

BELIZE WATER SERVICES LIMITED

Financial Statements and Independent Auditor's Report

For the year ended 31 March 2018

BELIZE WATER SERVICES LIMITED

Financial Statements and Independent Auditor's Report

For the year ended 31 March 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Belize Water Services Limited (the Company)**, which comprise the statement of financial position as at 31 March 2018, statement of comprehensive income, statement of changes in equity, 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 of the Company as at 31 March 2018, 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 scepticism throughout the audit. We also:

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

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

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

Moore Stephens Magaña LLP.

**Chartered Accountants
Belize City, Belize
28 June 2018**

BELIZE WATER SERVICES LIMITED

Statement of financial position

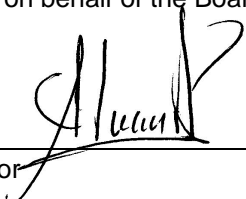
As at 31 March 2018

In Belize dollars

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	5	201,445,505	189,204,763
Total non-current assets		201,445,505	189,204,763
Current assets			
Materials and supplies	6	8,102,706	8,583,331
Trade and other receivables	7	5,525,505	4,809,538
Cash and cash equivalents	8	19,022,025	19,749,942
Total current assets		32,650,236	33,142,811
Total assets		234,095,741	222,347,574
Equity and liabilities			
Equity			
Share capital	9	60,000,001	60,000,001
Contributed capital reserve (Government of Belize)	10	11,714,281	11,714,281
Capital reserve on vesting	11	15,276,362	15,276,362
Revaluation reserve	12	31,337,802	31,337,802
Retained earnings		48,773,690	41,022,357
Total shareholders' equity		167,102,137	159,350,802
Non-current liabilities			
Long term borrowings	13	39,362,596	38,457,336
Deferred income	3.11, 23	15,188,675	13,352,121
Total non-current liabilities		54,551,271	51,809,457
Current liabilities			
Current portion - borrowings		3,683,472	3,175,278
Trade and other payables	14	8,758,860	8,012,036
Total current liabilities		12,442,333	11,187,315
Total liabilities		66,993,604	62,996,771
Total equity and liabilities		234,095,741	222,347,574

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

Approved on behalf of the Board of Directors on 28 June 2018.


Director


Director

BELIZE WATER SERVICES LIMITED

Statement of comprehensive income

For the year ended 31 March 2018

In Belize dollars

	Notes	2018	2017
Operating revenue	15	46,277,298	45,311,407
Other income	19	306,949	172,239
Gross revenue		46,584,247	45,483,645
Materials and other external costs	16	(9,725,998)	(9,079,053)
Staff costs	17	(11,376,423)	(10,422,806)
Other operating charges	18	(8,103,002)	(8,264,815)
Depreciation and amortisation of grant income	5	(6,114,145)	(5,761,757)
Gain/(loss) on disposal of asset		39,087	(501,946)
Profit before interest and taxes		11,303,767	11,453,270
Finance costs	20	(1,981,634)	(2,074,358)
Profit before tax		9,322,133	9,378,912
Business tax	21	(812,738)	(793,025)
Profit for the year		8,509,394	8,585,886
Other comprehensive income:			
Gain on revaluation of property	12	-	686,792
Total comprehensive income for the year		8,509,394	9,272,678
Basic earnings per share (BZD per share)			
- Basic earnings per share	22	0.21	0.21

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 2018

In Belize dollars

	Share capital	Contributed capital	Capital reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 April 2016	60,000,001	11,714,281	15,276,362	30,670,741	33,194,508	150,855,894
Comprehensive income						
Profit for the year	-	-	-	-	8,585,886	8,585,886
Gain on revaluation of property	-	-	-	686,792	-	686,792
Total comprehensive income	60,000,001	11,714,281	15,276,362	31,357,533	41,780,395	160,128,571
Dividends declared	-	-	-	-	(758,038)	(758,038)
Disposal of revalued assets	-	-	-	(19,731)	-	(19,731)
Balance as at 31 March 2017	60,000,001	11,714,281	15,276,362	31,337,802	41,022,357	159,350,802
Balance as at 1 April 2017	60,000,001	11,714,281	15,276,362	31,337,802	41,022,357	159,350,803
Comprehensive income						
Profit for the year	-	-	-	-	8,509,394	8,509,394
Total comprehensive income	60,000,001	11,714,281	15,276,362	31,337,802	49,531,751	167,860,198
Dividends declared	-	-	-	-	(758,061)	(758,061)
Balance as at 31 March 2018	60,000,001	11,714,281	15,276,362	31,337,802	48,773,690	167,102,137

