WATLINGTON WATERWORKS LIMITED

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

For the years ended December 31, 2022 and 2021

The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of Watlington Waterworks Limited (the "Company").

No person, other than the Company, is authorized to rely upon the report of KPMG unless KPMG expressly so authorizes.

Furthermore, the report of KPMG is as of date April 21, 2023, and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Watlington Waterworks Limited

Opinion

We have audited the consolidated financial statements of Watlington Waterworks Limited and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 21, 2023

WATLINGTON WATERWORKS LIMITED

Consolidated Statements of Financial Position

As at December 31, 2022 and 2021
(Expressed in Bermuda Dollars)

	December 31, 2022	December 31, 2021
Assets		
Non-current assets		
Property, plant and equipment (Notes 9 and 10)	$ 31,779,833	$ 25,934,280
Intangible assets (Note 11)	-	11,098
Total non-current assets	31,779,833	25,945,378
Current assets		
Other assets (Note 17)	2,363	2,704
Inventories (Note 13)	1,815,965	1,513,498
Trade and other receivables (Note 18)	804,451	698,715
Prepayments (Note 9)	454,553	226,443
Investments (Note 18)	1,563,648	7,485,578
Cash and cash equivalents (Notes 14 and 18)	4,249,846	3,395,464
Total current assets	8,890,826	13,322,402
Total assets	$ 40,670,659	$ 39,267,780
Equity		
Share capital (Note 15)	$ 1,075,273	$ 1,072,583
Share premium (Note 15)	1,783,540	1,708,063
Reserves (Note 15)	8,000,000	8,000,000
Retained earnings	27,995,577	26,654,218
Total equity (attributable to owners of the Company)	38,854,390	37,434,864
Liabilities		
Non-current liabilities		
Lease liabilities (Notes 10 and 18)	8,184	18,905
Total non-current liabilities	8,184	18,905
Current liabilities		
Equipment deposits (Note 18)	2,158	1,809
Trade payables and accrued liabilities (Note 18)	1,068,447	1,378,555
Funds withheld on contract (Note 19)	726,758	422,372
Lease liabilities (Notes 10 and 18)	10,722	11,275
Total liabilities	1,816,269	1,832,916
Total liabilities and equity	$ 40,670,659	$ 39,267,780

The notes on pages 7 to 35 are an integral part of these consolidated financial statements

Signed on behalf of the Board

________________ Director ________________ Director

WATLINGTON WATERWORKS LIMITED

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021
(Expressed in Bermuda Dollars)

	2022	2021
Revenue (Notes 5 and 6)	$ 11,747,788	$ 10,258,481
Production costs (Notes 7 and 13)	(2,832,475)	(2,452,250)
Gross profit	8,915,313	7,806,231
Other income (Notes 5 and 6)	62,097	60,060
Administrative expenses (Note 7)	(3,620,939)	(3,495,791)
Distribution expenses (Note 7)	(3,104,398)	(2,787,627)
Impairment recovery on cash and cash equivalents and investments (Note 18)	14,484	3,694
Impairment (loss) recovery on trade receivables (Note 18)	(36,882)	107,750
Total profit before finance income	2,229,675	1,694,317
Finance income (Note 5)	25,984	96,419
Finance costs (Note 10)	(1,394)	(711)
Net finance income	24,590	95,708
Profit and total comprehensive income for the year (attributable to owners of the Company)	$ 2,254,265	$ 1,790,025
Earnings per share		
Basic earnings per share (Note 16)	$ 2.10	$ 1.67
Diluted earnings per share (Note 16)	$ 2.05	$ 1.63

All amounts reported above are related to continuing operations. There are no other components of comprehensive income.

The notes on pages 7 to 35 are an integral part of these consolidated financial statements

WATLINGTON WATERWORKS LIMITED

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021
(Expressed in Bermuda dollars)

	Attributable to owners of the Company					
	Share capital	Share premium	Capital reserve	General reserve	Retained earnings	Total
Balance at January 1, 2021	$ 1,070,330	$ 1,645,354	$ 7,000,000	$ 1,000,000	$ 25,721,789	$ 36,437,473
Total comprehensive income for the year						
Profit for the year	–	–	–	–	1,790,025	1,790,025
Transactions with owners of the Company recognized directly in equity						
Issuance of shares (Note 15)	2,253	62,709	–	–	–	64,962
Dividends (Note 15)	–	–	–	–	(857,596)	(857,596)
Balance at December 31, 2021	1,072,583	1,708,063	7,000,000	1,000,000	26,654,218	37,434,864
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,254,265	2,254,265
Transactions with owners of the Company recognized directly in equity						
Issuance of shares (Note 15)	2,690	75,477	-	-	-	78,167
Dividends (Note 15)	-	-	-	-	(912,906)	(912,906)
Balance at December 31, 2022	$ 1,075,273	$ 1,783,540	$ 7,000,000	$ 1,000,000	$ 27,995,577	$ 38,854,390

