

**BELIZE WATER SERVICES LIMITED**

Financial Statements and Independent Auditor's Report

**For the year ended 31 March 2017**

**BELIZE WATER SERVICES LIMITED**

**Financial Statements and Independent Auditor's Report**

For the year ended 31 March 2017

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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 and opinion

We have audited the financial statements of **BELIZE WATER SERVICES LIMITED (the Company)**, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 March 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### 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.

#### 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 skepticism 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.
- 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 entities 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 group audit. 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.

*Moore Stephens Magaña LLP.*

**Chartered Accountants  
Belize City, Belize  
30 June 2017**

**BELIZE WATER SERVICES LIMITED**

Statement of financial position

As at 31 March 2017


In BZD

	Notes	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	189,204,763	181,306,525
Total non-current assets		189,204,763	181,306,525
<b>Current assets</b>			
Materials and supplies	6	8,583,331	9,519,098
Trade and other receivables	7	4,809,538	4,310,560
Cash and cash equivalents	8	19,749,942	18,494,912
Total current assets		33,142,811	32,324,570
<b>Total assets</b>		<b>222,347,574</b>	<b>213,631,095</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	9	60,000,001	60,000,001
Contributed capital reserve GOB	10	11,714,281	11,714,281
Capital reserve on vesting	11	15,276,362	15,276,362
Revaluation reserve	12	31,337,802	30,670,741
Retained earnings		41,022,357	33,194,508
Total shareholders' equity		159,350,803	150,855,894
<b>Non-current liabilities</b>			
Long term borrowings	13	38,457,336	40,923,503
Deferred income	3.11	13,352,121	11,293,296
Total non-current liabilities		51,809,457	52,216,798
<b>Current liabilities</b>			
Current portion - borrowings		3,175,278	4,056,682
Trade and other payables	14	8,012,036	6,501,721
Total current liabilities		11,187,315	10,558,403
<b>Total liabilities</b>		<b>62,996,771</b>	<b>62,775,201</b>
<b>Total equity and liabilities</b>		<b>222,347,574</b>	<b>213,631,095</b>

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

Approved on behalf of the Board of Directors on 30 June 2017.

  
Director

  
Director

**BELIZE WATER SERVICES LIMITED**

Statement of comprehensive income

For the year ended 31 March 2017

In BZD

	Notes	2017	2016
Operating revenue	15	45,311,407	43,102,716
Other income	19	172,239	90,715
<b>Gross revenue</b>		<b>45,483,645</b>	<b>43,193,431</b>
Materials and other external costs	16	(9,079,053)	(8,504,146)
Staff costs	17	(10,422,806)	(9,738,993)
Other operating charges	18	(8,264,815)	(7,734,970)
Depreciation and amortisation of grant income		(5,761,757)	(4,968,989)
(Loss)/gain on disposal of asset		(501,946)	89,082
<b>Profit before interest and taxes</b>		<b>11,453,270</b>	<b>12,335,415</b>
Finance costs	20	(2,074,358)	(1,892,233)
<b>Profit before tax</b>		<b>9,378,911</b>	<b>10,443,182</b>
Business tax	21	(793,025)	(752,877)
<b>Profit for the year</b>		<b>8,585,886</b>	<b>9,690,305</b>
<b>Other comprehensive income:</b>			
Gain on revaluation of property	12	686,792	30,670,741
<b>Total comprehensive income for the year</b>		<b>9,272,678</b>	<b>40,361,046</b>
<b>Basic earnings per share</b>			
<b>(BZD per share)</b>			
- Basic earnings per share	22	0.21	0.24

*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 2017

In BZD

	Share capital	Contributed capital	Capital reserve	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1 April 2015</b>	60,000,001	11,714,281	15,276,362	-	24,261,992	111,252,636
<b>Comprehensive income</b>						-
Profit for the year	-	-	-	-	9,690,305	9,690,305
Gain on revaluation of property		-	-	30,670,741	-	30,670,741
<b>Total comprehensive income</b>	60,000,001	11,714,281	15,276,362	30,670,741	33,952,297	151,613,682
Payment of dividends	-	-	-	-	(757,789)	(757,789)
<b>Balance as at 31 March 2016</b>	60,000,001	11,714,281	15,276,362	30,670,741	33,194,508	150,855,894
<b>Balance as at 1 April 2016</b>	<b>60,000,001</b>	<b>11,714,281</b>	<b>15,276,362</b>	<b>30,670,741</b>	<b>33,194,508</b>	<b>150,855,894</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	8,585,886	8,585,886
Gain on revaluation of property		-	-	686,792	-	686,792
<b>Total comprehensive income</b>	60,000,001	11,714,281	15,276,362	31,357,533	41,780,395	160,128,572
Payment of dividends	-	-	-	-	(758,038)	(758,038)
Disposal of revalued assets	-	-	-	(19,731)	-	(19,731)
<b>Balance as at 31 March 2017</b>	<b>60,000,001</b>	<b>11,714,281</b>	<b>15,276,362</b>	<b>31,337,802</b>	<b>41,022,357</b>	<b>159,350,803</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 2017

