

***Belize Water Services
Limited***

***Financial Statements for the Years Ended
March 31, 2014 and 2013 and
Independent Auditors' Report***

BELIZE WATER SERVICES LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Belize Water Services Limited:

Report on the Financial Statements

We have audited the accompanying financial statements of Belize Water Services Limited, which comprise the statements of financial position as at March 31, 2014 and 2013, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Independent Correspondent Firm to Deloitte Touche Tohmatsu

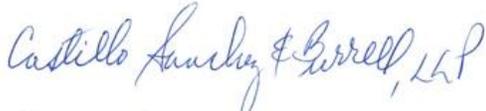
Independent Auditors' Report

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Belize Water Services Limited as of March 31, 2014 and 2013 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads "Castillo Sanchez & Burrell, LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

June 20, 2014

BELIZE WATER SERVICES LIMITED**STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013**

<u>ASSETS</u>	<u>Notes</u>	<u>2014</u>	<u>Restated 2013</u>	<u>Restated 2012</u>
CURRENT ASSETS:				
Cash and cash equivalents	2f, 2g, 3	\$ 4,297,676	\$ 4,263,200	\$ 4,730,202
Trade receivable	2f, 2h, 4	2,223,513	1,986,906	2,273,192
Other receivable	2f, 2h	1,038,951	927,178	807,232
Prepayments	2i	420,286	448,831	1,083,834
Materials and supplies	2j, 5	7,415,854	6,639,267	6,355,245
Total current assets		<u>15,396,280</u>	<u>14,265,382</u>	<u>15,249,705</u>
NON-CURRENT ASSETS:				
Fixed assets	2k, 6	146,732,224	145,763,534	143,782,773
Total non-current assets		<u>146,732,224</u>	<u>145,763,534</u>	<u>143,782,773</u>
TOTAL ASSETS		<u>\$162,128,504</u>	<u>\$160,028,916</u>	<u>\$159,032,478</u>
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES:				
Trade payable	2L	\$ 3,653,651	\$ 3,177,733	\$ 1,656,937
Interest payable	2m	209,963	227,670	251,175
Taxes payable	2m	53,069	50,139	51,321
Dividends payable	2s	572,835	576,331	1,079,936
Other payable	2m, 7	188,844	207,013	90,689
Accrued expenses	2m	652,021	1,341,030	1,168,770
Security deposits	2n	2,843,375	2,644,294	2,492,364
Current portion of long term debt	2p, 8	5,014,852	4,937,605	4,535,688
Total current liabilities		<u>13,188,610</u>	<u>13,161,815</u>	<u>11,326,880</u>
NON-CURRENT LIABILITIES:				
Deferred income	2o	9,784,850	6,723,066	4,194,793
Long term debt	2p, 8	34,161,875	37,606,937	42,828,383
Total non-current liabilities		<u>43,946,725</u>	<u>44,330,003</u>	<u>47,023,176</u>
Total liabilities		<u>57,135,335</u>	<u>57,491,818</u>	<u>58,350,056</u>
EQUITY:				
Share capital	9	60,000,001	60,000,001	60,000,001
Contributed capital	10	11,714,281	11,714,281	11,714,281
Capital reserve	11	15,276,362	15,276,362	15,276,362
Retained earnings		18,002,525	15,546,454	13,691,778
Total equity		<u>104,993,169</u>	<u>102,537,098</u>	<u>100,682,422</u>
TOTAL LIABILITIES AND EQUITY		<u>\$162,128,504</u>	<u>\$160,028,916</u>	<u>\$159,032,478</u>

The financial statements on pages 3 to 6 were approved and authorized for issue by the Board of Directors on July 30, 2014 and are signed on its behalf by:



Director



Director

Restated (See Note 23)

The notes on pages 7 to 32 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2014 AND 2013**

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<u>CONTINUING OPERATIONS</u>			
OPERATING REVENUES:	2q		
Measured water income – net		\$34,151,347	\$32,814,587
Income on charges, fees and penalties		771,463	768,617
Total operating revenues		<u>34,922,810</u>	<u>33,583,204</u>
OPERATING EXPENDITURES:	2r		
Depreciation	6	4,674,477	3,953,304
Materials and other external costs	12	9,040,726	8,087,030
Other operating charges	14	7,053,717	7,880,543
Staff costs	13	8,546,020	8,566,980
Total operating expenses		<u>29,314,940</u>	<u>28,487,857</u>
OPERATING PROFIT		5,607,870	5,095,347
Interest income		78,073	95,415
Other income		59,886	66,436
Gain on disposal of fixed assets		<u>31,936</u>	<u>22,860</u>
PROFIT BEFORE FINANCE CHARGES AND TAX		5,777,765	5,280,058
Financial expenses	8	(2,203,962)	(2,332,526)
Business tax	17	<u>(612,674)</u>	<u>(587,833)</u>
PROFIT FOR THE YEAR		2,961,129	2,359,699
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>\$ 2,961,129</u>	<u>\$ 2,359,699</u>
EARNINGS PER SHARE	15		
From continuing operations:			
Basic and diluted		<u>\$0.07</u>	<u>\$0.06</u>