The notes on pages 7 to 35 are an integral part of these consolidated financial statements

WATLINGTON WATERWORKS LIMITED

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(Expressed in Bermuda Dollars)

	2022	2021
Operating activities		
Profit for the year	$ 2,254,265	$ 1,790,025
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	1,568,897	1,638,651
Amortization of intangible assets (Note 11)	11,098	12,220
Net finance income	(24,590)	(95,708)
	3,809,670	3,345,188
Changes in non-cash working capital balances:		
Inventories	(302,467)	(208,095)
Trade and other receivables	(105,736)	(25,184)
Prepayments	(228,110)	16,420
Trade payables and accrued liabilities	(310,108)	395,622
Funds withheld on contract (Note 19)	304,386	422,372
Equipment deposits	349	70
Other assets	341	48
Net cash provided by operating activities	3,168,325	3,946,441
Investing activities		
Interest received	25,984	96,419
Proceeds from sale of investments	5,921,930	1,477,741
Acquisition of property, plant and equipment (Note 9)	(7,414,450)	(8,840,176)
Net cash used in investing activities	(1,466,536)	(7,266,016)
Financing activities		
Proceeds from shares issued (Note 15)	78,167	64,962
Payment of lease liabilities (Note 10)	(12,668)	(12,568)
Dividends paid (Note 15)	(912,906)	(857,596)
Net cash used in financing activities	(847,407)	(805,202)
Net increase (decrease) in cash and cash equivalents	854,382	(4,124,777)
Cash and cash equivalents at beginning of year	3,395,464	7,520,241
Cash and cash equivalents at end of year	$ 4,249,846	$ 3,395,464

The notes on pages 7 to 35 are an integral part of these consolidated financial statements

1. General

Watlington Waterworks Limited (the "Company") is a company domiciled in Bermuda. The Company is listed on the Bermuda Stock Exchange ("BSX"). The address of the Company's registered office is H.P. House, 21 Laffan Street, Hamilton HM09, Bermuda. These consolidated financial statements of the Company comprise the Company and its wholly-owned subsidiary Bermuda Waterworks Ltd (together the "Group", hereinafter also referred to as the "Company"). The Group is primarily involved in the production and distribution of water and purification of drinking water at the retail and wholesale level. The Group is also engaged in the provision of water services, plumbing supplies and the supply of water coolers for sale and rental. There is no parent or ultimate controlling party to the Company.

2. Basis of preparation

a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Board of Directors on April 21, 2023.

b) *Basis of measurement*

These consolidated financial statements have been prepared on the historical cost basis.

c) *Functional and presentation currency*

These consolidated financial statements are presented in Bermuda Dollars, which is the Company's functional currency.

d) *Use of estimates and judgements*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements apply to impairment of financial assets and non-financial assets (Notes 3(h) and 18).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bermuda Waterworks Ltd. A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statement of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All intercompany transactions and balances are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gains or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at the fair value when control is lost.

b) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

c) Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour; and any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Subsequent expenditure
Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation
Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each asset or component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Land and assets under construction are not depreciated.

3. Significant accounting policies (continued)

c) Property, plant and equipment (continued)

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

▪ buildings	40 years
▪ building improvements	10 years
▪ plant and equipment including pipelines	3 – 40 years
▪ fixtures and fittings	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Intangible assets

Application software is measured at cost less accumulated amortization and is amortized on a straight-line basis over a useful life of 3 years.

Any gain or loss on disposal of an item of intangible assets is recognized in profit or loss.

Intangible assets are tested annually for impairment or more frequently if certain indicators of impairment are identified.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the investment property including capitalized borrowing costs. The fair values of investment properties are disclosed in the notes to these consolidated financial statements. These are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value, using the straight-line method over the following estimated useful lives. Land is not depreciated.