In BZD

	2017	2016
<b>Cash flows from operating activities</b>		
Profit for the year	8,585,886	9,690,305
Adjustments for non-cash items:		
Depreciation	5,761,757	4,968,989
Loss/(gain) on asset disposal of property, plant and equipment	501,946	(89,082)
Impairment allowance	136,717	89,588
Interest income earned	(104,676)	(59,610)
Business tax expense	793,025	752,877
Finance cost	2,074,358	1,892,233
Cash flows before working capital changes	17,749,013	17,245,299
Changes in working capital components:		
Trade and other receivables	(549,757)	(262,432)
Prepayments	(4,777)	(298,145)
Material and supplies	935,767	(1,031,837)
Trade and other payables	1,440,763	(859,514)
Cash flow provided by operating activities	19,571,009	14,793,371
Interest received	109,232	56,145
Business tax paid	(853,753)	(811,347)
Interest paid	(1,909,055)	(1,898,399)
Net cash provided by operating activities	16,917,433	12,139,770
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(19,186,628)	(21,041,230)
Contributions to fixed assets	5,468,776	13,456,182
Proceeds from sale of property, plant and equipment	242,705	132,619
Net cash used in investing activities	(13,475,146)	(7,452,428)
<b>Cash flows from financing activities</b>		
Dividends paid	(739,811)	(519,627)
Proceeds from borrowings	302,626	13,324,040
Repayment of borrowings	(3,808,897)	(3,082,437)
Increase in deferred income	2,058,826	1,335,004
Net cash (used in)/provided by financing activities	(2,187,257)	11,056,980
<b>Net change in cash and equivalents</b>	1,255,030	15,744,321
Cash and cash equivalents at the beginning of the year	18,494,912	2,750,591
<b>Cash and cash equivalents at the end of the year</b>	19,749,942	18,494,912
<b>Comprised of:</b>		
Cash on hand	30,076	27,426
Bank balances	14,508,563	13,357,475
Short- term deposits	5,211,303	5,110,011
	19,749,942	18,494,912

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 2017

In BZD

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### **1. General information**

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**Belize Water Services Limited (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. Except where otherwise indicated, all financial information presented in BZD \$ which has been rounded to the nearest thousand.

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

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

In the current year, the Company has applied a number of amendments to IFRSs and new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period begins on or after 1 January 2016.

- a. **IFRS 11 (amendment), "Accounting for acquisition of interest in joint operations"** is effective prospectively for periods beginning on or after 1 January 2016. The amendment clarifies that a depreciation method based on revenues not an appropriate method in determining a pattern in which the assets future economic benefits are consumed.

The amendment also clarifies that a joint operator that increases their interest in an existing joint operation in which the operator retains joint control, does not re-measure the previously held interest in the joint operation.

The application of these amendments has had no impact on Company's financial statements.

- b. **IAS 1 (amendment), 'Disclosure initiative'**, is effective for periods beginning on or after 1 January 2016. The amendments seeks to clarify a number of disclosure requirements, that cover:

- The disclosure of significant accounting policies
- The application of materiality to financial statements;
- Presentation of sub-totals;
- Information to be presented in the other comprehensive section of the performance statement;
- Structure of the financial statements;

The application of these amendments has not resulted in any impact on the financial performance of financial position of the Company.

- c. **IAS 16 – "Fixed Assets" and IAS 38 – "Intangible Assets"** were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

As the Company already uses the straight-line method for depreciation for its property, plant and equipment the application of these amendments has had no impact on the Company's financial statements.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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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**

**IAS 16 – “Fixed Assets” and IAS 41 – “Agriculture” (amendments)** defines a bearer plant and requires biological assets that meet definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing of bearer plants continues to be accounted for in accordance with IAS 41.

