those employees of the Company who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). As at 31 March 2020, the number of key management was 9 (2019 - 9).

**Compensation of key management personnel**

The remuneration of key management during the year was as follows:

|  | 2020             | 2019             |
|--|------------------|------------------|
| Salaries and other short-term benefits | 1,461,048        | 1,382,620        |
| Post-employment benefits               | 236,035          | 194,168          |
|  | <b>1,697,083</b> | <b>1,576,788</b> |

**Loans to key management personnel**

|                                      | 2020     | 2019       |
|--------------------------------------|----------|------------|
| Balance at the beginning of the year | 693      | 7,043      |
| Issued                               | -        | -          |
| Repaid                               | (693)    | (6,350)    |
| Balance at the end of the year       | <b>-</b> | <b>693</b> |



## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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### **26. Related party transactions (continued)**

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Receivables from key managerial personnel comprised of staff loans approved to them. Staff loans for medical purposes bear interest of 5% per annum and all other purposes bear interest at 10% per annum. As at 31 March 2020, there are no outstanding staff loans to key management personnel.

### **27. Commitments and contingencies**

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#### **Commitments:**

Commitments for capital expenditure at 31 March, 2020 totalled BZD 4,484,233 (2019 - BZD 1,943,769). Planned capital expenditure for fiscal year 2020 is BZD 13,202,000 (2019 - BZD 21,494,000).

#### **Contingencies:**

As per management and the Company's legal counsel, Barrow & Williams LLP, the only litigation, claims or assessments brought against the Company are as noted as follows:

An employee of the BWSL was charged with the offense of "Driving a Motor Vehicle without Due Care and Attention" in connection with incident that occurred on 13 July 2019. The matter is currently set for trial at the Traffic Court on 4 September 2020. Management does not anticipate this court matter to have any significant impact to the Company.

### **28. Pension plan**

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Belize Water Services Limited operates a Defined Contribution Plan which receives a minimum of 5% gross salary from the Company and 3% from its employees. The Company pays an additional 1% of pensionable salary for each member with more than ten years of pensionable service. Additionally, the Company matches up to 3% for employees who opt to increase their voluntary contribution. The Plan is administered by an Independent Board of Trustees and the funds are held separately from those of the Company. During the year under review, the Company contributed BZD 730,657 (2019 - BZD 580,739) to the Plan.

### **29. Significant non-cash financing activities**

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During the reporting period, BZD 1,919,441 (2019 - BZD 2,357,122) being principal and interest payments made to the Caribbean Development Bank loan #5, #10 and #53 behalf of the Company for the period were forgone by Government of Belize.

The Board of Directors approved a dividend distribution of BZD 760,983 or 7.5% of original share price for the year ended 31 March 2020 (2019 - BZD 758,061). Dividends are payable on 28 July 2020 to minority shareholders on record as of 31 March 2020. The Government of Belize instructed the Company to distribute its dividend to minority shareholders.

**BELIZE WATER SERVICES LIMITED**

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**30. Categories of financial instruments**

Most of the Company's funds are held in reputable banks in the form of cash. Other assets include receivables acquired in the normal course of business for providing services. Liabilities include accounts payable incurred in the normal course of business for supplies. Categorisation is as follows:

|                                     | 2020              | 2019              |
|-------------------------------------|-------------------|-------------------|
| <b>Financial assets</b>             |                   |                   |
| Trade and other receivables         | 6,800,685         | 5,442,458         |
| Cash and cash equivalents           | 5,827,445         | 13,681,866        |
| <b>Total financial assets</b>       | <b>12,628,130</b> | <b>19,124,324</b> |
| <b>Financial liabilities</b>        |                   |                   |
| Borrowings                          | 50,353,862        | 52,889,376        |
| Trade payables                      | 3,767,904         | 1,957,616         |
| Other payables and accrued expenses | 4,399,933         | 2,875,633         |
| <b>Total financial liabilities</b>  | <b>58,521,699</b> | <b>57,722,625</b> |

**31. Financial risk management**

The Company's activities expose the Company to financial market risk, liquidity risk, credit risk and operational risk. The overall risk management of the Company focuses on ensuring business continuity. This is done by:

**Market risk** – It is the risk that the value of a financial asset may be reduced because of changes in interest rates, currency exchange rates, stock prices, and other financial variables, as well as, the reaction of market participants to political and economic events, whether by latent losses, as well as, potential profits. Management's objective is to manage market risk and monitor the risk exposures within acceptable parameters so as to optimise rates of return.