▪ buildings	40 years
▪ improvements	10 years

f) Inventories

Inventories which comprise essential utility parts, plumbing supplies and bottled water supplies are measured at the lower of cost and net realizable value. Cost is based on the weighted average, and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs incurred in bringing them to their present condition and location. Provision is made for obsolete or slow-moving inventories.

3. Significant accounting policies (continued)

g) Financial instruments

The Company's financial assets comprise of trade and other receivables, investments and cash and cash equivalents. The Company's financial liabilities include trade payables and equipment deposits.

(i) Recognition and initial measurement

Trade and other receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. Trade and other receivables are initially measured at the transaction price which reflects fair value. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Company determines the classification of its financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company classifies its financial assets at amortized cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL").

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the Company is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset in initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

3. Significant accounting policies (continued)

g) Financial instruments (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

(ii) Classification and subsequent measurement (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets – Subsequent measurement and gains and losses

The Company's financial assets classified as amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Company classifies its financial liabilities as amortized cost. The Company's financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flow from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in the consolidated statement of comprehensive income.

3. Significant accounting policies (continued)

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

h) Impairment

Financial assets

The Company recognizes loss allowances or expected credit losses (“ECLs”) on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to 12 month ECLs for cash and cash equivalents and investments that are determined to have a low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when it is more than 90 days past due.

The Company considers an investment to have low credit risk when its credit risk rating is equivalent to B or higher per Standard and Poor’s.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

3. Significant accounting policies (continued)

h) Impairment (continued)

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 150 days past due based on historical experience of recoveries of similar assets.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environment;
- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the use of the assets or the strategy for business; and
- significant negative industry or economic trends.

The identification of impairment indicators, estimation of timing and amount of expected future cash flows, determination of application of discount rates and computation of recovered amounts for assets involves significant judgment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

3. Significant accounting policies (continued)

h) Impairment (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Finance income

Finance income represents interest on cash and cash equivalents and investments, and is recorded on the accruals basis using the effective interest method.

j) Employee benefits

The Company sponsors a defined contribution pension plan (the "Plan") covering all eligible employees. The cost of the Plan is expensed as related benefits are earned by the employees. The Company makes monthly contributions in accordance with the Plan Agreement to the employees' individual accounts, which are administered by an insurance company pursuant to and in accordance with the National Pension Scheme (Occupational Pensions) Act.

k) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is calculated dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding after adjustment of the effects of dilutive potential ordinary shares which would arise from shares purchased through the employee purchase plan.

l) Revenue

The Company generates revenue primarily from the sale of metered water, bottled water and plumbing supplies. Other sources of revenue include the sale and rental of water coolers and related equipment, utility connection fees and rental income from investment property.

Contract balances

The only contract balances from contracts with customers are trade receivables which are included in trade and other receivables.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

3. Significant accounting policies (continued)

l) *Revenue* (continued)

Performance obligations and revenue recognition policies (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Revenue stream	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition policies**
Utility water sales	Utility water sales are based on consumption recorded by meter readings taken monthly during the year. The performance obligation is the provision of metered water. Payment is net 30 days.	Revenue is recognized as billed at the end of each month.
Bottled water	Bottled water sales are based on customer purchases at point of sale or upon delivery of goods and services. The performance obligation is the transfer of bottled water to the customer. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied.
Plumbing supplies	Plumbing sales are based on customer purchases at point of sale. The performance obligation is the transfer of supplies to the customer. Payment is net 30 days.	Revenue is recognized at the point in time when the performance obligation is satisfied.
Utility connection fees	Connection fees are invoiced once the installation is complete. Payment is net 30 days.	Revenue is recognized as billed once the installation has been completed.

Rental income

Rental income is recognized as revenue on a straight-line basis over the term of the lease.

m) *Leases*

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16, *Leases*.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

3. Significant accounting policies (continued)

m) Leases (continued)

As a lessee (continued)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lessor transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate of 6% as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renew period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

m) Leases (continued)

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 *Revenue from contracts with customers* to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

4. New standards and interpretations not yet adopted

A number of new or amended standards are effective for annual periods beginning after January 1, 2022 and early adoption is permitted; however, the Company has not early adopted the following new or amended standards in preparing its consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS1)*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

5. Operating segments

The principal activity of the Company is the production and distribution of water. There are two primary revenue earning divisions, the Utility Division and the Bottled Water Division. The Utility Division distributes drinking water through a network of underground pipelines to the central and western parishes of Bermuda. The Bottled Water Division manufactures the Pure Water product, which is distributed throughout Bermuda, is sold in grocery stores and from the Company's premises and is also delivered directly to customers' premises. Other operations include the retail store for plumbing supplies and miscellaneous income and expenditures.