The application of these amendments has had no impact on the Company's financial statements as the Company is not engaged in agriculture activities.

**IFRS 9, ‘Financial Instruments’**, had an effective date for accounting periods beginning on or after 1 January 2018. However, the standard since it was originally issued in November 2009, has undergone subsequent amendments, in October 2009, December 2011 and November 2013. The November 2013 amendment removed the effective date, which will be added once the standard has been finalised. Currently IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and the derecognition criteria for financial assets. Financial assets are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset currently can only be measured at amortised cost if the Company has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. On adoption of the standard the Company will have to re-determine the classification of its financial assets specifically for available-for-sale and

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit and loss (for example derivatives) with changes in the liabilities' credit risk to be recognised in other comprehensive income.

The derecognition principles of IAS 39, ‘Financial Instrument: Recognition and Measurement’, have been transferred to IFRS 9.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

**IFRS 15, "Revenue from contracts with customers"**, is effective for periods beginning on or after January 2017. The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price;
- Recognise revenue when a performance obligation is satisfied.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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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)**

The standard also provides specific principles to apply when there is a contract modification, accounting for contract costs and accounting for refund and warranties.

On application of the standard the disclosures are likely to increase. The standard includes principles of disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers by providing qualitative and quantitative information.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

**IFRS 16 "Leases"** is effective for periods beginning on or after 1 January 2019 with early application permitted. The standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether and identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases be lessees ( i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, which continues to require a lessor to classify a lease either as an operating lease or finance lease.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

#### **IFRS 2 (amendments) Classification and Measurement of share-based payment transactions**

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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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)**

The amendments clarify the following:

1. In estimating the fair value of cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
  
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangements has a "net settlement feature", such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
  
3. A modification of share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
  - i) the original liability is derecognised;
  - ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted at the extent that services have been rendered up to modification date; and
  - iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

**IAS 28 and IFRS 10 (amendment), "Sale of Contribution of Assets between an investor and its associate or joint venture"**, are effective for annual periods beginning on or after a date to be determined. The amendment requires on the transfer of an asset which is a business in a downstream transaction, the Company recognises the gain or loss on the transfer in full. On transfer of an asset that is not a business, the investor recognises a partial gain or loss based on the Company's unrelated interest in the associate or joint venture.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

**IAS 7 Disclosure Initiative (amendment)**, the amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

**IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (amendment)**, the amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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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)**

1. Decreases below cost in the carrying amount of fixed-rate debt instrument measured at fair value which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all contractual cash flows;
  
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
  
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements. The Company does not intend to early apply the standard.

### **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.

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

The financial statements are prepared in Belize dollars which is the Company's functional currency.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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

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#### **3.4 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.

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

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

Fixed assets are stated at cost less accumulated depreciation. Additions, major renewals and improvements are capitalised. Maintenance and repairs are charged against revenue in the year incurred.

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

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.

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

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

Plant and equipment are depreciated on a 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 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 amortised over the life of the asset. Infrastructure assets are depreciated over their estimated useful lives.

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

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 derecognised 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 derecognised.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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

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

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

Any revaluation increase arising on the revaluation of land and buildings 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.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation on revalued buildings is charged to income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

#### **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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **3.7 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables 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

#### **3.8 Prepayments**

Prepayments represent costs paid in advance of their intended use or coverage. Balances denominated in currencies different than the reporting currency are translated at the exchange rates prevailing at the reporting date. Prepayments are expensed in the period the service is delivered.



## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

In BZD

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

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#### **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. Balances denominated in currencies different than the reporting currency are translated at the exchange rates prevailing 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.

#### **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 asset. 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 and 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.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

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

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#### **3.12 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 amortised cost using the effective interest rate method.

#### **3.13 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 amortised cost using the effective interest rate method.

#### **3.14 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 not applied to arrears are refunded upon closing of the account.

#### **3.15 Revenue recognition**

##### **(i) Operating revenue**

Operating revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied in the normal course of business. Revenue from water supplied is recognised net of value added tax and other sales and related taxes based on the amount of gallons consumed by each customer during each billing cycle. Revenue from the provision of related and other services is recognised when the service is delivered to the customer.

##### **(ii) Other income**

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **3.16 Expenses**

Expenses are recognised when incurred.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

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

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#### **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 pays 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

#### **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 cash-generating unit to which the asset belongs.

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.