**Capital risk management****Capital management objectives, policies and approach**

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to shareholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the shareholders', regulators and stakeholders.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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### **31. Financial risk management (continued)**

#### **Capital risk management (continued)**

##### **Capital management objectives, policies and approach (continued)**

- To maintain healthy capital ratios in order to support its business objectives and maximise shareholders value.

##### **Approach to capital management**

The Company seeks to optimise the structure and sources of capital to enable it to consistently maximise returns to its shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risks which are aligned to performance objectives and facilitate the Company's focus on the creation of value for shareholders.

The primary sources of capital used by the Company are equity shareholders' funds and borrowings.

The capital requirements are routinely forecast periodically, and approvals are made by the Board.

The Company has had no significant changes in its policies and processes to its capital structure during the past year.

The Company has enacted appropriate policies to assist expanding its operations to future development within the urban and rural areas in the country of Belize. Developers are required to contribute to set up of infrastructural expansion which eases the financial burden of expansion on the Company's resources. The Company operates under a monopoly license until 19 March 2026 which provides appropriate safeguards against political and economic events.

##### **Gearing ratio**

The gearing ratio, a measure of financial leverage between equity capital funding versus debt financing, at the end of reporting period was as follows:

|                           | 2020        | 2019         |
|---------------------------|-------------|--------------|
| Debt (i)                  | 50,353,862  | 52,889,376   |
| Cash and cash equivalents | (5,827,445) | (13,681,866) |
| Net debt                  | 44,526,417  | 39,207,510   |
| Equity (ii)               | 204,923,126 | 175,326,962  |
| Gearing ratio             | 22%         | 22%          |

**BELIZE WATER SERVICES LIMITED**

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**31. Financial risk management (continued)****Capital risk management (continued)****Approach to capital management (continued)****Gearing ratio (continued)**

(i) Debt is defined as long-term borrowings and current portion of long-term borrowings.

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

**Liquidity risk**

Liquidity risk - Liquidity risk is defined as the risk that the Company may encounter difficulties in obtaining funds to meet its commitments and obligations on time. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which monitors the availability of liquid funds.

Liquidity analysis as of 31 March 2020:

|                                | On demand        | Within 3 months  | 3 months to 1 year | 1 to 5 years        | Over 5 years        | Carrying value      |
|--------------------------------|------------------|------------------|--------------------|---------------------|---------------------|---------------------|
| <b>Financial assets</b>        |                  |                  |                    |                     |                     |                     |
| Cash and cash equivalents      | 3,567,373        | 2,280,072        | -                  | -                   | -                   | 5,827,445           |
| Trade and other receivables    | -                | 3,297,839        | 3,502,846          | -                   | -                   | 6,800,685           |
|                                | <b>3,567,373</b> | <b>5,557,911</b> | <b>3,502,846</b>   | <b>-</b>            | <b>-</b>            | <b>12,628,130</b>   |
| <b>Financial liabilities</b>   |                  |                  |                    |                     |                     |                     |
| Borrowings                     | -                | -                | 3,416,268          | 14,679,501          | 34,793,607          | 50,353,862          |
| Trade payables                 | -                | -                | 3,767,904          | -                   | -                   | 3,767,904           |
| Other payables and accruals    | -                | -                | 4,399,933          | -                   | -                   | 4,399,933           |
|                                | <b>-</b>         | <b>-</b>         | <b>11,584,104</b>  | <b>14,679,501</b>   | <b>34,793,607</b>   | <b>58,521,699</b>   |
| <b>Liquidity surplus/(gap)</b> | <b>3,567,373</b> | <b>5,557,911</b> | <b>(8,081,258)</b> | <b>(14,679,501)</b> | <b>(34,793,607)</b> | <b>(45,893,569)</b> |



