OFFICES:

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

BELIZE CITY (HEAD OFFICE)
7 Central American Blvd
P.O. Box 150
Belize City, Belize
Tel: +501 222 4757
Fax: +501 222 4759

BELMOPAN CITY
3 Mountain View Plaza
Tel: +501 822 2400
Fax: +501 822 0653

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

COROZAL
66 Fourth (4th) Ave
Tel: +501 422 2101
Fax: +501 422 3905

DANGRIGA
Market Square
Tel: +501 522 2068

PUNTA GORDA
New Compound Area
Tel: +501 722 2176
Fax: +501 722 2936

PLACENCIA PENINSULA
Placencia Village
Tel: +501 523 4036
Fax: +501 523 4037

ORANGE WALK
5 Stadium Street
Tel: +501 322 2382
Fax: +501 322 0157

SAN IGNACIO/SANTA ELENA
8 Liberty Street
Tel: +501 824 2154
Fax: +501 824 4251

SAN PEDRO
Manta Ray Street
Tel: +501 226 2749
Fax: +501 226 3450

CORPORATE PROFILE

Belize Water Services Limited (BWS) is the national water and sewerage utility that was vested with the Assets and Liabilities of the Water and Sewerage Authority (WASA) in March 2001. The company has issued share capital of forty million (40,000,000) shares with the Government of Belize (GOB), the majority shareholder, owning approximately 82.6% of the total shares; the Social Security Board holds 10% and minority shareholders the remainder. BWS is a regulated utility - the regulatory controls include a statutory regulator, the Public Utilities Commission, the Water Industry Act (2001), an operating license issued by the PUC and a Codes of Practice which is agreed by the Regulator and BWS and updated periodically.

Belize Water Services Limited operates in licensed service areas, serving all the municipalities of the country as well as some 35 villages. As at March 2017, BWS serves over 57,200 customers or approximately 250,000 consumers, with a total average water demand of over 208 million US gallons per month. Over 60% of the water supplied is produced using conventional water treatment processes with rivers as its sources. Satellite water wells are used for the majority of the other water systems. In San Pedro and Caye Caulker, BWS distributes water which has been treated by Reverse Osmosis, converting sea water to drinking water.

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

The Company's head office is in Belize City and it administrates operations via (9) nine offices throughout the country

REPORT TO SHAREHOLDER'S

CHAIRMAN'S REPORT

Everyone who takes time to consider will realize that water is absolutely the most essential service. In fact, water is vital to the very existence of all forms of life on planet Earth. Notwithstanding this fact, we take it for granted that clean potable water will come out the tap whenever we turn it on. Recently, in a survey conducted in New Zealand, the public was asked which essential resource they feared losing the most – perhaps, not so surprising given the world we now live in, the majority answer was the Internet! Internationally, the United Nations' Sustainable Development Goals have placed great emphasis on water as part of the call to action for nations to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The Paris Pact on Water and Adaptation to Climate Change was signed onto by all but two countries in the world (although now we hear of one infamous President withdrawing his country's participation).

As a business, Belize Water Services Limited aims to provide high quality services to its customers. As a water utility, fully cognizant of the vital nature of what we provide, we aim to supply high quality water and wastewater services to those within our service areas in Belize. Recognizing the stalwart job that we are doing in this regard, both the Government and several of those communities experiencing problems with their rudimentary water systems are requesting us to expand water supply into these areas. For this year, we are pleased to report that our expansion continued with 1,750 more households receiving water connections. That means improving the lives of over 7,000 more consumers by providing excellence and continuity of supply to them. Included in this number were some 200 households in the villages of Gardenia and Biscayne.

Once again, we are pleased to be able to report that BWS continues to perform exceptionally well. As a result of our continuing expansion projects and normal progression growth, our customer base has increased by 3.2%, to 57,234 customers at March 2017. The Company attained a 5.3% increase in revenue, from $43.193M the previous year to $45.483M for 2016/17. Despite some increases, strong financial performance of the company continued with a net profit of $8.586M this year, well in excess of our budget and has allowed us to issue dividends equal to those of the previous year. Again, based on this strong performance and our financial forecasts, the Company was able to inform the Public Utilities Commission that it did not need to apply for any tariff changes for the new Financial Year, 2017/18.

The Company continues to improve operational efficiency and customer satisfaction. The company's Key Performance Indicators (KPIs) for measures such as Water Coverage, Staff Efficiency, Collection Efficiency, Working Ratio and Profitability, have all been maintained or improved. The overall strength of BWS as highlighted by these performance indicators is endorsed by a 2017 World Bank

Group study of water utilities in the Caribbean, which ranked BWS well ahead in terms of performance and governance.

I must take this opportunity to highlight that BWS's response and recovery after Hurricane Earl was exceptional – water services were practically uninterrupted except for some electrical problems at the Belize District Water Treatment Plant and to those customers for whom lines had to be repaired. Please allow me to, at this juncture, specifically commend the BWS staff who, before, during and after the hurricane emergency, were busy ensuring "excellence and continuity with every drop." Customers and Stakeholders often don't realize the commitment and sacrifice that employees make on a daily basis, and then even more so at times of emergency. I extend my heartfelt gratitude to these hardworking people, management and staff alike.

The Board of Directors has embraced the strategic focus of the company and participated fully in a strategic retreat to review and revise the company's strategic components aiming at even further improvements in performance and service excellence. Realizing that the Company had already attained the vision targeted for 2018 in our original strategic plan, a new challenging vision was formulated. This new vision is to be "***the leading utility in the developing world, delivering excellence to stakeholders through highly trained, courteous and empowered staff***."

As good as our performance to date has been, Belize Water Services is not without its share of challenges. Firstly, in order to meet the requirements of customers and potential customers, we must find financing to acquire land, build adequate water treatment plants and sewerage treatment plants to meet the highest standards, and expand our water and sewerage networks, while providing superior services to all stakeholders. Secondly, like others in the water industry across the globe, BWS must contend with Climate Change, water scarcity and protection of water resources, as well as the old and sometimes failing infrastructure, which we inherited. More and more, managing water resources and supply in an efficient manner requires increased investments – in treatment, in pumping, in technology, and, of course, in Human Resources. Adequate and ongoing protection of our environment and our natural resources will require an even higher magnitude of investment. For example, the estimates for expanding sewer to the entire Belize City is in the hundreds of millions of dollars. Yet, without such investment, over time, we endanger our environment, our livelihood, our economy, and, ultimately, our lives.

NEW VISION IS
"THE LEADING UTILITY IN THE DEVELOPING WORLD"

Improving stakeholder relationships is one of our key strategic objectives. The strong and continuing partnership between the Government of Belize and Belize Water Services Limited has led to the investment of tens of millions of dollars in water and wastewater infrastructure over the last ten years. Furthermore, the Government has lent its support to BWS to help obtain a number of grants and technical assistance programmes aimed at expanding and improving the services we provide. BWS has established partnerships and working relationships with most of the municipal councils, various ministries including the Ministries of Finance, Economic Development, Works, Local Government, and Natural Resources, as well as with the development banks and other multi-lateral agencies. The recent project for expansion to Gardenia and Biscayne villages which was partially funded by the Social Investment Fund (SIF) and the German Government via the GIZ Programme is a prime example of the achievements possible via such partnerships. Another such partnership has funded the Belmopan Sewerage Expansion project, an $8 million project executed in several phases over the last few years, which is expected to be completed in the fourth quarter of 2017. Such partnerships are not all one way – BWS provides significant technical expertise and advice to the Government and provides technical support and assistance to the various Ministries and to many of the village rudimentary water systems.