#### **3.20 Financial instruments**

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

##### **a. Financial assets**

###### **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 recognised immediately in profit or loss.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

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

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#### **a. Financial assets (continued)**

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

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 recognised and derecognised 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.

##### **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Currently the Company does not offset financial assets and financial liabilities. The only relevant arrangement the Company is subject to is a master netting arrangement.

##### **Effective interest method**

The effective interest method is a method of calculating the amortised 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.

##### **Loan 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 27.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

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

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

##### **a. Financial assets (continued)**

###### **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
- 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.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

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

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

##### **a. Financial assets (continued)**

###### **Derecognition of financial assets**

The Company derecognises 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.

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 collateralised 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.

##### **b. Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'held at amortised 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 include: accounts payable, other payables and accruals, dividends payable and long-term debt.

###### **Derecognition of financial liabilities**

The Company derecognises 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 derecognised and the consideration paid and is payable is recognised in profit or loss.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

For the year ended 31 March 2017

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

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#### **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.

### **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 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:

<b>Category</b>	<b>Years</b>
Freehold with leasehold property	25 to 40 years
Plant with 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 a 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 in the statement of profit or loss and other comprehensive income in the period when the fact of impairment was established. If the circumstances change and management decides that value of property, plant and equipment and capital construction-in-progress has increased, the provision for impairment will be fully or partially reversed.

## BELIZE WATER SERVICES LIMITED

Notes to the financial statements

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### 4. Critical accounting estimates and judgements

#### 4.4 Impairment allowance in respect of trade and other receivables

Accounts receivable 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 amongst 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.

#### 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.

### 5. Property, plant and equipment - net

2017	Freehold with leasehold Valuation	Plant with equipment Cost	Infrastructure Valuation	Construction in progress Cost	Total
<b>Cost</b>					
As at 1 April 2016	21,360,835	54,440,237	128,772,318	5,088,945	<b>209,662,335</b>
Cost Additions	180,442	4,058,136	149,791	14,798,259	<b>19,186,628</b>
Revaluation increase	-	-	686,791	-	<b>686,791</b>
Disposals	-	(790,758)	(710,412)	-	<b>(1,501,169)</b>
Contributions	-	-	(3,192,668)	(2,276,108)	<b>(5,468,776)</b>
Transfers	975,358	3,665,116	7,367,610	(12,008,085)	-
<b>As at 31 March 2017</b>	<b>22,516,635</b>	<b>61,372,732</b>	<b>133,073,431</b>	<b>5,603,011</b>	<b>222,565,809</b>
<b>Accumulated Depreciation</b>					
As at 1 April 2016	(518,602)	(23,432,131)	(4,405,075)	-	<b>(28,355,807)</b>
Charge for the period	(206,260)	(3,033,193)	(2,522,304)	-	<b>(5,761,757)</b>
Eliminated on the revaluation	-	-	-	-	-
Disposals	-	408,272	348,246	-	<b>756,518</b>
<b>As at 31 March 2017</b>	<b>(724,862)</b>	<b>(26,057,052)</b>	<b>(6,579,133)</b>	-	<b>(33,361,046)</b>
<b>Net book Value:</b>					
<b>As at 31 March 2017</b>	<b>21,791,773</b>	<b>35,315,680</b>	<b>126,494,299</b>	<b>5,603,011</b>	<b>189,204,763</b>
As at 31 March 2016	20,842,234	31,029,075	124,346,272	5,088,945	181,306,525



**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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

Contributions represent projects financed by third parties, developers, and the Government of Belize. Transfers comprise of projects completed during the fiscal year and are added to their respective asset class. The Company maintains insurance coverage for fire and other associated perils, including hurricanes over buildings, plant and equipment, and water tanks countrywide valued at \$44,268,720.