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 2018

In Belize dollars

	2018	2017
Cash flows from operating activities		
Profit for the year	8,509,394	8,585,886
Adjustments for non-cash items:		
Depreciation and amortisation of grant income	6,114,145	5,761,757
(Gain)/loss on disposal of property, plant and equipment	(39,087)	501,946
Impairment allowance	15,000	136,717
Interest income earned	(100,480)	(104,676)
Business tax expense	812,738	793,025
Finance cost	1,981,634	2,074,358
Government grants	(2,416,121)	(2,395,006)
Cash flows before working capital changes	14,877,223	15,354,007
Changes in working capital components:		
Trade and other receivables	(730,967)	(554,534)
Material and supplies	480,624	935,767
Trade and other payables	685,269	1,440,763
Cash flow provided by operating activities	15,312,149	17,176,003
Interest received	100,480	109,232
Business tax paid	(812,738)	(853,753)
Interest paid	(1,650,584)	(1,665,925)
Net cash provided by operating activities	12,949,308	14,765,557
Cash flow from investing activities		
Purchase of property, plant and equipment	(19,352,980)	(19,186,628)
Contributions to fixed assets	974,832	5,468,776
Proceeds from sale of property, plant and equipment	62,349	242,705
Net cash used in investing activities	(18,315,800)	(13,475,146)
Cash flows from financing activities		
Dividends paid	(708,629)	(739,811)
Proceeds from borrowings	4,707,033	302,626
Repayment of borrowings	(1,196,382)	(1,657,021)
Increase in deferred income	1,836,554	2,058,826
Net cash provided by/(used in) financing activities	4,638,575	(35,381)
Net change in cash and equivalents	(727,917)	1,255,030
Cash and cash equivalents at the beginning of the year	19,749,942	18,494,912
Cash and cash equivalents at the end of the year	19,022,025	19,749,942
Comprised of:		
Cash on hand	52,120	30,076
Bank balances	13,661,333	14,508,563
Short-term deposits	5,308,572	5,211,303
	19,022,025	19,749,942

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 2018

In Belize dollars

1. General information

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.

Belize Water Services Limited (BWSL) is the monopoly water and sewerage utility for the country of Belize, serving all the municipalities of the country as well as some 35 villages. The registered office is 7 Central American Boulevard, Belize City, Belize.

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

2.1 Amendments to IFRSs that are mandatorily 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 beginning on or after 1 January 2017.

Amendments to IAS 7 *Disclosure Initiative*:

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided in Note 29. Apart from the additional disclosure in Note 29, the application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*:

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

2.2 New and revised IFRSs in issue but not yet effective

IFRS 15, *Revenue from Contracts with Customers*:

The standard is effective for periods beginning on or after 1 January 2018. 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:

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

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

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

IFRS 15, *Revenue from Contracts with Customers* (continued):

- 1) Identify the contract with the customer,
- 2) Identify the performance obligations in the contract,
- 3) Determine the transaction price,
- 4) Allocate the transaction price, and
- 5) Recognise revenue when a performance obligation is satisfied.

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

Amendments to IFRS 2 *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.

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 to the extent that services have been rendered up to the modification date; and
 - iii) any difference between the carrying amount of the liability at the modification date and the amount recognised I equity should be recognised in profit or loss immediately.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

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

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

Amendments to IFRS 2 *Classification and Measurement of share-based payment transactions (continued)*:

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 9 *Financial Instruments*:

The standard is effective for accounting periods beginning on or after 1 January 2018. The standard since it was originally issued in November 2009, had 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 redetermine the classification of its financial assets specifically for available-for-sale and held-to-maturity financial assets.