The Board continues to uphold its mandates of good governance and the maintenance of fiduciary responsibility to all shareholders and other stakeholders. The Board and its Audit and Procurement Committees met regularly throughout the year to review and approve various activities and projects, and to ensure adherence to best practices and to established policies in alignment with the Company's strategic plan. Yet again, I am pleased to report that the Government of Belize, our majority shareholder, continued its pledged support and commitment to the Company and its largesse to minority shareholders. GOB continued its agreement to grant its portion of the dividends to minority shareholders. It is with much pleasure therefore that we announce the uninterrupted payment of dividend to minority shareholders for the eleventh consecutive year. This year, the dividend is at the rate of 11.25 cents per share, matching the figure from last year. This equates to a 7.5% return on the share investment. Clearly, this return provides a rate far better than anything available for financial instruments in the commercial sector.

Looking to the future, the Company will continue to execute its strategic plan aimed at delivering excellence, improving overall performance and stakeholder relations. We expect to continue showing improvements in operational and financial activities. Growth and expansion of water and sewerage coverage will continue. In fact, as part of our proposed expansion plans, we are coordinating with the Government and CDB to implement a project for water and sewer expansion to north Ambergris Caye. We have already engaged in discussion with Consolidated Water Company Limited to purchase Consolidated Water (Belize) Limited, the company that owns the Reverse Osmosis Treatment Plant in San Pedro and is contracted to provide the bulk water supply. Also, having agreed the funding for the final preliminary study for the Placencia Peninsula Integrated Water and Wastewater System, the Company and the Government continue to seek financing for the construction phase for which preliminary rough estimates are projecting at least US$20 million.

On behalf of the Board of Directors of Belize Water Services Limited, I must convey gratitude and appreciation to the Government of Belize, the Belize Social Security Board and the 1400 plus smaller shareholders of the Company. This last category includes many past and present employees who have shown their confidence in the company. As in previous years, we also thank the funding agencies, particularly, the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB) and the German GIZ Fund, who have contributed to making so many projects happen to benefit Belizeans. I extend heartfelt gratitude to Board Members and the Management Team for their dedicated and committed efforts to make sure that we meet our mandate. I absolutely cannot leave out the employees and the BWS Workers' Union for their commitment to making sure things are done not only right, but with excellence. All these efforts help us to please, perhaps even delight, our shareholders, customers and other stakeholders. With such continued support, we are sure that Belize Water Services Limited will become the leading utility in the developing world as we continue ***Providing Excellence and Continuity with every drop***."

Thank You

CHAIRMAN'S REPORT

MANAGEMENT DISCUSSION & ANALYSIS

SUMMARY

The year 2016/17, the sixteenth year of operation of Belize Water Services Limited (BWS) and the second year of the Third Full Business Plan, resulted in a net profit of $8.586 million, which is second only to the previous year's $9.690 million profit in terms of financial performance to date. Contributing to this performance was a 5.1% increase in water sales revenue which was driven by a 4.2% increase in sales volume. There were no changes in tariffs for the year 2016/17.

The company's majority shareholder, the Government of Belize (GOB), continued its direct financial support. GOB also continued with its strong support and liaison with International Financial Institutions, thereby assisting the company to continue capital investment programme; supporting expansion to connect more customers and both new assets and improvements to assets to facilitate improved service. The cash generated from the company's operations was utilised to finance ongoing operations, and to assist with debt servicing, expansion projects and other much needed capital investment by the company. GOB also continued its support of minority shareholders, who have received dividends for the eleventh consecutive year.

"DELIVERING EXCELLENCE TO STAKEHOLDERS THROUGH HIGHLY TRAINED, COURTEOUS AND EMPOWERED STAFF"

BWS continues to utilise a formal Strategic Planning Process to manage improvement, growth and the challenges of the future. This Strategic Business Planning methodology, adopted by the Board and Management, includes identifying the key objectives to assist with attaining the company's mission and vision and utilizing proactive approaches for creating an even more effective and efficient water utility. Specific targets have been set for a number of Key Performance Indicators (KPIs). Strategic Planning activities during the year included a critical and objective review and revision of the company's strategic plan with proactive participation of Directors, Management and Staff, we renewed our Mission, Vision and Strategy Map. With the realisation that the company had already attained our Vision statement as developed in 2013, our new revised vision is delivering excellence to stakeholders through highly trained, courteous and empowered staff."

FINANCIAL PERFORMANCE

SALES & INCOME

The company's continued strategic initiative of "reaching to more" continued to drive the various water expansion projects, resulting in an increase in customer connections of 3.2% from 55,484 to 57,234. This growth, along with improved pressures and continuity of service, resulted in the 4.2% increase in total volume of water sold. Gross revenue for the year was $45.483 Million, a 5.3% increase when compared to last year's revenue of $43.193 Million.

Given the company's focus on improving the delivery of services to customers, the staff complement was increased. This, combined with the increases in the customer base and in total water production and inflation, increased Total Expenses by 10.1%, from $33.502 Million to $36.898 Million. With this increase in Expenses, Profit declined by 11% from $9.690 Million in the previous year to $8.586 Million.

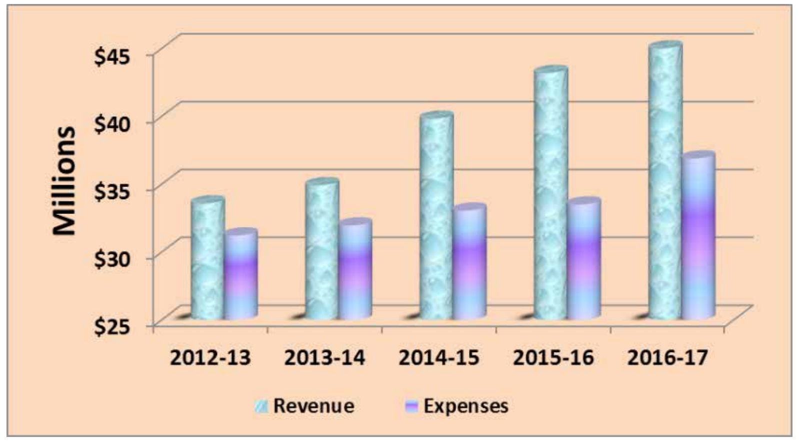
The Graph below shows the comparison of Revenues and Costs for the last 5 fiscal years.

The Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the year remained strong, equating to $17.215M (37.8% of Revenue), almost similar to $17.304M (40.1%) in the previous year. Due to increases in costs mentioned above, EBIT, the Earnings Before Interest and Tax, was $11.453M, down 7.2% from the previous year's figure of $12.335M.

EFFICIENCY GAINS

DESPITE 7.4% INCREASE IN PRODUCTION VOLUME, ELECTRICITY USAGE WAS REDUCED BY

5.7%



Water related sales provided income of $44.076 million ($42.026 M previous year), other services provided income of $1.235 million ($1.077M previous year) resulting in gross revenue for the year of $45.483 million ($43.193M last year). The average tariff for water sales was $17.59 per thousand US gallons (last year's average tariff was $17.48 per thousand US gallons)

DIVIDENDS

For the eleventh year in a row, the Board of Directors was able to approve dividend payment to its minority shareholders. This decision is supported by the Government of Belize, the majority shareholder, having formally agreed to grant its dividend payments to the minority shareholders until 2020 in order to assist both the company and the minority shareholders. The Board declared total dividends amounting to $0.758M or about 8.83% of net profit.

Based on the 40 million shares issued, the net profit of $8.586M equates to earnings of approximately $0.21 (twenty-one cents) per share as compared to $0.24 (twenty-four cents) from previous year. Thanks to the GOB directive, this dividend was distributed solely to minority shareholders who received dividends equivalent to $0.1125 (11.25 cents) per share

MAJOR COSTS & EXPENSES

The table insert shows the breakdown of costs for FY2016/17 as compared to the previous financial year.