<b>2016</b>	<b>Freehold &amp; leasehold property Valuation</b>	<b>Plant &amp; equipment Cost</b>	<b>Infrastructure Valuation</b>	<b>Construction in progress Cost</b>	<b>Total</b>
<b>Cost</b>					
As at 1 April 2015	20,676,909	50,342,956	110,575,330	6,831,920	<b>188,427,115</b>
Cost Additions	318,262	1,695,991	67,496	18,959,480	<b>21,041,230</b>
Revaluation increase	45,848	-	14,077,144	-	<b>14,122,992</b>
Disposals	-	(472,819)	-	-	<b>(472,819)</b>
Contributions	-	-	(10,050,156)	(3,406,026)	<b>(13,456,182)</b>
Transfers	319,817	2,874,109	14,102,503	(17,296,429)	-
<b>As at 31 March 2016</b>	<b>21,360,835</b>	<b>54,440,237</b>	<b>128,772,318</b>	<b>5,088,945</b>	<b>209,662,335</b>
<b>Accumulated Depreciation</b>					
As at 1 April 2015	1,961,332	20,859,631	17,544,337	-	<b>40,365,300</b>
Charge for the period	196,699	2,980,813	1,790,029	-	<b>4,967,541</b>
Eliminated on the revaluation	(1,639,429)	-	(14,908,320)	-	<b>(16,547,749)</b>
Disposals	-	(429,282)	-	-	<b>(429,282)</b>
<b>As at 31 March 2016</b>	<b>518,602</b>	<b>23,411,162</b>	<b>4,426,046</b>	-	<b>28,355,810</b>
<b>Net book Value:</b>					
<b>As at 31 March 2016</b>	<b>20,842,234</b>	<b>31,029,075</b>	<b>124,346,272</b>	<b>5,088,945</b>	<b>181,306,525</b>
As at 31 March 2015	18,715,577	29,483,325	93,030,993	6,831,920	148,061,815

**BELIZE WATER SERVICES LIMITED**

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**6. Materials and supplies**

	2017	2016
Pipework and appurtenances	<b>8,477,502</b>	9,352,289
Fuel and chemicals	<b>130,387</b>	246,884
Spare and consumables	<b>48,054</b>	67,659
Office supplies	<b>60,017</b>	54,813
	<b>8,715,959</b>	9,721,645
Less: Provision for obsolete materials and supplies	<b>(132,628)</b>	(202,547)
	<b>8,583,331</b>	9,519,098

Provision for obsolete materials and supplies consists of the following:

	2017	2016
Beginning provision	<b>202,546</b>	256,581
Write-offs	<b>(69,918)</b>	(54,035)
Ending provision	<b>132,628</b>	202,546

**7. Trade and other receivables**

	2017	2016
Trade receivables	<b>2,707,118</b>	2,520,159
Provision for doubtful debts	<b>(214,000)</b>	(163,000)
	<b>2,493,118</b>	2,357,159
Other receivables	<b>1,416,137</b>	1,057,895
Prepayments	<b>900,283</b>	895,506
	<b>4,809,538</b>	4,310,560

Provision for doubtful debts consists of the following:

	2017	2016
Provision, beginning of year	<b>163,000</b>	156,000
Charge for the year	<b>136,717</b>	89,588
Write-offs	<b>(85,717)</b>	(82,588)
Provision, end of year	<b>214,000</b>	163,000

## BELIZE WATER SERVICES LIMITED

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### 8. Cash and cash equivalents

	2017	2016
Current accounts	14,508,563	13,357,475
Short-term fixed deposits	5,211,303	5,110,011
Cash on hand	30,076	27,426
	<b>19,749,942</b>	<b>18,494,912</b>

Short-term deposits are comprised of amounts held at commercial banks which matures within 365 days and earn 0.25% to 2% interest per annum.

### 9. Share capital

	2017	2016
<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
	<b>100,000,001</b>	<b>100,000,001</b>
<b>Issued and fully paid:</b>		
40,000,000 ordinary shares of BZD 1.50 each	60,000,000	60,000,000
Special Rights Redeemable Preference Share	1	1
	<b>60,000,001</b>	<b>60,000,001</b>
<b>Ordinary shares are held as follows:</b>		
Government of Belize	82.59%	82.59%
Social Security Board	10%	10%
Others	7.41%	7.41%
	<b>100%</b>	<b>100%</b>

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.

## **BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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### **9. Share capital (continued)**

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#### 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.

#### 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**

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

### **11. Capital reserve**

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Upon vesting on 23 March 2001, net assets of WASA totalling BZD 75,276,363 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.

**BELIZE WATER SERVICES LIMITED**

Notes to the financial statements

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**12. Revaluation reserve**

	2017	2016
Beginning balance	30,670,741	-
Gain on revaluation of property	686,792	30,670,741
Disposal of revalued assets	(19,731)	-
	<b>31,337,802</b>	<b>30,670,741</b>

**12. Revaluation reserve (continued)**

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.