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

Amendments to IAS 40 *Transfers of Investment Property*:

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

Amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

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

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

Amendments to IAS 40 *Transfers of Investment Property* (continued):

The Company does not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements as the Company does not own any investment property.

IFRIC (International Financial Reporting Interpretation) 22 *Foreign Currency Transactions and Advance Consideration*:

The interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply this Interpretation either retrospectively or prospectively. Specific transaction provisions apply to prospective application.

IFRIC 22 addresses how to determine the date "of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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*:

The standard 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 an 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 by 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 as operating cash flows; 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.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

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

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

IFRS 16 Leases (continued):

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and 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.

The effective date of the following amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The amendments to IAS 28 and IFRS 10 deal with situations where there is a sale or contributions of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains or losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of measurement

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

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

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.2 Basis of measurement (continued)

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

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

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

3.3 Functional and presentation currency

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

3.4 Foreign currency transactions/translation

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

3.5 Property, plant and equipment

(i) Initial recognition and measurement

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

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

(ii) Subsequent measurement

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

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

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

(iii) Depreciation

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

Plant and equipment are depreciated on 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 in accordance with defined standards of service is treated as an addition and included at cost and any grants and contributions are amortised over the life of the asset. Infrastructure assets are depreciated over their estimated useful lives.

(iv) Derecognition

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

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

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 when 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 assets.

3.8 Prepayments

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

3.9 Cash and cash equivalents

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

3.10 Borrowings and borrowing costs

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

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

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

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

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.

3.12 Trade and other payables

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

3.13 Security deposits

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

3.14 Provisions

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

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

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.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.15 Revenue recognition (continued)

(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.

3.17 Pension costs

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

3.18 Dividends

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

3.19 Impairment of non-financial assets

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

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.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.20 Financial instruments (continued)

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.

a. Financial assets

Initial recognition and measurement

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.

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 receivable. Refer to Note 27.

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.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.20 Financial instruments (continued)

a. Financial assets (continued)

Impairment of financial assets (continued)

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 a 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 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.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.20 Financial instruments (continued)

a. Financial assets (continued)

Derecognition of financial assets (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 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.

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.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

3. Significant accounting policies (continued)

3.20 Financial instruments (continued)

b. Financial liabilities (continued)

Offsetting financial instruments (continued)

Currently the Company does not offset financial assets and financial liabilities.

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

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

4.1 Useful lives of property, plant and equipment

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

Category	Years
Freehold 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 the higher of fair value less costs to sell and the value in use. An asset's carrying amount is written down to its recoverable amount and the difference is charged as impairment loss immediately on profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. If the circumstances change and management decides that the value of property, plant and equipment and capital construction-in-progress has increased, the provision for impairment will be fully or partially reversed.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

4. Critical accounting estimates and judgements (continued)

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 among other things, considers the actual collection history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

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

2018	Freehold with leasehold Valuation	Plant with equipment Cost	Infrastructure Valuation	Construction in progress Cost	Total
Cost					
As at 1 April 2017	22,516,635	61,372,732	133,073,431	5,603,011	222,565,809
Additions	1,770,559	4,053,977	11,229,624	2,298,820	19,352,980
Disposals	-	(244,049)	(4,825)	-	(248,874)
Contributions	-	-	(1,317,558)	342,727	(974,832)
As at 31 March 2018	24,287,194	65,182,660	142,980,672	8,244,557	240,695,084
Accumulated depreciation					
As at 1 April 2017	(724,862)	(26,057,052)	(6,579,133)	-	(33,361,046)
Charge for the period	(228,796)	(3,474,147)	(2,411,202)	-	(6,114,145)
Disposals	-	225,476	136	-	225,612
As at 31 March 2018	(953,658)	(29,305,723)	(8,990,198)	-	(39,249,579)
Net book value:					
As at 31 March 2018	23,333,536	35,876,937	133,990,474	8,244,557	201,445,505
As at 31 March 2017	21,791,773	35,315,680	126,494,299	5,603,011	189,204,763

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

5. Property, plant and equipment (continued)

Contributions represent projects financed by third parties, developers, and the Government of Belize. Transfers are projects completed during the fiscal year and are added to their respective asset class. As at 31 March 2018 the Company maintains insurance coverage from commercial fire associated perils and burglary including catastrophic perils over buildings, plant and equipment, and water tanks countrywide valued at BZD 44,572,782 (31 March 2017: 44,268,720).