Costs Summary	FY 2016/2017 Total (BZ$'000)	FY 2016/2017 Percent of Total	FY 2015/2016 Total (BZ$'000)	FY 2015/2016 Percent of Total
*Water Purchases	5,472	14.83%	5,015	14.97%
*Electricity	2,384	6.46%	2,344	7.00%
*Staff Costs	10,423	28.25%	9,739	29.07%
Other direct/Operating Costs	9,990	27.07%	8,790	26.24%
Total direct costs & Expenses	**28,269**	**76.61%**	**25,888**	**77.27%**
*Depreciation	5,762	15.62%	4,969	14.83%
*Interest expense	2,074	5.62%	1,892	5.65%
Taxes & Fees	793	2.15%	753	2.25%
Total Other Expenses	**8,629**	**23.39%**	**7,614**	**22.73%**
Total Costs and Expenses	**36,898**	**100.00%**	**33,502**	**100.00%**
***Total Major Costs**	**26,115**	**70.78%**	**23,959**	**71.52%**

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

LOANS, GRANTS & DEBT SERVICING

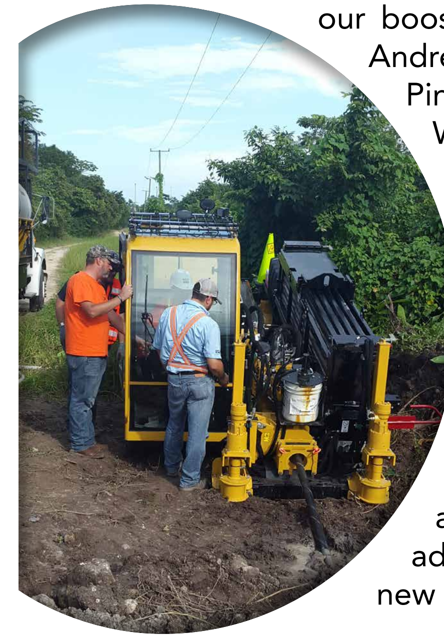
The majority shareholder, GOB continues to assist by covering debt repayments to the Caribbean Development Bank for loans #5 and #10 which totalled $2.395M in principal and interest payments for this financial year. As in previous years, BWS, with the support of GOB, was the recipient of several grant facilities. For 2016/17 grants were obtained from the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB), the Caribbean Regional Fund for Wastewater Management (CReW) and the US Trade and Development Agency (USTDA). USTDA is contributing approximately US$0.5M towards an energy efficiency study. All other grants are being utilized primarily for technical assistance consultancies and training.

Loan Movement and Debt Servicing		
Net Loan Movement	**2016/17**	**2015/16**
Beginning Balance	44,981	34,740
Draw downs/Increases	302	13,324
Principal Repaid	3,627	3,083
Principal Balance	41,656	44,981
Total Debt Servicing		
Principal Repaid	3,627	3,083
Interest Charges	2,039	1,831
Total Debt Reduction	**5,666**	**4,914**
All figures in BZ$ '000		

At the beginning of the 2016/17 financial year, BWS had outstanding loans of $44.981 million. There was one drawdown of $302K from the Belize Wastewater Revolving Fund (BWRF). At March 31, 2017, the total outstanding loan balance was reduced to $41.656 million. The Table insert summarises the Loan balances and debt servicing cash requirements over the last two financial years

ASSET EXPANSION & IMPROVEMENT

New Assets, Refurbishment and Maintenance	2016/17	2015/16
Plant & Equipment	3,665	2,014
Water Expansion	8,343	19,027
Total New Assets	**12,008**	**21,041**
Developer's Contributions & Grants	(5,468)	(13,456)
BWS Expenditure	**6,540**	**7,585**
Repairs & Maintenance	3,442	3,053
Total Assets & Maintenance	**15,450**	**24,094**
All figures in BZ$ '000		



Investments in new assets totalled $12.008 million for fiscal year 2016/17. Approximately half of our investments were in major Water Network Expansions across the country. We also upgraded our booster stations in San Andres, Rockville, Chan Pine Ridge, Orange Walk, Teakettle and Punta Gorda. The refurbishment and expansion of water treatment plants and storage reservoirs in Belmopan and Dangriga were also completed to meet the increased daily demand and storage capacity. In addition, we commissioned new wells at Placencia, San Ignacio and Cotton Tree Village. The overall investment in assets, inclusive of new assets, refurbishments and maintenance was $15.450 million in 2016/17.

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

GOVERNMENT CONTRIBUTIONS

The Government of Belize remains committed to the company and its shareholders and continues to forego the collection of its share of dividends. This solid assurance shown to BWS and its minority shareholders will ensure that the consumers can afford this very essential product that is part of our everyday life.

During the course of FY 2016/17, GOB has contributed both directly and indirectly $5.2M, made up as shown in the table insert

Government Contributions	2016/17	2015/16
Debt Repayment	2,395	2,552
Expansion Projects	447	7,988
GST Savings - Zero Rated Status	2,371	2,014
Total Contributions	**5,213**	**12,554**
All figures in BZ$ '000		

OPERATIONS

SUMMARY

The expansion to new customers in all our district branches and the addition of Biscayne and Gardenia Villages in year 2016/17, sustaining continuity of service above 99%, and increasing pressures by 4% are true to providing excellence and continuity in every drop.

Operating KPI	2016/17	2015/16	% Change
Sales Volume	2,505.4	2,404.6	4.2%
Production Volume	3,356.2	3,202.4	4.8%
Non-Revenue Water %	25.4%	24.9%	1.8%
Volume figures in Millions of US Gallons (MUSG)			

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

The effect of the water expansions and resulting growth in connections led to 4.8% increase in production. Unlike the previous year where a favourable dry season resulted in gains in operational efficiency, the reporting year saw far less favourable conditions, including Hurricane Earl in August 2016. These conditions mandated more increased cost of treatment and created more leaks due to line breaks. Despite those factors, we were able to reduce the overall electricity consumption.

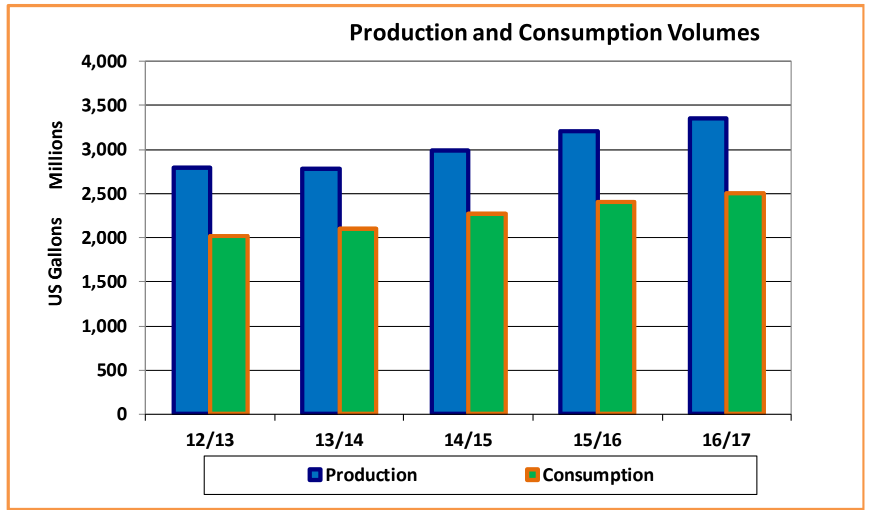
Initiatives to ensure continuous improvement during the year included: more training certification of our employees; process improvements in water supply, treatment and delivery; and similar improvements to wastewater collection and treatment systems. These initiatives were planned and conducted in alignment with our objectives of improving quality and protecting the environment.