**13. Long-term debt**

	2017	2016
Social Security Board	27,264,437	28,133,344
Caribbean Development Bank #10	9,174,847	10,989,071
Caribbean Development Bank #5	3,562,926	3,789,143
Belize Wastewater Revolving Fund	1,491,111	1,817,900
Caribbean Development Bank #53	139,293	250,727
Total long-term loans	41,632,614	44,980,185
Less: current portion	(3,175,278)	(4,056,682)
Long-term portion	38,457,336	40,923,503

The loans are payable as follows:

	2017	2016
Within one year	3,175,278	4,056,682
Within two to five years	11,594,178	9,954,057
Over five years	26,886,486	30,969,446
	<b>41,655,941</b>	<b>44,980,185</b>

## BELIZE WATER SERVICES LIMITED

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### 13. Long-term debt (continued)

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 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 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 distributed loans. The interest rate thereafter for the total loan amount of BZD 28,133,344 is 6% per annum to be revised at five year intervals to reflect prevailing market rates. The loan is repayable over twenty one years with quarterly payments of BZD 606,226.39 due after the grace period, 12 months from the date of first disbursement on principal repayment.

Unsecured BZD 27,660,000 Caribbean Development Bank loan #10 guaranteed by GOB repayable by quarterly instalments. Average interest rate on the loan was 3.08% per annum for the year ended 31 March 2017. The loan has varying maturity dates at 2019, 2028, 2031. There were no drawdowns for the current year 2017.

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 3.08% per annum for the year ended 31 March, 2017. The loan has a final maturity date in 2032.

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 the Company on 23 September, 2016 for BZD 6,300,330 (USD 3,150,165) for Phase 2 for the improvement of wastewater management in Belize project. The loan is to be repaid within 72 monthly instalments. During the year the Company drew down BZD 302,626. The Company drew down an additional BZ 2,636,944 of "CREW" revolving fund for the Belmopan Sewer System Expansion Project in the subsequent period.

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 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 1 July, 2011. There were no drawdowns for the current year 2017.

### 14. Trade and other payables

	2017	2016
Security deposits	3,129,620	2,943,266
Trade payable	2,959,388	1,903,862
Dividend payable	837,120	818,893
Interest payable	239,743	109,462
Accrued expenses	327,606	316,166
Taxes payable	-	60,728
Other payables	518,559	349,344
	<b>8,012,036</b>	<b>6,501,721</b>

**BELIZE WATER SERVICES LIMITED**

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**15. Operating revenue**

	2017	2016
Water charges	<b>44,017,563</b>	41,950,666
Water connection charges	<b>466,838</b>	421,658
Water infrastructure charges	<b>299,395</b>	331,407
Other water sales	<b>270,697</b>	251,991
Late payment charges and penalties	<b>215,292</b>	162,124
Services income	<b>253,459</b>	161,665
Bad debt recovery	<b>63,569</b>	58,333
Sewerage connection charges	<b>5,000</b>	6,050
Discount - measured water sales	<b>(280,406)</b>	(241,178)
	<b>45,311,407</b>	43,102,716

**16. Materials and other external costs**

	2017	2016
Water purchases	<b>5,472,393</b>	5,015,059
Electricity costs	<b>2,384,245</b>	2,344,099
Chemical expenses	<b>899,454</b>	805,318
Plant running costs	<b>190,692</b>	178,968
Meter reading costs	<b>107,791</b>	113,312
Physical shortage expenses	<b>24,477</b>	47,390
	<b>9,079,053</b>	8,504,146

**17. Staff costs**

	2017	2016
Salaries and wages	<b>7,404,037</b>	6,965,667
Other staff costs and grants	<b>637,600</b>	643,124
Group health insurance	<b>654,356</b>	621,924
Allowances	<b>742,723</b>	618,104
Pension Plan contribution	<b>452,060</b>	366,826
Social security expense	<b>293,955</b>	285,299
Training and recruitment	<b>202,565</b>	161,270
Redundancy costs	<b>35,509</b>	76,780
	<b>10,422,806</b>	9,738,993

**BELIZE WATER SERVICES LIMITED**

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**18. Other operating charges**