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

6. Materials and supplies

	2018	2017
Pipework and appurtenances	7,912,547	8,477,502
Fuel and chemicals	170,137	130,387
Spares and consumables	115,564	48,054
Office supplies	37,088	60,017
	8,235,335	8,715,959
Less: Provision for obsolete materials and supplies	(132,628)	(132,628)
	8,102,706	8,583,331

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

6. Materials and supplies (continued)

Provision for obsolete materials and supplies consists of the following:

	2018	2017
Provision, beginning of the year	132,628	202,546
Write-offs	-	(69,918)
Provision, end of the year	132,628	132,628

7. Trade and other receivables

	2018	2017
Trade receivables	3,584,594	2,707,118
Allowance for doubtful debts	(199,000)	(214,000)
	3,385,594	2,493,118
Other receivables	1,439,877	1,416,137
Prepayments	700,034	900,283
	5,525,505	4,809,538

Allowance for doubtful debts consists of the following:

	2018	2017
Allowance, beginning of the year	214,000	163,000
Increase of the allowance	176,467	136,717
Reversal of the allowance	(191,467)	(85,717)
Provision, end of the year	199,000	214,000

8. Cash and cash equivalents

	2018	2017
Current accounts	13,661,333	14,508,563
Short-term fixed deposits	5,308,572	5,211,303
Cash on hand	52,120	30,076
	19,022,025	19,749,942

Short-term deposits are amounts held at commercial banks which mature within 365 days and earn 0.25% to 2.25% interest per annum.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

9. Share capital

	2018	2017
Authorised:		
66,666,666 ordinary shares of BZD 1.50 each	100,000,000	100,000,000
1 Special Rights Redeemable Preference Share	1	1
	100,000,001	100,000,001
Issued and fully paid:		
40,000,000 ordinary shares of BZD 1.50 each	60,000,000	60,000,000
Special Rights Redeemable Preference Share	1	1
	60,000,001	60,000,001
Ordinary shares are held as follows:		
Government of Belize	82.59%	82.59%
Social Security Board	10%	10%
Others	7.41%	7.41%
	100%	100%

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

As to income

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

As to redemption

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

As to further participation

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

As to voting

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

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

9. Share capital (continued)

As to purchase and transfers

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

As to appointment of Directors

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

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

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

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

10. Contributed capital

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

11. Capital reserve

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.

12. Revaluation reserve

	2018	2017
Beginning balance	31,337,802	30,670,741
Gain on revaluation of property	-	686,792
Disposal of revalued assets	-	(19,731)
	31,337,802	31,337,802

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

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. In 2017 a part of water infrastructure assets was revalued for the total net gain of BZD 686,792.

13. Long-term debt

	2018	2017
(i) Social Security Board	26,466,384	27,264,437
(ii) Caribbean Development Bank #10	7,359,585	9,174,847
(iii) Caribbean Development Bank #5	3,336,708	3,562,926
(iv) Belize Wastewater Revolving Fund	5,799,816	1,491,111
(v) Caribbean Development Bank #53	83,576	139,293
Total long-term loans	43,046,069	41,632,614
Less: current portion	(3,683,472)	(3,175,278)
Long-term portion	39,362,596	38,457,336

The loans are payable as follows:

	2018	2017
Within one year	3,683,472	3,175,278
Within two to five years	13,026,897	11,594,178
Over five years	26,335,700	26,886,486
	43,046,069	41,655,941

(i) Secured BZD 22,000,000 Social Security Board (SSB) loan was obtained in January 2007 in order to refinance the previously held Alliance Bank of Belize loan. In December 2008, SSB approved a restructuring of the loan. Under the new terms, the interest rate was reduced from 12% to 8.5% per annum. In addition, the moratorium period on principal payments was extended from 31 December 2009 to 31 December 2010. Commencing on 31 March 2011, interest and principal were paid in quarterly payments of BZD 652,194. The loan is guaranteed by a mortgage debenture over fixed and floating assets of the Company. On 31 March 2015, the Social Security Board approved an additional BZD 12,000,000 to be consolidated with previously distributed loans. In 2018 and 2017 the interest rate on the loan was 6% per annum. The interest rate is to be revised at five year intervals to reflect prevailing market rates. The loan is repayable in quarterly instalments of BZD 606,226. The maturity date is March 2036. At 31 March 2018 the loan is fully drawn down.