Additionally, investments were undertaken to implement SCADA technology to communicate with remote stations to receive data on system failures for quicker response and restoration time

The 4.8% increase in water production for this financial year was a direct result of the 4.2% increase in consumption and, unfortunately the increase in leaks caused by damages to infrastructure, mostly due by Hurricane Earl. The 4.2% increase in sales volumes was achieved via a high continuity of supply percentage, increased pressures and our continued expansion program. The 2,505 million US gallons of potable water consumed in the reporting period is the highest in the company's sixteen (16) year history.

The Chart below shows water production and consumption for the last five (5) years

PRODUCTION & CONSUMPTION



NON-REVENUE WATER (NRW) LOSSES

Unfortunately, the 851 million US water loss volume for this financial year is an increase from the 797 million MUSG of the previous year. The increase in NRW volume resulted in a slight increase of the overall NRW percentage from 24.9% in the previous year to 25.4%. While this NRW percentage is still among the very lowest in the region, it represents the second consecutive year of increase and more efforts will be focused on our NRW reduction programme. The company's water loss reduction program includes proactive searching and repairing of leaks, replacing older water mains, identification/removal of illegal connections, and pressure management controls. During the year, the company continued to focus on replacement of aged infrastructure, the identification and elimination of unauthorized connections and tampering.

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

CUSTOMER SERVICES AND BILLING

SUMMARY

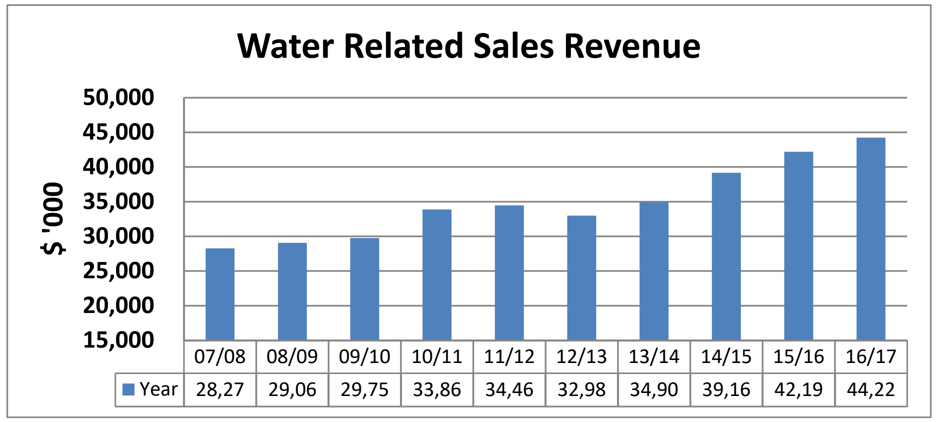
During 2016/17, the company continued its focus to improve service via enhancing our human resources through employee development programs. This initiative has resulted in further improvements to our service delivery which was confirmed by a recent customer satisfaction survey. This countrywide survey polled customers to obtain their perceptions of both the technical and commercial component of our business. In the technical component of the survey, 84% of our customers felt that the reliability of water was good to excellent and 82% were satisfied or very satisfied with their water pressure. In the commercial component, the overall rating for our field crews was 91%, with courtesy and quality of work in the field receiving an overall score of 96% and 93% respectively. Our customer service representatives were rated as knowledgeable by 94% of the respondents; 89% of respondents also perceived staff members as helpful. In the area of corporate image, 96% of our customers scored the company as being trustworthy.

At the same time, we continued to maintain a collection efficiency of above 98%, by utilising technology to remind customers of due and overdue bills.

Expansion of distribution lines in various parts of the country during the fiscal year and infills in our existing areas added new customers. This along with increases in water pressure and continuity of service led to increased customer satisfaction

SALES

In 2016/17, the gross water sales were $44.076M or 4.9% more than the same period last year. The 4.2 % increase in total water consumption from 2,404.6 MUSG previous year to 2,505.4 MUSG is the result of a 3.2% increase in our customer base increase plus a 1% increase in the average monthly sales volume per connection, from 3,611 to 3,704 US gallons. Driven by the above factors, the average tariff per 1,000 gallons increased by 1.0% (from $17.48 to $17.59) and the average monthly income per connection increased by 1.4% (from $64.44 to $65.33).



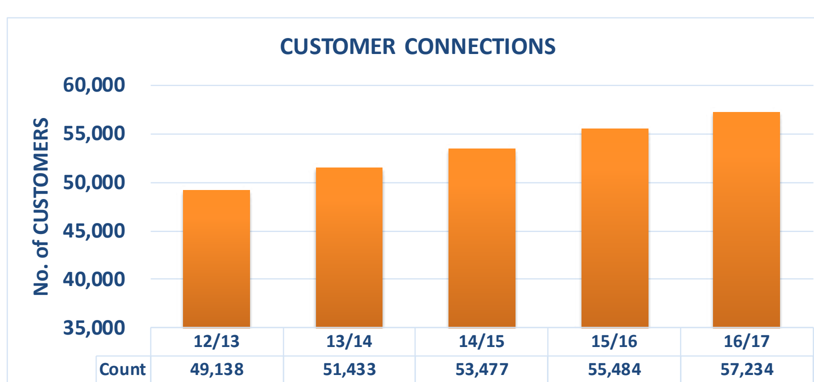
The chart insert illustrates the trend in annual Water-related Sales Revenue

CUSTOMER & ACCOUNTS

During the year, the number of customers who requested discontinuation of their services was 2,101; new installations were 4,893, of which 1,737 were new customer accounts. These, along with the net of disconnections and reconnections, resulted in a net increase in our customer base of 1,750 customers. At the end of the fiscal year, the active customer base had grown by 3.2%, from 55,484 to 57,234

ENGAGED EMPLOYEES *meant* **MORE** *active participation in training and other activities*