Restated (See Note 23)

The notes on pages 7 to 32 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED**STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED MARCH 31, 2014 AND 2013**

	Share Capital	Contributed Capital	Capital Reserve	Retained Earnings	Total
April 1, 2012	\$60,000,001	\$11,714,281	\$15,276,362	\$13,691,778	\$100,682,422
<i>Comprehensive income:</i>					
Profit for the year	-	-	-	2,359,699	2,359,699
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,359,699	2,359,699
<i>Transactions with owners of the Company recognized directly in equity:</i>					
Dividends declared	-	-	-	(505,023)	(505,023)
Total transactions with owners of the Company	-	-	-	(505,023)	(505,023)
March 31, 2013	60,000,001	11,714,281	15,276,362	15,546,454	102,537,098
April 1, 2013	60,000,001	11,714,281	15,276,362	15,546,454	102,537,098
<i>Comprehensive income:</i>					
Profit for the year	-	-	-	2,961,129	2,961,129
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,961,129	2,961,129
<i>Transactions with owners of the Company recognized directly in equity:</i>					
Dividends declared	-	-	-	(505,058)	(505,058)
Total transactions with owners of the Company	-	-	-	(505,058)	(505,058)
March 31, 2014	\$60,000,001	\$11,714,281	\$15,276,362	\$18,002,525	\$104,993,169

The notes on pages 7 to 32 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED**STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2014 AND 2013**

	<u>2014</u>	<u>Restated</u> <u>2013</u>
OPERATING ACTIVITIES:		
Profit for the year	\$ 2,961,129	\$ 2,359,699
Adjustments for:		
- Depreciation	4,674,477	3,953,304
- Gain on disposal	(31,936)	(22,860)
- Provision for doubtful debts	-	344,576
- Provision for obsolete materials and supplies	19,674	161,708
- Interest income earned	(78,073)	(95,415)
- Business tax expense	612,674	587,833
- Financial expenses	<u>2,203,962</u>	<u>2,332,526</u>
Operating profit before working capital changes	10,361,907	9,621,371
Increase in accounts receivable	(361,603)	(113,337)
Decrease in prepayments	28,545	635,003
Increase in materials and supplies	(796,261)	(445,730)
(Decrease) increase in accounts payable and accrued expenses	<u>(32,179)</u>	<u>2,137,693</u>
Cash provided by operations	9,200,409	11,835,000
Interest received	91,296	30,516
Business tax paid	(609,744)	(589,015)
Financial expenses paid	<u>(2,221,669)</u>	<u>(2,532,414)</u>
Net cash provided by operating activities	<u>6,460,292</u>	<u>8,744,087</u>
INVESTING ACTIVITIES:		
Additions to fixed assets	(12,124,258)	(10,604,377)
Contributions to fixed assets	6,413,585	4,394,812
Proceeds from disposal of fixed assets	<u>99,442</u>	<u>111,495</u>
Net cash used in investing activities	<u>(5,611,231)</u>	<u>(6,098,070)</u>
FINANCING ACTIVITIES:		
Dividends paid	(508,554)	(1,008,628)
Proceeds from long term debt	1,799,822	273,766
Repayment of long term debt	<u>(2,105,853)</u>	<u>(2,378,157)</u>
Net cash used in financing activities	<u>(814,585)</u>	<u>(3,113,019)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,476	(467,002)
CASH AND CASH EQUIVALENTS, APRIL 1	<u>4,263,200</u>	<u>4,730,202</u>
CASH AND CASH EQUIVALENTS, MARCH 31	<u>\$ 4,297,676</u>	<u>\$ 4,263,200</u>

Restated (See Note 24)

The notes on pages 7 to 32 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2014 AND 2013

1. GENERAL

Reporting entity – Belize Water Services Limited (the “Company”) was incorporated by the Government of Belize on January 22, 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 March 23, 2001. The Company is majority owned by the Government of Belize.

The Company’s registered office is #7 Central American Boulevard, Belize City, Belize.

2. SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance – The financial statements have been prepared from records maintained in the financial accounting system of the Company, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- b. Basis of preparation – 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.
- c. Functional and presentation currency – The financial statements are presented in Belize dollars which is the Company’s functional currency.
- d. Foreign currency transactions/translation – Transactions in foreign currencies during the year are translated into Belize dollars at the rates ruling on the dates of the transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates ruling on that date. Gains or losses on ordinary foreign exchange transactions are included in the results of operations.
- e. Changes in accounting policies – The accounting policies adopted are consistent with those used in the previous financial year except that the Company has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Company. Some, however, give rise to additional disclosures or changes to the presentation of the financial statements.