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

13. Long-term debt (continued)

(ii) Unsecured BZD 27,660,000 Caribbean Development Bank loan #10 guaranteed by the Government of Belize (GOB) repayable by quarterly instalments. Average interest rate on the loan was 3.80% per annum for the year ended 31 March 2018. The loan has varying maturity dates at 2019, 2028, 2031. There were no drawdowns for the current year 2018.

(iii) Unsecured BZD 16,800,000 Caribbean Development Bank loan #5 guaranteed by GOB repayable by quarterly instalments. Average interest rate on the loan was 3.80% per annum for the year ended 31 March 2018. The loan has a final maturity date in 2032. There were no drawdowns for the current year 2018.

(iv) 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 16 September 2017 for BZD 4,128,055 (USD 2,064,027) for Phase 2 for the improvement of wastewater management in Belize project. The loan is repayable in monthly instalments of BZD 22,593. The maturity date for this part of the loan is September 2022. There were no drawdowns for the current year 2018. In the reporting period the Company drew down an additional BZD 4,707,033 of "CREW" revolving fund for the Belmopan Sewer System Expansion Project. This part of the loan is repayable in quarterly instalments of BZD 127,217. The maturity date for this part of the loan is February 2027.

(v) Unsecured loan #53 of USD 250,000 was signed between Caribbean Development Bank, Government of Belize and the Company on 15 July, 2008. The purpose of the loan is for the feasibility study of expansion of the water and sewerage system on Ambergris Caye. The agreement stipulated that if the Bank determines that the project is not feasible, the loan will be converted to a grant. The maturity date is July 2019. The loan is repayable in quarterly payments with interest of 2.5% which commenced on 1 July, 2011. There were no drawdowns for the current year 2018.

14. Trade and other payables

	2018	2017
Security deposits	3,256,288	3,129,620
Trade payables	3,078,309	2,959,388
Dividend payable	886,552	837,120
Contract retentions payable	478,654	155,494
Accrued expenses	299,318	327,606
Interest payable	213,187	239,743
Taxes payable	70,140	-
Other payables	476,412	363,065
	8,758,860	8,012,036

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

In Belize dollars

15. Operating revenue

	2018	2017
Water charges	44,866,083	44,017,563
Water connection charges	464,683	466,838
Water infrastructure charges	374,367	299,395
Services income	257,018	253,459
Other water sales	250,833	270,697
Late payment charges and penalties	202,098	215,292
Bad debt recovery	51,476	63,569
Sewerage connection charges	9,400	5,000
Discount - measured water sales	(198,660)	(280,406)
	46,277,298	45,311,407

16. Materials and other external costs

	2018	2017
Water purchases	6,163,237	5,472,393
Electricity costs	2,251,959	2,384,245
Chemical expenses	1,047,690	899,454
Plant running costs	141,691	190,692
Meter reading costs	115,406	107,791
Physical shortage expenses	6,014	24,477
	9,725,998	9,079,053

17. Staff costs

	2018	2017
Salaries and wages	8,078,586	7,404,037
Allowances	801,123	742,723
Other staff costs and grants	764,570	637,600
Group health insurance	693,698	654,356
Pension Plan contribution	498,119	452,060
Social security expense	314,831	293,955
Training and recruitment	195,100	202,565
Redundancy costs	30,396	35,509
	11,376,423	10,422,806