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

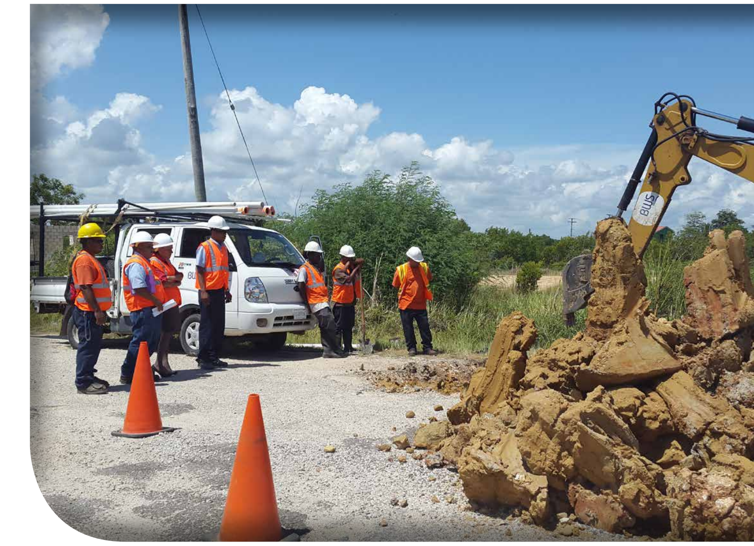


ENGINEERING AND PROJECTS

SUMMARY

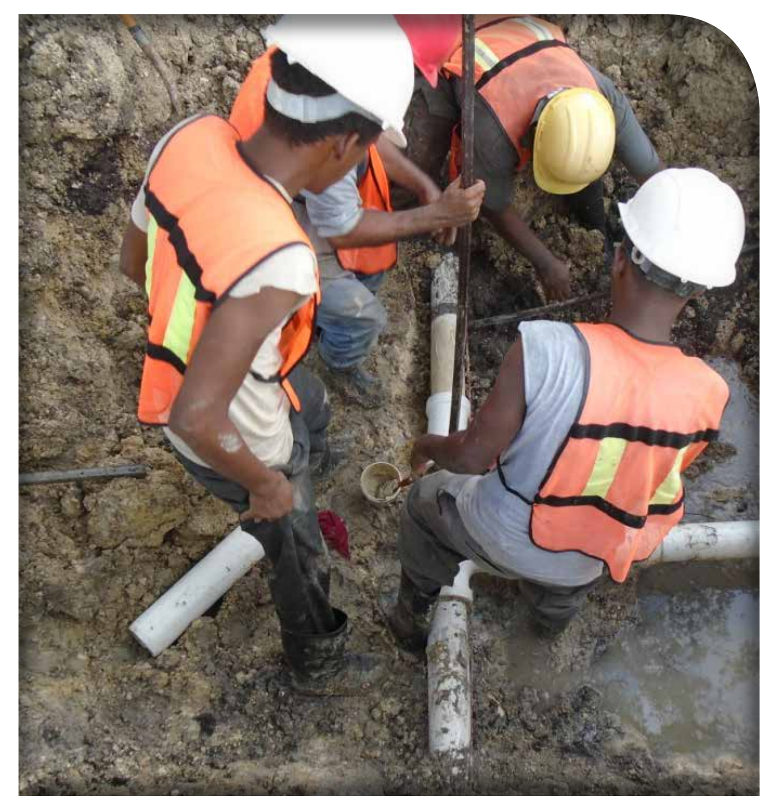
BWS continued its capital expenditure programme aimed at providing cost efficient and reliable water and wastewater services during year 2016/2017. The main components of our capital expenditure programme during the year included:

- A number of Water Network Expansions projects
- Several projects to Upgrade or Replace aged infrastructure
- Refurbishment and Expansions of Water Treatment Plants and Storage tanks
- Construction of New Water Sources



- Construction of Generator Buildings
- Improvement of safety, public health and environment

WATER DISTRIBUTION SYSTEM

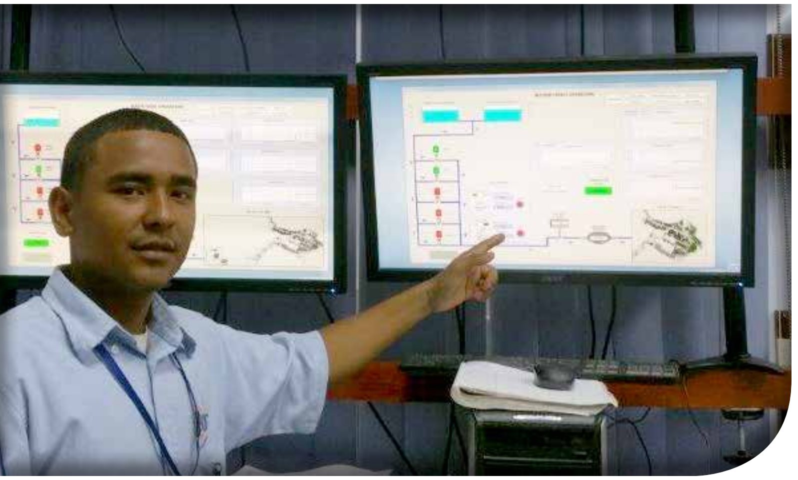


We have upgraded, replaced and installed approximately 42,180 feet of water mains and 540 service connections country wide in year 2016/2017. The company has invested approximately $1.8M on water mains upgrade/ replacement countrywide; this includes the supply and installation of new pipes and fittings, flushing, pressure testing and disinfection. The company also invested approximately $3.0M in water network expansion countrywide. This works included expansion of our water network system approximately by 88,700 feet to provide water supply to 2,750 immediate beneficiaries

CIVIL & BUILDING WORKS

Multipurpose Buildings were built in San Andres, Corozal and Placencia Intake, Independence to house stand-by generators, Electrical components and, Chlorine and chemical treatment systems. These investments will improve our reliability and customer satisfaction

INSTALLATION OF SCADA



Supervisory Control and Data Acquisition (SCADA) is a computerized control system. It includes computer-monitored alarms, response, control and data acquisition system used by BWS to monitor and adjust treatment process and facilities. We utilize this system to monitor pressure, level, chlorine, turbidity, Ph, conductivity, On/Off function of pumps, wastewater quality parameters etc. The SCADA system gathers information in the plant or remote location, transfers the information back to the central site, and alerts BWS personnel if any drastic change has occurred in water and wastewater quality parameters and carries out necessary analysis and control. We have designed and installed SCADA systems in the Belize District systems including Caye Caulker and Belize River Valley, and in Dangriga, and Belmopan. We are currently working in San Pedro. We plan is to install SCADA controls in all our systems

NEW WELLS

BWS has undertaken extensive exploration work to locate additional water sources and has commissioned new well in San Andres, Corozal and Cotton Tree, Belmopan. These wells are now in service and complement the existing supplies. We are also drilling a new well in Forest Home to meet the current and future demand of the Punta Gorda area

MAJOR FUNDED PROJECTS

The capital projects described below are those funded by external funding agencies that were either begun in the year under review, or were work-in-progress during the year ended March 31, 2017. The Caribbean Development Bank (CDB) and the Inter-American Development Bank and the Global Environmental Fund (GEF) financed a number of projects and consultancies, with counterpart financing from the Government of Belize (GOB) and BWS. These consultancies came about as a consequence of BWS having identified the requirements to assist with these to help fulfill our mission to improve the lives of consumers by delivering cost-effective and quality service

BELMOPAN WASTEWATER EXPANSION PROJECT

The goal of the project is to support economic development and improve the quality of life for the residents of Belmopan through environmental improvements. The project was divided into three phases, as follows:

- Phase 1 - Construction of three secondary facultative lagoons to improve treatment of wastewater - Completed
- Phase 2 – Construction of an anaerobic pond to further improve secondary treatment, installation of ultra-violate (UV) disinfection system as a tertiary treatment and installation of a new pumping station in East Picinni Area - Completed
- Phase 3 - Fencing of the wastewater treatment plant property, installation of solar panels to offset power consumption of UV disinfection system, installation of sensors to monitor wastewater quality (DO, pH, TSS Nitrate, COD and BOD), aesthetic enhancement of wastewater treatment plant and expansion of wastewater collection system in East Picinni Extension Area. – planned to be completed by August 31, 2017.

The estimated cost of the project is $11 million, funded with a low interest loan to BWS through a grant to Government of Belize from the Global Environmental Faculty (GEF) and Inter-American Development Bank (IDB) . This project also received some grant funding for technical assistance from the IDB

GARDENIA & BISCAYNE EXPANSION

This project goal was to supply potable water to Gardenia and Biscayne Village. Phase 1 of the project extended potable water system from Mexico Creek Bridge to Gardenia and up to the entrance of Biscayne was completed on June 30, 2016 at a cost of $1.25 million. This was funded by the Belize Social Investment Fund ($950,000) and BWS ($300,000). Phase 2 extended the potable water system into the main populated areas of Biscayne. This phase was completed on March 31, 2017 cost a further $1.25 million. Phase 2 was funded by a German Government (GIZ) grant ($465,000) and BWS ($785,000)

ROAD SAFETY PROJECT, BELMOPAN

The primary road safety project was executed by the Government and required major road infrastructure improvements. However, one off-shoot of this was the need to relocate and improve the water infrastructure in the project work areas. For BWS, this project included upgrading of transmission mains from Belmopan Water Treatment Plant (WTP) to Roaring Creek Bridge and upgrading of distribution mains located in Ring Road and Forest Drive, Belmopan. It included installation of over 11,000 feet of mains varying in diameter from 14-inch through to 4-inch. The overall project cost was $940,000, which was jointly funded by the Government of Belize ($470,000) and BWS ($470,000). The project was completed on August 26, 2016

LOOKING TO THE FUTURE

In moving forward, BWS has identified a number of projects and other capital investments, aimed at improving overall efficiency and effectiveness and to assist with meeting our mission and achieving our vision. One paramount initiative is to implement a Geographic Information System (GIS) to provide a platform that will provide far more accurate geographical data of systems and asset and thereby improve planning and control and provide better service

HUMAN RESOURCES AND PUBLIC RELATIONS

STRATEGIC PLAN EXECUTION

During 2016/17, the company promoted strategic initiatives to help change corporate culture and to improve on how staff are managed, developed and engaged. This process included clear communication with employees in order to obtain their buy-in; we now have employees who are committed, motivated, engaged and ready for new challenges. We have adopted a strategic approach to ensure that we retain and attract the best employees.