Adoption of New Standards, Amendments and Interpretations Effective from April 1, 2013:

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted, as well as introducing additional disclosure requirements for:

- Items measured at fair value in the statement of financial position
- Items where fair value is required to be disclosed in the notes to the financial statements.

The guidance provided by IFRS 13 has not had any material effect on the fair value measurements undertaken by the Company.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued) –

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). In addition, changes to the names of certain financial statements were made.

The amendment had no financial impact on the Company's financial statements; however changes were made to the presentation of the Statement of Changes in Equity and the name Statement of Profit Or Loss and Other Comprehensive Income is now being used.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation.

The amendment had no financial impact on the Company's financial statements.

IFRS 1 Government Loans

Addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in relation to accounting for government loans.

The amendment had no financial impact on the Company's financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial instruments (classification and measurement)

IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The release of IFRS 9 (2013) on November 19, 2013 contained consequential amendments which bring into effect a substantial

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued) –

overhaul of hedge accounting; it removed the mandatory effective date of IFRS 9 ‘January 1, 2015’ and permits an entity to apply the requirements on the presentation of gains and losses on financial liabilities designated as ‘fair value through profit or loss’ without applying the other requirements. When all projects are completed an effective date will be added. However, IASB has tentatively decided that the mandatory effective date will be no earlier than annual periods beginning on or after January 1, 2017.

The Company will quantify the effect of the last two phases when the final standard becomes effective.

IFRS 10, IFRS 12 and IAS 27 Amendments to Investment Entities

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to provide ‘investment entities’ (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement, additional disclosures on investment entities and requires an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The amendment is effective for annual periods beginning on or after January 1, 2014.

The amendment had no financial impact on the Company’s financial statements.

IAS 19 Employee Benefits: Employee Contributions (Amendment)

Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after January 1, 2014.

The amendment had no financial impact on the Company’s financial statements.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendment to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to setoff”. The amendment also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment becomes effective for annual periods beginning on or after January 1, 2014.

This amendment is not expected to impact the Company’s financial position or performance.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued) –

IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

Amendment to reduce the circumstances in which the recoverable amount of assets or cash generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendment is effective for annual periods beginning on or after January 1, 2014.

The Company will adopt this amendment when it becomes effective and present requisite disclosures when applicable.

IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

Amendment to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The amendment is effective for annual periods beginning on or after January 1, 2014.

The Amendment will not have an impact on the Company's financial statement.

IFRIC 21 – Levies

Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The amendment is effective for annual periods beginning on or after January 1, 2014.

The Amendment is not expected to have any effect on the Company's financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement. The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of activity, using the units of production method unless another method is more appropriate.

The Amendment is not expected to have any effect on the Company's financial statements.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued) –

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016.

This standard has no impact on the Company's financial statements.

Annual Improvements 2011-2013 Cycle

The following improvements are effective for annual periods beginning on or after January 1, 2014. The below amendments are being assessed for adoption; these are not expected to have any material impact on the Company's financial performance or financial position.

IFRS 1 First-time Adoption of International Financial Standards

Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 2 Share-based Payment

The improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 Business Combinations

The amendment requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 3 Joint Arrangements

Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 8 Operating Segments

The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments; clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13 Fair Value Measurement

This improvement clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

Clarify the scope of the portfolio exception for measuring fair value. The exception applies only to financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued) –

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

This improvement clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 Related Party Disclosures

This improvement clarifies how payments to entities providing management services are to be disclosed.

IAS 40 Investment Property

Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

- These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Initial recognition and measurement

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

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- f. Financial instruments – Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’(AFS) financial assets and ‘loans and receivables.’ The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Company classifies its financial assets as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include accounts receivable and other assets.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company’s financial assets classified as loans and receivable include: cash and bank balances and accounts receivables. Refer to Note 21.

Impairment of financial assets

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

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
 - Breach of contract, such as a default or delinquency in interest or principal payments;
- or

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (continued) –

- It becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collective payments, an increase in number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (continued) –

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for proceeds received.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of the transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under the continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'held at amortized cost'. The Company classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities (include borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The Company's other financial liabilities included: accounts payable, other payables and accruals, dividends payable and long-term debt. Refer to Note 21.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognised in profit or loss.

g. 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.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- h. Trade and other receivables – Trade and other receivables are recognized when due and are measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost, using the effective interest rate method. The carrying value of accounts receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Accounts receivables are derecognized when derecognition criteria for financial assets have been met.