	2017	2016
Repairs and maintenance	<b>3,442,034</b>	3,053,037
Security	<b>1,210,697</b>	1,113,711
Meeting costs	<b>568,876</b>	431,509
Office supplies and sundries	<b>558,089</b>	535,590
Travel	<b>368,033</b>	314,808
Licenses and taxes	<b>306,770</b>	369,289
Telephone	<b>335,796</b>	369,288
Collection fees	<b>301,441</b>	290,887
Insurance	<b>290,679</b>	293,269
Electricity – office	<b>223,154</b>	223,475
Professional fees	<b>168,380</b>	268,888
Bad debt expense	<b>136,717</b>	89,588
Donations	<b>117,727</b>	127,382
Advertisement and marketing	<b>113,902</b>	93,556
Rent	<b>51,535</b>	105,522
Loose tools	<b>33,627</b>	35,968
Other	<b>37,360</b>	19,204
	<b>8,264,815</b>	7,734,970

**19. Other income**

	2017	2016
Interest income from third parties	<b>104,676</b>	59,610
Other income	<b>67,562</b>	31,104
	<b>172,239</b>	90,715

**20. Finance costs**

	2017	2016
Bank loan interest	<b>2,039,336</b>	1,830,666
Bank charges	<b>35,022</b>	40,222
Legal and processing fees on loans	-	21,345
	<b>2,074,358</b>	1,892,233



## BELIZE WATER SERVICES LIMITED

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### 21. 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 business' 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.

### 22. Earnings per share

Basic earnings per share are calculated by dividing the profit after tax by 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.

	2017	2016
<b>Basic earnings per share</b>		
Profit attributable to owners of the Company	<b>8,585,886</b>	9,690,305
Weighted average number of outstanding ordinary shares	<b>40,000,000</b>	40,000,000
Basic earnings per share	<b>0.21</b>	0.24

### 23. Related party transactions

	2017	2016
<b>Government of Belize</b>		
Water sales		
Balance at the beginning of the year	<b>245,600</b>	230,902
Billed	<b>2,954,255</b>	3,221,675
Receipts	<b>(3,444,275)</b>	(3,206,977)
Balance at the end of the year	<b>244,420</b>	245,600
<b>Government of Belize</b>		
Deferred revenue		
Balance at the beginning of the year	<b>11,293,296</b>	9,958,292
Loan payments	<b>2,505,968</b>	3,081,247
Projects fulfilled	<b>(447,143)</b>	(1,746,243)
	<b>13,352,121</b>	11,293,296

**BELIZE WATER SERVICES LIMITED**

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**23. Related party transactions (continued)**

	2017	2016
<b>Social Security Board</b>		
Loans		
Balance at the beginning of the year	28,133,345	16,133,345
Drawdown	-	12,000,000
Repayments	(901,297)	-
Balance at the end of the year	27,232,048	28,133,345

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). At 31 March 2017, the number of key management was 9 (2016 - 18).

**Compensation of key management personnel**

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

	2017	2016
Salaries and other short-term benefits	1,294,658	1,757,280
Post-employment benefits	175,132	146,940
	1,469,790	1,904,220

**Loans to key management personnel**

	2017	2016
Balance at the beginning of the year	15,543	15,868
Issued	5,215	16,985
Repaid	(6,415)	(17,310)
Balance at the end of the year	14,343	15,543

As at 31 March, 2017 the amount receivable from key managerial personnel were 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.

## BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2017

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### 24. Commitments and contingencies

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#### Commitments:

Commitments for capital expenditure at 31 March, 2017 totalled BZD 2,346,402 (2016 - BZD 3,148,000). Planned capital expenditure is BZD 12,087,000 (2016 - BZD 15,477,000).

#### Contingencies:

The Company had two on-going litigation claims, Claim No. 200 and Claim No. 260 for unlawful termination. The Company resisted the claims on the basis that the Claimants' dismissals were based on a restructuring of the Company. Claim No. 200 has since been settled in which the company has agreed and paid BZD 4,177.86 in general damages and BZD 10,000 in costs. In the case of Claim No. 260, the company has paid, without agreement, BZD 27,657.24 in general damages and BZD 6,914.31 in costs. As of 31 March 2017, both claims stand satisfied.

### 25. Pension plan

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Belize Water Services Limited operates a Defined Contribution Plan which receives a minimum of 4% gross salary from the Company and 3% from its employees. The company will pay an additional 1% of pensionable salary for each member with more than ten years of pensionable service. The Company will match up to 2% for employees who opt to increase their voluntary contribution. 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 BZD 452,060 (2016- BZD 366,825) to the Plan.

### 26. Significant non-cash financing activities

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During the period, BZD 2,395,006 (2016- 2,552,134 BZD) 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.