The success of this was indicated clearly by a staff survey which showed that BWS is the preferred work place; staff's view of the company is resoundingly positive and a place that they would highly recommend to others as a company of choice.

During the year, the permanent staff numbers were increased by 9.5% from 262 permanent staff to 287; this is reflective of our overall strategic restructuring by departments and units aimed at ensuring the required skills and overall staff complement are in place to meet customers' demands and expectations for service. Our temporary employment numbers increased from 85 to 97; this increase was based on the dynamic needs of the company as expansion projects increased within our service areas

STAFF DEVELOPMENT & TRAINING

During this financial year, training opportunities were promoted, organized and executed based on the top-level strategic plan and the overall company direction to improve our resources and capacity. This strategic objective led to a total of 1,641 employee participations and/or certifications in various trainings.

Technical and supervisory level employees completed water and wastewater management courses and water production certification programs at the introductory level, and a number of them have also completed the advanced level of these courses. All our water treatment operators were also certified during this process of development.

With the guidance of the Human Resource Department and inputs from the relevant department managers, many other employees have become more engaged in training and development courses. This is both positive in its contribution to the company's performance and rewarding to the individual employees as it has resulted in 26 employees being promoted across the company.

During this financial year, the company also celebrated ten employees who successfully completed their Associates or Bachelor's degrees in varying discipline, including Business Management, Accounting, and Engineering. Currently we have twelve other employees enrolled at various levels of academic programs.

The trainings and certifications have provided a strategic platform and has also resulted in a positive boost to staff morale, improvement in policies and work processes, and in overall staff performance

MANAGEMENT DISCUSSION & ANALYSIS

EMPLOYEE PERFORMANCE & WELLBEING

Long Service Awardees

Performance appraisals show a positive increase in staff competency level and overall performance for this financial year. During this year, Managers and employees were both engaged and supportive of this process as it ensures employees are adequately rewarded for their performance. The top performers for the year were recognized, and 230 employees or 88% of total staff received increments for their performances.

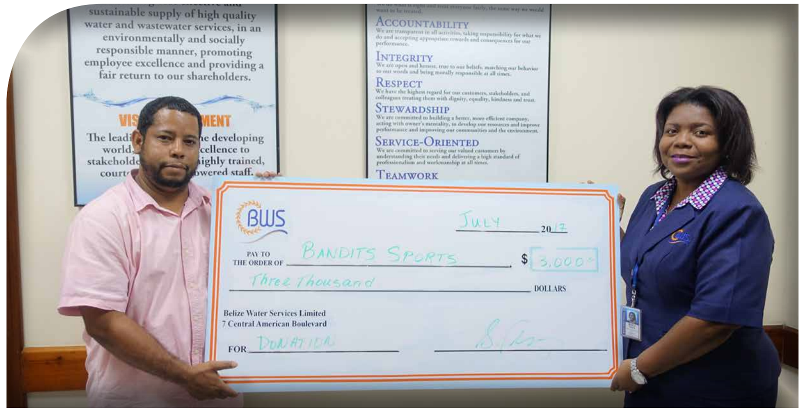
The company continued its employee recognition award ceremonies, as one initiative aimed at staff recognition, retention and continuity. For the year, this initiative recognized and rewarded 25 employees for long tenure awards, while 20 more dedicated employees were rewarded for their outstanding performance and dedication to higher learning, which resulted in their promotions. Initiatives of this nature will continue since it nurtures advancement and overall improvement to employees whose morale are boosted by these actions.

The company continued to support staff initiatives which promoted staff wellbeing – these included sports and recreation, healthy living sessions, safety practices and group health insurance coverage. As in previous years, we also coordinated with health professionals to host preventative vaccinations and blood drives in-house. Furthermore, the company facilitated donations and staff contributions to staff members or their relatives who were in need

PUBLIC RELATIONS & COMMUNITY OUTREACH

BWS, continues to contribute to the many eclectic needs of the communities in which we serve. Donations to feeding pantry programs, contributions to national sports representations, sponsorship of various sporting activities, and support to more established organizations such as Cancer Society, the Diabetes and Kidney Association continued. Noteworthy this year, significant contributions were made to two programs which focus on the youth. These were the Restore Belize Scholarship program, a 4-year assistance program that provides high school scholarships for very needy children, and CODICADER, an international sporting event which saw children from the Central American countries participating in varying sports disciplines which was hosted in Belize in 2016.

The company kept the public informed on expansion works in Gardenia and Biscayne villages, as well as in all the other municipalities in which we serve, adding their communities or areas into BWS systems. The public were kept up-to-date on interruptions caused due to change out of older infrastructure or in some instances laying of new infrastructure. The company continues to update customers through a variety of media, keeping them informed whenever there are water outages or low pressure. These reports are also communicated to the PUC, our regulator, which serves as part of our regulatory compliance.



Our involvement at World Water day was a huge success. Hundreds of children from across the country participated in the day's activities, where BWS booth served as one of the highlights during this one day of celebrating potable water and its importance to our well-being. During the year, BWS also partnered with the University of Belize and St Johns Junior College for their open day, during which we got the opportunity to sell our company as choice employer. These events have opened many opportunities for us as they serve as catalyst for BWS to market the company as well provide a platform for better understanding of our company's operations. This has also provided yet another opportunity for us to empower employees who were able to participate in such events, as it allowed them the opportunity to showcase their leadership abilities and build their loyalty.

We pride ourselves in keeping the communication lines open so we can continue to proactively serve all stakeholders

SUPPORT SERVICES AND PROGRAMMES

INFORMATION TECHNOLOGY

Information Technology solutions continues to be a key driver to a number of our strategic objectives. As such, we are committed to upgrading our hardware and software infrastructure to keep pace with modern technology and to serve as a platform for improved business processes. During 2016/17, one of the most significant projects was the expansion of our Microsoft Office software to an enterprise subscription. This has provided additional software tools to allow our staff to improve efficiency, collaborate on projects, provide feedback and post project updates in real time. The synergistic effect is that our staff feel better connected, informed and empowered to suggest new ideas.

We also modernized the meter reading application, moving the technology to the cloud and allowing meter readers to read using rugged android devices. The new application allows readers to take pictures to verify readings and report problems. It is anticipated that the number of errors, re-checks and re-reads will be dramatically reduced.

BWS continues to provide the convenience of making payments via the banks and through payment agents. Collection options remained consistent on a month by month basis with BWS collections accounting for 69%, Bank/Online collections accounting for 26% and agent collections accounting for 5%.