Short-term provisions are recognized when the Company has a present obligation (legal obligation) and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

- i. Prepayments – Prepayments represent costs paid in advance of their intended use or coverage. Prepayments are expensed in the period the service is delivered.
- j. Materials and supplies – Materials and supplies are valued at the lower of cost and net realizable value, cost being determined on the weighted average cost method.
- k. Fixed assets – Fixed assets are stated at cost less accumulated depreciation. Additions, major renewals and improvements are capitalized. Maintenance and repairs are charged against revenue in the year incurred.

Freehold and leasehold properties, excluding land, are depreciated on the straight-line basis over their estimated useful lives from 25 to 40 years.

Infrastructure assets comprise a network of underground systems. Expenditure on infrastructure assets relating to increases in capacity or enhancement of the network and on maintaining the operating capacity 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 amortized over the life of the asset. Infrastructure assets are depreciated over their estimated useful lives of 75 years.

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives from 3 to 10 years.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fixed assets (continued) -

When items are disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is reflected in the results of operations.

An item is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

- l. Trade accounts payable – 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 amortized cost using the effective interest rate method.
- m. Other payables and accrued expenses – Other payables include payroll liabilities, outstanding interest and other short term obligations incurred by the Company. Other payables and accrued expenses 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 amortized cost using the effective interest rate method.
- n. Security deposits – Security deposits are recognized 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 where the Company has actively pursued collection without recourse. Security deposits not applied to arrears are refunded upon closing of the account.
- o. Deferred income – Deferred income includes Government grants received for capital expenditure which have not yet been utilized by the Company. Deferred income is measured on initial recognition at fair value. Subsequent to initial recognition, it is measured at amortized cost using the effective interest rate method.
- p. Long term debt – All borrowings and loans are initially recognised at fair value, less directly attributable transaction costs. After initial recognition, they are measured at amortized cost, using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognized as well as through the amortization process.
- q. Sales determination and revenue recognition – Operating revenue comprises the value of water supplied net of discounts plus income from other related services. Revenue is recognized when earned.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Sales determination and revenue recognition (continued) -

Investment income is accounted for on the accrual basis, except for dividends, which are recognized when received. Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

r. Expenses – Expenses are recognized when incurred.

s. Pension costs – Pension costs are determined based on defined contributions to a Plan that is funded.

t. Dividends – Dividend distribution to the Company's shareholders is recognized 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.

u. Impairment – At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets for potential permanent impairment. Should a permanent impairment in the value of the assets be identified, it will be written off against earnings in the period such impairment is recognized.

Where an impairment loss is subsequently reversed, the carrying amount of the assets 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 recognized for the asset in prior years. A reversal of an impairment loss is recorded as income in the period the reversal is recognized.

v. Segment reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as Executive Management.

For management purposes, the Company is organized into business units based on its measured water services reportable in two operating segments as follows:

- Private
- Government of Belize

Segment performance is evaluated sales performance which in certain respects is measured differently from profit or loss in the financial statements. Company operating expenses and taxes are managed on a group basis and are not allocated to individual operating segments.

BELIZE WATER SERVICES LIMITED**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2014 AND 2013**

3. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 12,200	\$ 11,400
Current accounts	2,305,005	2,359,849
Short term fixed deposits	<u>1,980,471</u>	<u>1,891,951</u>
	<u>\$4,297,676</u>	<u>\$4,263,200</u>

4. TRADE RECEIVABLE

	<u>2014</u>	<u>Restated</u> <u>2013</u>
Trade receivable	\$2,574,816	\$2,457,906
Provision for doubtful debts	<u>(351,303)</u>	<u>(471,000)</u>
	<u>\$2,223,513</u>	<u>\$1,986,906</u>

Provision for doubtful debts consists of the following:

Provision, beginning of year	\$ 471,000	\$ 328,000
Charge for the year	-	344,576
Write-offs	<u>(119,697)</u>	<u>(201,576)</u>
Provision, end of year	<u>\$ 351,303</u>	<u>\$ 471,000</u>

5. MATERIALS AND SUPPLIES

	<u>2014</u>	<u>Restated</u> <u>2013</u>
Fuel and chemicals	\$ 175,342	\$ 284,385
Office supplies	85,368	189,596
Pipework and appurtenances	7,190,500	6,140,567
Spares and consumables	<u>98,969</u>	<u>221,595</u>
	7,550,179	6,836,143
Less provision for obsolete materials and supplies	<u>(134,325)</u>	<u>(196,876)</u>
	<u>\$7,415,854</u>	<u>\$6,639,267</u>

Provision for obsolete materials and supplies consists of the following:

Beginning provision	\$ 196,876	\$ 40,716
Charge for the year	19,674	161,708
Write-offs	<u>(82,225)</u>	<u>(5,548)</u>
Ending provision	<u>\$ 134,325</u>	<u>\$ 196,876</u>

BELIZE WATER SERVICES LIMITED**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEARS ENDED MARCH 31, 2014 AND 2013**6. FIXED ASSETS**

Cost	Freehold and leasehold property	Plant & equipment	Infrastructure	Construction in progress	Total
Balance, April 1, 2013	\$20,501,906	\$46,411,160	\$106,231,128	\$ 4,306,064	\$177,450,258
Additions	23,500	1,333,094	64,660	10,703,004	12,124,258
Disposal	(1,676)	(575,392)	-	-	(577,068)
Contributions	-	-	-	(6,413,585)	(6,413,585)
Transfers	87,564	1,135,336	3,046,391	(4,269,291)	-
Balance, March 31, 2014	<u>20,611,294</u>	<u>48,304,198</u>	<u>109,342,179</u>	<u>4,326,192</u>	<u>182,583,863</u>
Accumulated Depreciation					
Balance, April 1, 2013	1,587,355	16,041,663	14,057,706	-	31,686,724
Additions	185,669	2,780,887	1,707,921	-	4,674,477
Disposal	-	(509,562)	-	-	(509,562)
Balance, March 31, 2014	<u>1,773,024</u>	<u>18,312,988</u>	<u>15,765,627</u>	<u>-</u>	<u>35,851,639</u>
Net Book Value					
March 31, 2014	<u>\$18,838,270</u>	<u>\$29,991,210</u>	<u>\$ 93,576,552</u>	<u>\$ 4,326,192</u>	<u>\$146,732,224</u>
March 31, 2013	<u>\$18,914,551</u>	<u>\$30,369,497</u>	<u>\$ 92,173,422</u>	<u>\$ 4,306,064</u>	<u>\$145,763,534</u>

Contributions represent projects financed by third party developers and the Government of Belize.

7. OTHER PAYABLES

	<u>2014</u>	<u>2013</u>
Statutory payables	\$ 94,259	\$ 81,592
Advances and other costs	<u>94,585</u>	<u>125,421</u>
	<u>\$188,844</u>	<u>\$207,013</u>

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED MARCH 31, 2014 AND 2013**

8. LONG TERM DEBT

The Company has long term loans as follows:

	<u>2014</u>	<u>Restated</u> <u>2013</u>
Unsecured BZD\$16,800,000 Caribbean Development Bank loan #5 guaranteed by the Government of Belize (GOB) repayable by quarterly instalments. The average interest rate on the loan was 2.95% per annum for the year ended March 31, 2014. The loan has varying maturity dates at 2012, 2014, and 2032.	\$ 4,459,172	\$ 5,120,575
Unsecured BZD\$27,660,000 Caribbean Development Bank loan #10 guaranteed by GOB repayable by quarterly instalments. Average interest rate on the loan was 3.20% per annum for the year ended March 31, 2014. The loan has varying maturity date at 2019, 2028, 2031. Drawdowns for the current year 2014 totalled \$32,583.07.	14,619,547	16,391,237
Unsecured loan of USD\$250,000 was signed between Caribbean Development Bank, Government of Belize and the Company on July 15, 2008. The purpose of the loan is for the 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 loan will be repayable in 32 quarterly payments with interest of 2.5% which commenced on July 1, 2011. There were no drawdowns for the current year 2014.	362,161	362,161
Unsecured BZD\$9,387,334 Development Finance Corporation (DFC) loan guaranteed by GOB repayable semi-annually inclusive of interest at 8% per annum. The loan matures on September 30, 2015.	1,023,905	1,970,563
Secured BZD\$22,000,000 Social Security Board loan. This loan was obtained in January 2007 in order to refinance the previously held Alliance Bank of Belize Limited 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 December 31, 2009 to December 31, 2010. Commencing in March 31, 2011, interest and principal are paid in quarterly payments of \$652,194. The loan is guaranteed by mortgage debenture over fixed and floating assets of the Company. The loan matures on December 31, 2025.	17,233,342	18,700,006
Secured loan with Government of Belize, under the GRT/FM-12724-RG grant from Inter-American Development Bank, for retroactive financing for the Sewer Lagoon in Belmopan signed between the Government of Belize and Belize Water Services Limited for BZ \$1,478,666.65 (US\$739,333.33) for the “establishing the Belize Wastewater Revolving Fund for the improvement of wastewater management in Belize”. The loan is due in equal monthly instalments of \$82,148.15 commencing in April 2015. The loan matures on September 30, 2016. No Interest is charged on the loan. The loan has been fully drawn down as at March 31, 2014.	<u>1,478,600</u>	<u>-</u>
Total long term loans	39,176,727	42,544,542
Less current portion	<u>(5,014,852)</u>	<u>(4,937,605)</u>
Long term portion	<u>\$34,161,875</u>	<u>\$37,606,937</u>
The loans are payable as follows:		
Within one year	\$ 5,014,852	
Within two to five years	17,440,486	
Over five years	<u>16,721,389</u>	
	<u>\$39,176,727</u>	