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

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18. Other operating charges

	2018	2017
Repairs and maintenance	3,194,275	3,442,034
Security	1,382,357	1,210,697
Office supplies and sundries	678,065	558,089
Meetings costs	462,122	568,876
Licenses and taxes	312,706	306,770
Insurance	322,543	290,679
Telephone	320,623	335,796
Travel	320,404	368,033
Collection fees	312,733	301,441
Donations	209,347	117,727
Electricity – office	208,903	223,154
Advertisement and marketing	97,533	113,902
Professional fees	91,572	168,380
Bad debt expense	89,028	136,717
Rent	52,329	51,535
Loose tools	36,280	33,627
Other	12,183	37,360
	8,103,002	8,264,815

19. Other income

	2018	2017
Interest income from third parties	100,480	104,676
Other income	206,469	67,562
	306,949	172,239

20. Finance costs

	2018	2017
Bank loan interest	1,942,953	2,039,336
Bank charges	38,681	35,022
	1,981,634	2,074,358

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' goods and services when the goods are sold or services are provided in country. The sale of water is classified as a zero rated item and as such no input tax is collected on such sales. Output tax on purchases and importation are reimbursed to the Company regularly after being carried forward after 4 months as prescribed by the GST Act 49 of 2005.

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.

	2018	2017
Basic earnings per share		
Profit attributable to owners of the Company	8,509,394	8,585,886
Weighted average number of outstanding ordinary shares	40,000,000	40,000,000
Basic earnings per share	0.21	0.21

23. Related party transactions

	2018	2017
Government of Belize		
Water sales		
Balance at the beginning of the year	244,420	245,600
Billed	2,907,144	2,954,255
Receipts	(3,673,792)	(3,444,275)
Balance at the end of the year	522,228	244,420
Government of Belize		
Deferred revenue		
Balance at the beginning of the year	13,352,121	11,293,296
Loan payments	2,416,121	2,505,968
Projects fulfilled	(579,567)	(447,143)
	15,188,675	13,352,121

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23. Related party transactions (continued)

	2018	2017
Social Security Board		
Loans		
Balance at the beginning of the year	27,264,437	28,133,345
Repayments	(798,053)	(901,297)
Balance at the end of the year	26,466,384	27,232,048

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 2018, the number of key management was 9 (2017 - 9).

Compensation of key management personnel

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

	2018	2017
Salaries and other short-term benefits	1,382,620	1,294,658
Post-employment benefits	194,168	175,132
	1,576,788	1,469,790

Loans to key management personnel

	2018	2017
Balance at the beginning of the year	14,999	15,543
Issued	1,100	5,871
Repaid	(9,056)	(6,415)
Balance at the end of the year	7,043	14,999

As at 31 March 2018 and 31 March 2017 receivables from key managerial personnel were comprised of staff loans. 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 2018

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24. Commitments and contingencies

Commitments:

Commitments for capital expenditure at 31 March, 2018 totalled BZD 2,908,960 (2017 - BZD 2,346,402). Planned capital expenditure is for fiscal year 2018 is BZD 16,682,000 (2017 - BZD 12,087,000).

Contingencies:

The Company is currently challenging the decision issued by the Public Utilities Commission (PUC) to reduce water rate by 6.39% effective 1 April 2018 via a Judicial Review case in the Supreme Court. The court has upheld an injunction on the PUC decision and the Company has therefore deferred implementation of these rates until the final decision of the court.

25. Pension plan

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 pays an additional 1% of pensionable salary for each member with more than ten years of pensionable service. Additionally, the Company matches up to 2% for employees who opt to increase their voluntary contribution. The Plan is administered by an Independent Board of Trustees and the funds are held separately from those of the Company. During the year under review, the Company contributed BZD 498,119 (2017 - BZD 452,060) to the

26. Significant non-cash financing activities

During the reporting period, BZD 2,416,121 (2017 - BZD 2,395,006) 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 758,061 or 7.5% of original share price for the year ended 31 March 2018 (2017 - BZD 758,038). Dividends are payable on 23 July 2018 to minority shareholders on record as of 31 March 2018. The Government of Belize instructed the Company to distribute its dividend to minority shareholders.