Looking ahead, we will improve our internal corporate network and branch connectivity. We also anticipate implementing GIS systems, expanding our SCADA network and replacing our customer service application. With these projects we expect to realize our strategic goal of providing fast, secure, reliable and always-on technology

INTERNAL AUDIT

With guidance and input from a professional consultant, the company performed a thorough Enterprise Risk Management (ERM) assessment, documenting all risks identified and proactively seeking ways to address them. With the completion of the Framework, Internal Audit is now positioned to analyse and evaluate operations and activities based on risk levels. Furthermore, all related Acts, standards, regulations, and guidelines applicable to the company have been identified and a compliance checklist created. This checklist now serves to ensure the company's regulatory compliance. As in previous years, there were numerous reviews, spot checks and verifications done during the year, all indicating management's commitment to ensuring the sustainability of the company. Internal Audit staff have received training in areas to better assist with fulfilling of their monitoring and compliance verification role

HEALTH & SAFETY

In line with our strategic objectives, initiatives were executed to improve Health and Safety awareness during 2016/17. These included branch visits and regular worksite inspections in and around Belize City. As a result, we have been able to catalogue a history which clearly identifies improvements as well as areas where further improvement is needed. One clear and noticeable improvement has been the safety awareness - safety aspects are now considered in all projects and wearing protective gear has become the norm. We will continue to promote Health and Safety awareness in everything we do, both to minimize risks to staff and the public and to uphold our commitment to our stakeholders to be a highly responsible Belizean enterprise

Key Performance Indicators (KPI'S)

Description of KPI	UNIT	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
PROFITABILITY												
Gross Revenue	$' 000	45,484	43,194	40,084	34,923	33,583	35,327	34,869	31,047	29,673	28,866	27,448
Operations and Maintenance	$' 000	28,269	25,889	25,725	24,640	24,535	23,673	21,810	18,494	19,216	18,705	16,868
EBITDA	$' 000	17,215	17,305	14,359	10,282	9,049	11,654	13,059	12,553	10,457	10,161	10,580
EBIT	$' 000	11,453	12,336	9,501	5,608	5,095	8,058	9,696	9,117	7,264	7,509	7,905
Net Profit (Loss)	$' 000	8,586	9,690	6,765	2,961	2,360	5,391	5,457	4,878	2,069	1,693	1,863
EBITDA/Net Turnover	%	38%	40%	36%	29%	27%	33%	37%	40%	35%	35%	39%
Earnings Per Share	$	0.215	0.242	0.169	0.074	0.059	0.135	0.136	0.122	0.052	0.042	0.047
Dividends Per Share[1]	$	0.019	0.019	0.013	0.013	0.013	0.025	0.025	0.025	0.078	0.078	0.033
Retained Earnings (Deficit)	$' 000	41,022	33,195	24,262	18,003	15,546	13,692	9,311	4,861	3,589	2,041	768
LIABILITIES & EQUITY												
Long Term Liabilities	$' 000	51,809	52,217	40,149	43,947	44,330	47,023	47,854	49,622	53,135	62,653	62,956
Current Liabilities	$' 000	11,187	10,558	11,655	13,189	13,162	11,327	12,136	10,971	9,182	10,553	11,676
Total Equity	$' 000	159,351	150,856	111,253	104,993	102,537	100,682	96,302	90,578	84,251	77,317	76,157
ASSETS												
Current Assets	$' 000	33,143	32,325	14,995	15,396	14,341	15,250	16,022	14,675	10,584	9,588	8,398
Total Net Assets	$' 000	222,348	213,631	163,057	162,129	160,029	159,032	156,291	151,172	146,566	150,523	150,789
Additions to Assets	$' 000	19,187	21,041	12,197	12,124	10,906	7,294	10,113	7,059	4,742	4,212	2,746
BALANCE SHEET STRUCTURE												
Current Assets/Current Liabilities	No.	2.96	3.06	1.29	1.17	1.09	1.35	1.32	1.34	1.15	0.91	0.72
Gearing (LT Liabilities/Equity)	%	33%	35%	36%	42%	43%	47%	50%	55%	63%	78%	83%
Total Assets/Total Equity	No.	1.40	1.42	1.47	1.54	1.56	1.58	1.62	1.67	1.74	1.95	1.98
Total Assets/Share Capital	No.	3.71	3.56	2.72	2.70	2.67	2.65	2.60	2.52	2.44	2.51	2.51
Return on Assets(EBIT/Avg. Assets)	%	5.3%	6.5%	5.8%	3.5%	3.2%	5.1%	6.3%	6.1%	4.9%	5.0%	5.2%
WATER VOLUMES												
Water Production	MUSG	3,356.2	3,202.4	2,982.8	2,787.1	2,788.8	2,706.6	2,659.4	2,679.1	2,800.9	2,887.1	2,735.1
Water Sales	MUSG	2,505.4	2,404.6	2,277.9	2,105.0	2,020.4	1,975.1	1,948.3	1,892.5	1,841.7	1,788.4	1,694.3
Non-Revenue Water Volume	MUSG	850.8	797.8	704.9	682.1	768.4	731.4	711.1	786.6	959.2	1,098.6	1,040.8
Non-Revenue Water %	%	25.4%	24.9%	23.6%	24.5%	27.6%	27.0%	26.7%	29.4%	34.2%	38.1%	38.1%
Non-Revenue Water (M^3/Conn/Day)	M^3	0.16	0.15	0.14	0.14	0.17	0.17	0.17	0.18	0.22	0.26	0.26
Non-Revenue Water (M^3/Km/Day)	M^3	6.11	5.89	5.38	5.35	6.49	6.40	6.50	7.53	9.28	10.88	10.77
CONNECTIONS												
Beginning Connections	No.	55,484	53,477	51,433	49,138	47,906	46,936	45,537	44,610	43,835	42,130	40,581
New Connections Added	No.	4,893	4,846	4,836	5,234	4,500	4,768	1,777	1,089	3,235	1,322	2,634
Requested Disconnections	*No.*	*2,101*	*1,999*	*2,062*	*2,039*	*2,009*	*2,039*	*2,121*	*2,003*	*n/a*	*n/a*	*n/a*
Disconnections - Non-payment	*No.*	*9,539*	*7,088*	*7,618*	*11,950*	*12,380*	*14,693*	*12,365*	*15,138*	*n/a*	*n/a*	*n/a*
Total Disconnections	No.	11,640	9,087	9,680	13,989	14,389	16,732	14,486	17,141	13,061	16,153	16,109
Reconnections	No.	8,497	6,248	6,888	10,591	11,120	11,089	10,548	13,145	12,937	16,536	15,024
Ending Connections	No.	57,234	55,484	53,477	50,974	49,137	46,061	43,376	41,703	46,946	43,835	42,130
Ending Sewer Connections**	No.	10,843	10,691	10,519	10,264	10,158	10,121	10,279	10,233	10,323	10,309	10,441
BILLING												
Avg. Number of Connections	No.	56,422	55,710	54,019	50,619	47,599	44,719	42,540	44,325	45,391	42,983	41,119
Net Water Sales Revenue	$' 000	44,076	42,026	38,965	34,151	32,815	34,250	33,867	29,750	29,064	28,272	26,819
Avg. Usage per Connection Monthly	Gal	3,704	3,669	3,626	3,465	3,537	3,681	3,817	3,558	3,381	3,467	3,434
Avg. Sales per Connection Monthly	$	65.33	64.44	62.27	57.50	56.32	60.68	61.09	55.93	53.36	54.81	54.35
Avg. Tariff per 1000 Gallons	$	17.59	17.48	17.17	16.22	16.24	17.34	17.38	15.72	15.78	15.81	15.83
OPERATIONAL EFFICIENCY												
Avg. No. of Staff (Permanent)	No.	287	262	256	251	252	246	238	229	232	228	216
Staff Per 1000 Connections	No.	5.1	4.7	4.7	5.0	5.3	5.5	5.6	5.2	5.1	5.3	5.3
Total Staff Costs	$'000	10,423	9,739	8,931	8,546	8,567	8,252	7,745	6,816	7,460	6,557	6,354
Staff Costs/Emp.	$	3,632	3,717	3,489	3,405	3,400	3,355	3,254	2,976	3,216	2,876	2,942
Revenue/Emp.	$	158,480	164,864	156,580	139,135	133,267	143,607	146,507	135,576	127,901	126,605	127,074
COLLECTION EFFICIENCY												
Overdue Debtors/Trade Debtors	%	10.2%	14.4%	12.4%	14.0%	13.4%	15.0%	17.4%	14.2%	26.6%	26.5%	19.7%
Bad Debts Write Off/Net Turnover	%	0.3%	0.3%	0.4%	0.0%	0.2%	1.1%	0.7%	0.3%	0.9%	0.2%	0.5%
Collection Efficiency	%	98.9%	98.8%	98.9%	98.2%	98.3%	98.1%	96.8%	98.7%	97.0%	n/a	n/a
WATER INFRASTRUCTURE												
Total Length of Mains**	Miles	897.7	870.1	844.3	821.5	763.0	734.4	704.5	673.2	666.3	648.7	622.6
Total Length of Mains**	Km	1,445	1,400	1,359	1,322	1,228	1,182	1,134	1,083	1,072	1,044	1,002
Length of Mains/Connection	Ft.	82.8	82.8	83.4	85.1	82.0	84.2	85.8	85.2	74.9	78.1	78.0