BELIZE WATER SERVICES LIMITED

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2014 AND 2013**

9. SHARE CAPITAL

	<u>2014</u>	<u>2013</u>
Authorised:		
66,666,666 ordinary shares of \$1.50 each	\$100,000,000	\$100,000,000
1 Special Rights Redeemable Preference Share	<u>1</u>	<u>1</u>
	<u>\$100,000,001</u>	<u>\$100,000,001</u>
Issued and fully paid:		
40,000,000 ordinary shares of \$1.50 each	\$ 60,000,000	\$ 60,000,000
Special Rights Redeemable Preference Share	<u>1</u>	<u>1</u>
	<u>\$ 60,000,001</u>	<u>\$ 60,000,001</u>
	<u>2014</u>	<u>2013</u>
Ordinary Shares are held as follows:		
Government of Belize	82.59%	82.59%
Social Security Board	10.00%	10.00%
Others	<u>7.41%</u>	<u>7.41%</u>
	<u>100.00%</u>	<u>100.00%</u>

The Special Rights Redeemable Preference Share 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.

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.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

9. SHARE CAPITAL (Continued)

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.

10. CONTRIBUTED CAPITAL

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

11. CAPITAL RESERVE

Upon vesting in March 23, 2001, net assets of WASA totalling \$75,276,363 were received as consideration for the shares allotted by the Government of Belize totalling \$60,000,001 resulting in a capital reserve of \$15,276,362. This capital reserve was transferred to the Company upon formation.

12. MATERIALS AND OTHER EXTERNAL COSTS

	<u>2014</u>	<u>2013</u>
Chemicals expense	\$ 905,531	\$ 646,648
Electricity costs	2,631,108	2,241,345
Meter reading costs	108,466	86,417
Plant running costs	177,786	176,385
Water purchases	5,198,160	4,774,527
Obsolete inventory expenses	<u>19,675</u>	<u>161,708</u>
	<u>\$9,040,726</u>	<u>\$8,087,030</u>

BELIZE WATER SERVICES LIMITED**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2014 AND 2013**

13. STAFF COSTS

	<u>2014</u>	<u>2013</u>
Allowances	\$ 473,894	\$ 442,039
Group health insurance	568,830	576,085
Other staff costs and grants	367,303	367,411
Pension	273,227	271,324
Redundancy costs	73,617	84,538
Salaries and wages	6,374,072	6,515,117
Social security expense	292,882	251,246
Training and recruitment	<u>122,195</u>	<u>59,220</u>
	<u>\$8,546,020</u>	<u>\$8,566,980</u>

14. OTHER OPERATING CHARGES

	<u>2014</u>	<u>Restated</u> <u>2013</u>
Advertisement and marketing	\$ 86,966	\$ 106,938
Bad debt expense	-	344,576
Collection fees	253,425	233,402
Damages and losses	3,081	28,158
Donation	36,683	183,296
Electricity – office	250,774	215,195
Insurance	309,910	309,105
Licenses and taxes	328,167	315,080
Loose tools	40,573	34,026
Meeting costs	60,269	84,488
Office supplies and sundries	568,461	773,878
Other	5,703	50,210
Professional fees	107,663	83,751
Rent	45,500	66,095
Repairs and maintenance	3,221,524	3,579,060
Security	1,053,587	886,075
Telephone	374,869	360,766
Travel	<u>306,562</u>	<u>226,444</u>
	<u>\$7,053,717</u>	<u>\$7,880,543</u>

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED MARCH 31, 2014 AND 2013**

15. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit after tax with the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit after tax that is attributable to the shareholders by the dilutive potential of the common shares.

	<u>2014</u>	<u>2013</u>
Basic earnings per share		
Profit attributable to Owners of the Company	\$ 2,961,129	\$ 2,359,699
Weighted average number of outstanding ordinary shares	<u>40,000,000</u>	40,000,000
Basic earnings per share	<u>\$ 0.07</u>	<u>\$ 0.06</u>
Diluted earnings per share		
Profit attributable to Owners of the Company	\$ 2,961,129	\$ 2,359,699
Weighted average number of outstanding ordinary shares	<u>40,000,000</u>	40,000,000
Diluted earnings per share	<u>\$ 0.07</u>	<u>\$ 0.06</u>

16. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the period.