The Board of Directors approved a dividend distribution of BZD 758,038 or 7.5% of original share price for the year ended 31 March, 2017 (2016 - BZD 757,789). Dividends are payable to minority shareholders on record as of 31 March, 2017. The Government of Belize opted to forego its dividend distribution until 2020 in an effort to strengthen the Company's financial position.

### 27. Categories of financial instruments

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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:

	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	19,749,942	18,494,912
Trade receivables and other receivables	4,123,255	3,415,054
<b>Total financial assets</b>	<b>23,873,197</b>	<b>21,909,966</b>

## BELIZE WATER SERVICES LIMITED

Notes to the financial statements

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### 27. Categories of financial instruments (continued)

	2017	2016
<b>Financial liabilities</b>		
Trade payables	2,959,388	1,903,862
Other payables and accrued expenses	1,085,908	835,700
Long term debt	41,632,614	44,980,185
Total financial liabilities	45,677,910	47,719,746

### 28. 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. 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 optimising the risk returns.

#### 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 of 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.
- 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 ensure that it consistently maximises returns to the shareholders.

## BELIZE WATER SERVICES LIMITED

Notes to the financial statements

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### 28. Financial risk management (continued)

#### Capital risk management (continued)

##### Approach to capital management (continued)

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 risk which are aligned to performance objectives and ensure that the Company is focused 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 on a periodic basis, 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 at the end of reporting period was as follows:

	2017	2016
Debt (i)	41,655,941	44,980,185
Cash and bank balances	(19,749,942)	(18,494,912)
Net debt	21,906,000	26,485,273
Equity (ii)	159,350,803	150,855,894
Gearing ratio	14%	18%

(i) Debt is defined as long-term and short-term borrowings (borrowings and bank overdraft).

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

**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.

**BELIZE WATER SERVICES LIMITED**

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

Liquidity analysis as of 31 March 2017:

<b>31 March, 2017</b>	<b>On demand</b>	<b>Within 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>						
Cash and cash equivalents	14,538,639	-	5,211,303	-	-	19,749,942
Trade receivables and other receivable	-	3,909,255	900,283	-	-	4,809,538
	14,538,639	3,909,255	6,111,586	-	-	24,559,480

**Financial liabilities**

Trade payables	-	2,959,388	-	-	-	2,959,388
Other payables and accruals	-	1,923,028	-	-	3,129,620	5,052,649
Long term debt	-	719,830	2,455,448	11,594,178	26,886,486	41,655,941
	-	8,057,694	2,455,448	11,594,178	30,016,106	49,667,978
Liquidity/(gap)	14,538,639	(4,148,440)	3,656,138	(11,594,178)	(30,016,106)	(25,108,498)

<b>31 March, 2016</b>	<b>On demand</b>	<b>Within 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>						
Cash and cash equivalents	13,384,901	-	5,110,011	-	-	18,494,912
Trade receivables and other receivables	-	3,415,054	895,506	-	-	4,310,560
	13,384,901	3,415,054	6,005,518	-	-	22,805,473

**Financial liabilities**

Trade payables	-	-	1,903,862	-	-	1,903,862
Other payables and accruals	-	-	1,654,593	-	2,943,266	4,597,859
Long term debt	-	790,673	3,266,009	9,954,057	30,969,446	44,980,185
	-	790,673	6,824,463	9,954,057	33,912,712	51,481,906
Liquidity/(gap)	13,384,901	2,624,381	(818,946)	(9,954,057)	(33,912,712)	(28,676,433)

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### 28. Financial risk management (continued)

**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 2017, 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 2017 of BZD 244,420 (2016 - BZD 245,600). The following table outlines the Company's credit risk geographically over the country of Belize:

	2017	2016
Belize District	1,255,366	1,234,076
Cayo District	444,735	443,040
Ambergris Caye and Caye Caulker	509,342	405,878
Stann Creek District	172,731	153,019
Orange Walk District	161,559	140,287
Corozal District	89,754	72,321
Toledo District	64,818	62,159
	<b>2,698,305</b>	<b>2,510,779</b>

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

	2017	2016
Within trade terms	2,161,449	1,948,602
Overdue up to one month	247,161	245,216
Overdue between two and three months	51,967	135,974
Overdue more than three months	237,728	180,986
	<b>2,698,305</b>	<b>2,510,779</b>

**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 area, 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.

## **BELIZE WATER SERVICES LIMITED**

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

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The Internal Audit Department through its activities monitors compliance with control procedures and monitors 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.

### **29. Subsequent events**

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Subsequent events have been evaluated through 30 June 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.