KPI Description Note	Key - Units	Key - Units	Key - Units
**=Includes some estimated figures	MUSG = Millions of U.S. Gallons	Gal = US Gallon	% = Percentage
[1]See Management report for details	$' 000 = Thousands of Belize Dollars	No. = Number/Count of Units/Ratio	Ft. = Feet
	$ = Belize Dollars	M^3 = Cubic meters ($1M^3$ = 264.1721Gal)	Km. = Kilometer

NB: Some Financial figures for the previous year have been restated (see audited Financial Statements)

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED

FINANCIAL STATEMENTS & 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

Table of Contents

MOORE STEPHENS

Moore Stephens Magaña LLP
New Horizon Building
3 ½ Phillip S. W. Goldson Highway
Belize City, Belize

T +501 223 2144
F +501 223 2143
E rfmagana@moorestephens.bz

www.moorestephens.bz

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.

MOORE STEPHENS

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.

MOORE STEPHENS

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
Assets			
Non-current assets			
Property, plant and equipment	**5**	**189,204,763**	181,306,525
Total non-current assets		**189,204,763**	181,306,525
Current assets			
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
Total assets		**222,347,574**	213,631,095
Equity and liabilities			
Equity			
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
Non-current liabilities			
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
Current liabilities			
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
Total liabilities		**62,996,771**	62,775,201
Total equity and liabilities		**222,347,574**	213,631,095

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
Gross revenue		**45,483,645**	43,193,431
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
Profit before interest and taxes		**11,453,270**	12,335,415
Finance costs	20	**(2,074,358)**	(1,892,233)
Profit before tax		**9,378,911**	10,443,182
Business tax	21	**(793,025)**	(752,877)
Profit for the year		**8,585,886**	9,690,305
Other comprehensive income:			
Gain on revaluation of property	12	**686,792**	30,670,741
Total comprehensive income for the year		**9,272,678**	40,361,046
Basic earnings per share (BZD per share)			
- Basic earnings per share	22	**0.21**	0.24

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

Page 5

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
Balance as at 1 April 2015	60,000,001	11,714,281	15,276,362	-	24,261,992	111,252,636
Comprehensive income						-
Profit for the year	-	-	-	-	9,690,305	9,690,305
Gain on revaluation of property		-	-	30,670,741	-	30,670,741
Total comprehensive income	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)
Balance as at 31 March 2016	60,000,001	11,714,281	15,276,362	30,670,741	33,194,508	150,855,894
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	160,128,572
Payment of dividends	**-**	**-**	**-**	**-**	**(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**	**159,350,803**

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

Page 6

BELIZE WATER SERVICES LIMITED
Statement of cash flows
For the year ended 31 March 2017
In BZD

	2017	2016
Cash flows from operating activities		
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
Cash flow from investing activities		
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)
Cash flows from financing activities		
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
Net change in cash and equivalents	**1,255,030**	15,744,321
Cash and cash equivalents at the beginning of the year	**18,494,912**	2,750,591
Cash and cash equivalents at the end of the year	**19,749,942**	18,494,912
Comprised of:		
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.

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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. 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)

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 comprehension 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

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

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

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)

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

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)

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 and 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 extend 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 join 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

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)

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

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

3. Significant accounting policies (continued)

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.

Page 13

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

3. Significant accounting policies (continued)

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.

Page 14

3. Significant accounting policies (continued)

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.

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

3. Significant accounting policies (continued)

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
In BZD

3. Significant accounting policies (continued)

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
In BZD

3. Significant accounting policies (continued)

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
In BZD

3. Significant accounting policies (continued)

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
In BZD

3. Significant accounting policies (continued)

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
In BZD

3. Significant accounting policies (continued)

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 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 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.

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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
Cost					
As at 1 April 2016	21,360,835	54,440,237	128,772,318	5,088,945	**209,662,335**
Cost 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)**
Eliminated on the revaluation	-	-	-	-	**-**
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

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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.

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

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

6. Materials and supplies

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

Provision for obsolete materials and supplies consists of the following:

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

7. Trade and other receivables

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

Provision for doubtful debts consists of the following:

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

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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
	19,749,942	18,494,912

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
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 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.

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

9. Share capital (continued)

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

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.

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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)**	-
	31,337,802	30,670,741

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
	41,655,941	44,980,185

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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
	8,012,036	6,501,721

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

15. Operating revenue

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

16. Materials and other external costs

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

17. Staff costs

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

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

18. Other operating charges

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

19. Other income

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

20. Finance costs

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

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

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

23. Related party transactions

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

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

23. Related party transactions (continued)

	2017	2016
Social Security Board		
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
In BZD

24. Commitments and contingencies

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

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

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

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

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

27. Categories of financial instruments (continued)

	2017	2016
Financial liabilities		
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 labilities	**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
For the year ended 31 March 2017
In BZD

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.

FINANCIAL STATEMENTS

BELIZE WATER SERVICES LIMITED
Notes to the financial statements
For the year ended 31 March 2017
In BZD

28. Financial risk management (continued)

Liquidity risk (continued)

Liquidity analysis as of 31 March 2017:

31 March, 2017	On demand	Within 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Financial assets						
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)

31 March, 2016	On demand	Within 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Financial assets						
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)

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
	2,698,305	2,510,779

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
	2,698,305	2,510,779

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.

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. Subsequent events

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.

MISSION STATEMENT

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

VISION STATEMENT

By 2018, we will be the leading provider of water and wastewater services in the region and will exceed stakeholders' expectations.

BOARD of DIRECTORS

WINSTON MICHAEL
Deputy Chairman

ALBERTO AUGUST
Chairman

ALVAN HAYNES
Secretary

THOMAS MORRISON
Director

KATHLYN TILLETT
Chairperson
Audit Committee

KENRICK YSAGUIRRE
Director

MARIA COOPER
Director

WILMOTT SIMMONS
Director

LOURDES SMITH
Director

GUADALUPE MAGAÑA-DYCK
Director

MANAGEMENT TEAM

RASHIDA WILLIAMS CASTILLO
Chief Financial Officer

ALVAN HAYNES
Chief Executive Officer

DESIREE TILLETT
Customer Service Manager

DAVE PASCASCIO
Operations Manager

HAYDON BROWN
Human Resources/
Public Relations Manager

SONIA BURNS
Information Technology Manager

SANJAY KASHWANI
Technical Services Manager

DAWN SMITH
Internal Audit Manager

FREDERICK SANDIFORD
Resident Consultant Engineer