<u>Water Sales</u>	<u>2013</u>			<u>2014</u>
	Beg. Balance	Billed	Receipts	End. Bal
Government of Belize	\$ <u>212,838</u>	\$ <u>6,053,118</u>	\$(6,038,004)	\$ <u>227,952</u>
<u>Loans</u>	<u>2013</u>			<u>2014</u>
	Beg. Balance	Drawdown	Repayments	End. Bal
Social Security Board	\$ <u>18,700,006</u>	\$ <u>-</u>	\$(1,466,664)	\$ <u>17,233,342</u>

During the period, additional transactions with Government of Belize included \$3,336,558 (2013 -\$3,540,983) being principal and interest payments made to the Caribbean Development Bank for loan #5 and #10. These loan payments were made to the Caribbean Development Bank by the Government of Belize on behalf of the Company during the period April 1, 2013 to March 31, 2014 and earmarked as contributions to capital expenditures. See also note 20.

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). At March 31, 2014, the number of key management personnel was 18 (2013 - 15).

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

16. RELATED PARTY TRANSACTIONS (Continued)

Compensations of key management personnel

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

	<u>2014</u>	<u>2013</u>
Short-term benefits	\$1,665,319	\$1,840,589
Post-employment benefits	<u>151,990</u>	<u>168,351</u>
	<u>\$1,817,309</u>	<u>\$2,008,940</u>

Loans to key management personnel

As of March 31, 2014 an amount of \$18,437 (2013 - \$25,019) was receivable from key managerial personnel as 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.

17. TAXATION

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

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 businesses good 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.

18. COMMITMENTS AND CONTINGENCIES

Commitments:

Commitments for capital expenditure at March 31, 2014 totaled \$4,335,000 (2013 - \$1,245,000). Planned capital expenditure is \$11,344,000 (2013 - \$12,384,562).

Contingencies:

The Company has 2 on-going litigation claims, being Claim No. 200 and Claim No. 260 for unlawful termination. The Company is resisting the claims on the basis that the Claimants dismissals were based on a restructuring of the Company. Should the Company be unsuccessful in its defence the likely award against it would be in the region of \$36,081.36.

19. PENSION PLAN

Belize Water Services Limited operates a Defined Contribution Plan which receives contribution from BWSL (4% of Gross Salary) and its eligible employees (3% of Gross Salary). The Plan is administered by Independent Trustees and the funds are held separately from those of the Company. During the year under review, the Company contributed \$273,227 (2013 - \$271,324) to the Plan.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

20. SIGNIFICANT NON-CASH FINANCING ACTIVITIES

During the period, \$3,336,558 (2013 - \$3,540,983) being principal and interest payments made to the Caribbean Development Bank loan #5 and #10 on behalf of the Company for the period were forgone by Government of Belize. See also note 16.

The Board of Directors approved a dividend distribution of \$505,058 or 5% of original share price for the year ended March 31, 2014 (2013 - \$505,023). Dividends are payable to shareholders on record as of March 21, 2014 (2013 - March 31, 2013).

21. CATEGORIES OF FINANCIAL INSTRUMENTS

	<u>2014</u>	<u>2013</u>
	Loans and receivables	
Financial assets :		
Cash and cash equivalents	\$4,297,676	\$4,263,200
Trade receivable	2,223,513	1,986,906
Other receivable	1,038,951	927,178
Total financial assets	\$7,560,140	\$7,177,284
	Other financial liabilities at amortised cost	
Financial Liabilities:	<u>2014</u>	<u>2013</u>
Trade payable	\$ 3,653,651	\$ 3,177,733
Other payables and accrued expenses	1,103,897	1,825,852
Long term debt	39,176,727	42,544,542
Total financial liabilities	\$43,934,275	\$47,548,127

22. 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 continued business. 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. Market risk management's objective is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters optimizing the risk returns.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

22. FINANCIAL RISK MANAGEMENT (Continued)

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 policyholders.
- 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 and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain healthy capital ratios in order to support its business objectives and maximize shareholders value.

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated 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 risk adjusted rates of return which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is equity shareholders' funds and borrowings.

The capital requirements are routinely forecast on a periodic basis, and assessed against both the forecast available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

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

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

22. FINANCIAL RISK MANAGEMENT (Continued)

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 March 19, 2026 which provides appropriate safeguards against political and economic events.

Liquidity risk – The 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, who keeps watch on availability of liquid funds.