**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

**31. Financial risk management (continued)****Liquidity risk (continued)**

Liquidity analysis as of 31 March 2019:

|                              | On demand        | Within 3 months  | 3 months to 1 year | 1 to 5 years      | Over 5 years      | Carrying value    |
|------------------------------|------------------|------------------|--------------------|-------------------|-------------------|-------------------|
| <b>Financial assets</b>      |                  |                  |                    |                   |                   |                   |
| Cash and cash equivalents    | 8,270,529        | 2,223,479        | 3,187,858          | -                 | -                 | 13,681,866        |
| Trade and other              | -                | 3,250,287        | 2,192,171          | -                 | -                 | 5,442,458         |
|                              | <b>8,270,529</b> | <b>5,473,766</b> | <b>5,380,029</b>   | <b>-</b>          | <b>-</b>          | <b>19,124,324</b> |
| <b>Financial liabilities</b> |                  |                  |                    |                   |                   |                   |
| Borrowings                   | -                | -                | 3,416,268          | 14,679,501        | 34,793,607        | 52,889,375        |
| Trade payables               | -                | -                | 1,957,616          | -                 | -                 | 1,957,616         |
| Other payables and accruals  | -                | -                | 2,875,633          | -                 | -                 | 2,875,634         |
|                              | <b>-</b>         | <b>-</b>         | <b>8,249,517</b>   | <b>14,679,501</b> | <b>34,793,607</b> | <b>57,722,625</b> |
| Liquidity surplus/(gap)      | 8,270,529        | 5,473,766        | (2,869,487)        | (14,679,501)      | (34,793,607)      | (38,598,300)      |

**Credit risk** – The Company's exposure to credit risk is the risk that a financial loss may take place if customers fail to meet their obligation arising mainly from credit sales. As at 31 March 2020 and 31 March 2019 the Company's trade receivables are concentrated within the country of Belize. The Government of Belize continues to be the largest customer with an outstanding balance as of 31 March 2020 of BZD 243,776 (2019 - BZD 265,305). The following table outlines the Company's credit risk geographically over the country of Belize:

|                                 | 2020             | 2019             |
|---------------------------------|------------------|------------------|
| Belize District                 | 1,601,368        | 1,554,136        |
| Ambergris Caye and Caye Caulker | 686,584          | 691,748          |
| Cayo District                   | 711,161          | 693,162          |
| Stann Creek District            | 191,012          | 207,820          |
| Orange Walk District            | 180,073          | 180,023          |
| Corozal District                | 135,751          | 154,712          |
| Toledo District                 | 88,822           | 82,281           |
|                                 | <b>3,594,770</b> | <b>3,563,882</b> |

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

### **31. Financial risk management (continued)**

#### **Credit risk (continued)**

The ageing analysis of trade receivables not impaired at the reporting date is as follows:

|                                      | 2020      | 2019      |
|--------------------------------------|-----------|-----------|
| Within trade terms                   | 2,868,694 | 2,981,322 |
| Overdue up to one month              | 429,145   | 268,966   |
| Overdue between two and three months | 75,298    | 74,747    |
| Overdue more than three months       | 221,633   | 238,848   |
|                                      | 3,594,770 | 3,563,882 |

Operation risk – It is the risk of the potential loss, directly or indirectly, related to the processes of the Company, human resources, technology, infrastructure and other external factors that are not related to credit, market or liquidity risks, such as those arising from legal and regulatory requirements and the application of generally accepted corporate standards.

The objective of the Company is to manage operational risk in order to avoid financial losses and damage to the Company's reputation.

The structure to manage operational risk has been designed to segregate duties among owners, executors, control areas and areas in charge of compliance with policies and procedures. In order to establish such methodology, the Company has assigned resources to strengthen internal control and organisational structure allowing independence among business areas, risk control and record keeping. It includes a proper operational segregation of duties in the recording, reconciliation and authorisation which are documented through policies, processes, and procedures that include control and security standards.

The Internal Audit Department through its activities monitors compliance with control procedures and the severity of the related risks.

The Board of Directors and the Audit Committee have jointly assumed an active role in the identification, measurement, control and monitoring of operational risks and is responsible for understanding and managing these risks.