27. Categories of financial instruments

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

	2018	2017
Financial assets		
Trade and other receivables	4,825,471	4,123,255
Cash and cash equivalents	19,022,025	19,749,942
Total financial assets	23,847,495	23,873,197

BELIZE WATER SERVICES LIMITED

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27. Categories of financial instruments (continued)

	2018	2017
Financial liabilities		
Borrowings	43,046,069	41,632,614
Trade payables	3,078,309	2,959,388
Other payables and accrued expenses	2,424,263	1,085,908
Total financial liabilities	48,548,641	45,677,910

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 within acceptable parameters so as to optimise rates of return.

Capital risk management

Capital management objectives, policies and approach

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

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

Approach to capital management

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

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 facilitate the Company's focus on the creation of value for shareholders.

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

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

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

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

Gearing ratio

The gearing ratio at the end of reporting period was as follows:

	2018	2017
Debt (i)	43,046,069	41,655,941
Cash and cash equivalents	(19,022,025)	(19,749,942)
Net debt	24,024,044	21,905,999
Equity (ii)	167,102,137	159,350,802
Gearing ratio	14%	14%

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

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

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

BELIZE WATER SERVICES LIMITED

Notes to the financial statements

For the year ended 31 March 2018

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

Liquidity analysis as of 31 March 2018:

	On demand	Within 3 months	3 months to 1 year	1-5 years	Over 5 years	Carrying value
Financial assets						
Cash and cash equivalents	13,713,453	2,187,120	3,121,452	-	-	19,022,025
Trade and other receivables	-	4,825,471	-	-	-	4,825,471
	13,713,453	7,012,591	3,121,452	-	-	23,847,495
Financial liabilities						
Borrowings	-	956,690	2,726,782	13,026,898	26,335,699	43,046,069
Trade payables	-	3,078,309	-	-	-	3,078,309
Other payables and accruals	-	2,424,263	-	-	-	2,424,263
	-	6,459,262	2,726,782	13,026,898	26,335,699	48,548,641
Liquidity surplus/(gap)	13,713,453	553,329	394,670	(13,026,898)	(26,335,699)	(24,701,145)

Liquidity analysis as of 31 March 2017:

	On demand	Within 3 months	3 months to 1 year	1-5 years	Over 5 years	Carrying value
Financial assets						
Cash and cash equivalents	14,538,639	-	5,211,303	-	-	19,749,942
Trade and other receivables	-	3,909,255	900,283	-	-	4,809,538
	14,538,639	3,909,255	6,111,586	-	-	24,559,480
Financial liabilities						
Borrowings	-	719,830	2,455,448	11,594,178	26,886,486	41,655,941
Trade payables	-	2,959,388	-	-	-	2,959,388
Other payables and accruals	-	1,923,028	-	-	3,129,620	5,052,649
	-	5,602,246	2,455,448	11,594,178	30,016,106	49,667,978
Liquidity surplus/(gap)	14,538,639	(1,692,991)	3,656,138	(11,594,178)	(30,016,106)	(25,108,498)

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Notes to the financial statements

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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 2018 and 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 2018 of BZD 522,228 (2017 - BZD 244,420). The following table outlines the Company's credit risk geographically over the country of Belize:

	2018	2017
Belize District	1,599,971	1,255,366
Cayo District	647,505	444,735
Ambergris Caye and Caye Caulker	686,491	509,342
Stann Creek District	224,260	172,731
Orange Walk District	188,080	161,559
Corozal District	142,393	89,754
Toledo District	95,894	64,818
	3,584,594	2,698,305

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

	2018	2017
Within trade terms	2,823,564	2,161,449
Overdue up to one month	457,940	247,161
Overdue between two and three months	82,493	51,967
Overdue more than three months	220,596	237,728
	3,584,594	2,698,305

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.

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28. Financial risk management (continued)

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. Reconciliation of liabilities arising from financing activities

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

	1 April 2017	Financing cash flows (i)	Other charges (ii)	31 March 2018
Borrowings	41,632,614	3,510,651	(2,097,196)	43,046,069
	41,632,614	3,510,651	(2,097,196)	43,046,069

(i) The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other charges include principal payments for the period made to the Caribbean Development Bank (on loans #5 and #10) on behalf of the Company by the Government of Belize.

30. Subsequent events

Subsequent events have been evaluated through 28 June 2018, 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.