March 31, 2014:

Financial assets	Within 3 months	3 months to 1 year	1-5 Years
	\$	\$	\$
Cash and cash equivalents	4,297,676	-	-
Trade receivable	2,223,513	-	-
Other receivable	1,038,951	-	-
	<u>7,560,140</u>	<u>-</u>	<u>-</u>
Financial liabilities			
Trade payable	3,653,651	-	-
Other payables and accrued expenses	1,103,897	-	-
Long term debt	-	5,014,852	22,456,944
	<u>4,757,548</u>	<u>5,014,852</u>	<u>22,456,944</u>

Credit risk – The Company's exposure to credit risk is the risk that a financial loss may take place if a customer fails to meet their obligation arising mainly from credit sales. As at March 31, 2014, 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 March 31, 2014 of \$227,116 (2013 - \$212,838). The following table outlines the Company's credit risk geographically over the country of Belize:

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED MARCH 31, 2014 AND 2013

22. FINANCIAL RISK MANAGEMENT (Continued)

	<u>2014</u>	<u>2013</u>
Corozal District	\$ 72,254	\$ 77,711
Orange Walk District	114,642	123,248
Belize District	1,226,914	1,238,032
Cayo District	409,290	397,288
Stann Creek District	50,575	64,513
Toledo District	46,806	50,252
Ambergris Caye and Caye Caulker	654,335	549,935
	<u>\$2,574,816</u>	<u>\$2,500,979</u>

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 damages 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 organizational structure allowing independence among business area, risk control and record keeping. It includes a proper operation segregation of duties in the recording, reconciliation and authorization which is documented through policies, processes, and procedures that include control and security standards.

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

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

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2014 AND 2013

23. RESTATEMENT/RECLASSIFICATION

The following account balances have been restated/reclassified:

1. Caribbean Development Bank (CDB) loan #55 and Inter-American Development Bank (IDB), Loan Contract 2486/OB-CL were incorrectly reflected as long-term debt in the 2012 and 2013 financial statements. Under the loan agreements, these facilities are to be serviced by the Government of Belize and therefore do not represent liabilities of the Company. Cash and cash equivalents have also been restated to reverse funds incorrectly recognized in the Company's current account balance in 2013. These funds were deposited to and maintained in the project bank account operated separately from the Company.

	<u>2013</u>	<u>2012</u>
<u>Effect on long term debt:</u>		
Long term debt as previously stated as at March 31	\$ 38,011,505	\$ 42,970,219
Reversal of CDB loan #55	(328,701)	(141,836)
Reversal of IDB 2486/OB-CL	(75,867)	-
Long term debt restated as at March 31	<u>37,606,937</u>	<u>\$ 42,828,383</u>

	<u>2013</u>	<u>2012</u>
<u>Effect on accounts receivable:</u>		
Accounts receivable as previously stated as at March 31	\$ 2,957,157	\$ -
Reversal of IDB 2486/OB-CL	(43,073)	-
Accounts Receivable as restated as at March 31	<u>\$ 2,914,084</u>	<u>\$ -</u>

	<u>2013</u>	<u>2012</u>
<u>Effect on cash and cash equivalents</u>		
Cash and bank as previously stated as at March 31	\$ 4,295,994	\$ -
Reversal of IDB 2486/OB-CL	(32,794)	-
Accounts Receivable as restated as at March 31	<u>\$ 4,263,200</u>	<u>\$ -</u>

2. Funds held in the accounts of the *Detailed Design of Wastewater Collection and Treatment System* project (Inter-American Development Bank Grant No. ATONOC-12456-BL) were recognized as deferred income in the 2013 financial statements. This liability has been reversed since the funds are being maintained in and utilized from the related Project accounts operated separately from the Company.
3. Principal and interest payments of Caribbean Development Bank (CDB) loan #5 and #10 made on behalf of Belize Water Services Limited but for which repayment has been foregone by Government of Belize were previously recorded as contributions offsetting fixed assets; however, since these funds have not yet been utilized in the acquisition of capital assets the company has formally adopted the deferral approach of recognizing these Government assistance consequently the grants have been reclassified as deferred income.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2014 AND 2013

23. RESTATEMENT/RECLASSIFICATION (Continued)

	<u>2013</u>	<u>2012</u>
<u>Effect on deferred income:</u>		
Deferred income as previously stated as at March 31	\$ 302,000	\$ -
Reversal of Non-reimbursable Grant No. ATONOC-12456-BL	(302,000)	-
Reclassification of GOB Grants (CDB loan #5 and #10)	<u>6,723,066</u>	<u>4,194,793</u>
Deferred income as restated as at March 31	<u>\$ 6,723,066</u>	<u>\$ 4,194,793</u>
	<u>2013</u>	<u>2012</u>
<u>Effect on fixed assets:</u>		
Fixed assets as previously stated as at March 31	\$139,671,169	\$139,729,816
Reversal of CDB loan #55	(328,701)	(141,836)
Reversal of IDB 2486/OB-CL	(302,000)	-
Reclassification of GOB Grants (CDB loan #5 and #10)	<u>6,723,066</u>	<u>4,194,793</u>
Fixed assets restated as at March 31	<u>\$145,763,534</u>	<u>\$143,782,773</u>

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