### **32. Reconciliation of liabilities arising from financing activities**

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

**32. Reconciliation of liabilities arising from financing activities (continued)**

|            | 1 April 2019 | Proceeds from<br>financing (i) | Loan<br>repayments<br>(ii) | 31 March 2020 |
|------------|--------------|--------------------------------|----------------------------|---------------|
| Borrowings | 52,889,376   | 1,042,814                      | (3,578,328)                | 50,353,862    |
|            | 52,889,376   | 1,042,814                      | (3,578,328)                | 50,353,862    |

(i) Represents loan proceeds from Caribbean Development Bank #22.

(ii) Represents principle loan repayments made by the Government of Belize on behalf of the Company to Caribbean Development Bank (#5, #10 and #53) and other loan repayments made by the Company.

**33. Subsequent events**

Subsequent events have been evaluated through 31 July 2020. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. This includes the first debenture program that the Company plans which has not been determined as of the date of the report. Management is preparing to offer a series of debentures in the amount of BZD 50 million, with maturity dates and interest rates yet to be determined. The purpose of this issuance is for the Company to fund its capital expenditure programme. The Company plans to launch this offering in August 2020.

**34. Going concern**

The situation in Wuhan, China which developed into the coronavirus outbreak was first reported to the World Health Organisation ("WHO") on 31 December 2019, although the virus was not identified as coronavirus until 07 January 2020. The WHO officially declared the coronavirus outbreak as a public health emergency of international concern on 30 January 2020. Subsequently, on 11 March 2020, the coronavirus outbreak has been classified by WHO as a global pandemic.

Management has implemented a formal plan to address the impact of the coronavirus on its operations to ensure the Company can continue to meet the country's demand for water services while ensuring for the safety of its employees. The Company has also re-forecasted budgets for the financial impact of the pandemic from original plans with the approval of the Company's Board of Directors.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2020

In Belize dollars

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### **34. Going concern (continued)**

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With the advent of the global COVID-19 pandemic, BWSL's revenues decreased approximately 7% and 9% in the April and May 2020, respectively, from the comparative months of 2019. During this period of hardship, the Company has implemented billing discount program for customers which directly impacts this revenue decrease. After considering expenses, this drop in revenue translated to a 30% decrease in monthly profits for the first two months of the fiscal 2021 year. Management's re-forecast for the 5 year horizon reflects a 7% decrease in revenue for 2021 with a return to a normalized equivalent level to 2020 in fiscal year ending 2022. While the forecast reflects a significant impact to the Company's net profits in 2021, forecasts reflect the Company maintaining a positive profit and cash flow position throughout the 5 year period. Forecasts include the impact of the Company's previously planned debenture issuance.

BWSL's Board and Management continue to monitor the situation with regard to COVID-19 impact and will make the necessary adjustments as required to ensure water services continue to meet the needs of Belize.



# BOARD OF DIRECTORS



**ALBERTO AUGUST**  
Chairman



**WINSTON MICHAEL**  
Deputy Chairman



**KATHLYN TILLET**  
Chairperson  
Audit Committee



**ALVAN HAYNES**  
Secretary



**MARIA COOPER**  
Director



**THOMAS MORRISON**  
Director



**PHILIP WILLOUGHBY**  
Director



**WILMOTT SIMMONS**  
Director



**GUADALUPE MAGAÑA-DYCK**  
Director



**KENRICK YSAGUIRRE**  
Director

# MANAGEMENT TEAM



**ALVAN HAYNES**  
Chief Executive  
Officer



**RASHIDA WILLIAMS  
CASTILLO**  
Chief Financial  
Officer



**HAYDON BROWN**  
Human Resources/  
Public Relations  
Manager



**DESIREE TILLETT**  
Customer Service  
Manager



**DAVE PASCASCIO**  
Operations  
Manager



**SONIA BURNS**  
Information Technology  
Manager



**SANJAY KESHWANI**  
Technical Services  
Manager



**DAWN SMITH**  
Internal Audit  
Manager



**FREDERICK  
SANDIFORD**  
Resident Consultant  
Engineer



## MISSION STATEMENT

To improve the lives of consumers by delivering cost-effective and sustainable supply of high quality water and wastewater services, in an environmentally and socially responsible manner, promoting employee excellence and providing a fair return to our shareholders.

## VISION STATEMENT

The leading utility in the developing world, delivering excellence to stakeholders through highly trained, courteous and empowered staff.

### **Belize Water Services Limited**

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