Income and expenditure by segment

	2022			
	Utility	Bottled Water	Other	Total
Income				
External revenues	$ 6,684,440	$ 4,616,594	$ 448,851	$ 11,749,885
Intersegment revenues	60,478	-	-	60,478
Rentals	-	-	60,000	60,000
Finance income	-	-	25,984	25,984
Total income	6,744,918	4,616,594	534,835	11,896,347
Expenditure				
External costs	3,982,450	3,134,109	885,050	8,001,609
Depreciation and amortization	985,701	151,499	442,795	1,579,995
Intersegment expenditure	-	60,478	-	60,478
Total expenditure	4,968,151	3,346,086	1,327,845	9,642,082
Net profit (loss) by segment	$ 1,776,767	$ 1,270,508	$ (793,010)	$ 2,254,265

	2021			
	Utility	Bottled Water	Other	Total
Income				
External revenues	$ 5,345,453	$ 4,419,546	$ 493,542	$ 10,258,541
Intersegment revenues	57,810	–	–	57,810
Rentals	–	–	60,000	60,000
Finance income	–	–	96,419	96,419
Total income	5,403,263	4,419,546	649,961	10,472,770
Expenditure				
External costs	3,293,099	2,835,521	845,444	6,974,064
Depreciation and amortization	1,036,694	163,337	450,840	1,650,871
Intersegment expenditure	–	57,810	–	57,810
Total expenditure	4,329,793	3,056,668	1,296,284	8,682,745
Net profit (loss) by segment	$ 1,073,470	$ 1,362,878	$ (646,323)	$ 1,790,025

5. Operating segments (continued)

Income and expenditure by segment (continued)

External revenues for the Utility Division include connection fees, and for the Bottled Water Division sales and rentals of coolers and related equipment are included. Intersegment revenues and expenditure refer to water supplied by the Utility Division to the Bottled Water Division and further processed to make the Pure Water product. This supply is billed at normal commercial rates.

Administrative costs have been charged to reporting segments on an actual basis wherever possible. The residual of non-allocable administrative expenditure is allocated to segments on an estimated usage basis.

Reconciliation of revenue and other income

	2022	2021
Total revenue for reportable segments	$ 11,361,512	$ 9,822,809
Non-reportable segments' revenue	534,835	649,961
Finance income	(25,984)	(96,419)
Elimination of intersegment revenues	(60,478)	(57,810)
Total revenue and other income (Note 6)	$ 11,809,885	$ 10,318,541

Non-reportable segments

Revenue includes sales from the Company's plumbing supplies retail outlet, external rentals from the Company's properties and interest on invested funds. Expenditure includes the operating costs of the retail outlet, depreciation on equipment used jointly by all divisions of the Company, (e.g. computer hardware and software) and unallocated administrative costs. The revenue and other income for the non-reportable segments are reported as *'other'* on the '*income and expenditure by segment'* table above.

Reconciliation of assets, liabilities and capital expenditure by segment

	Utility	Bottled Water	Total reportable segments	Other	Total
As at December 31, 2022					
Assets	$ 29,881,224	$ 703,522	$ 30,584,746	$ 10,085,913	$ 40,670,659
Liabilities	(982,091)	(110,891)	(1,092,982)	(723,287)	(1,816,269)
Capital expenditure	7,360,409	8,601	7,369,010	45,440	7,414,450

	Utility	Bottled Water	Total reportable segments	Other	Total
As at December 31, 2021					
Assets	$ 22,962,585	$ 867,955	$ 23,830,540	$ 15,437,240	$ 39,267,780
Liabilities	(1,097,775)	(101,559)	(1,199,334)	(633,582)	(1,832,916)
Capital expenditure	8,773,228	28,218	8,801,446	38,730	8,840,176

6. Revenue and other income

	2022	2021
Revenue from contracts with customers		
Revenue from contractual sales	$ 9,543,390	$ 8,011,965
Other revenue – *implied contracts on cash sales*		
Revenue from bottled water cash sales	2,022,303	2,090,721
Pure Water equipment sales	182,095	155,795
	$ 11,747,788	$ 10,258,481
Other income		
Rental income	$ 60,000	$ 60,000
Pension forfeiture	2,097	-
Book sales	-	60
	$ 62,097	$ 60,060
Total revenue and other income	$ 11,809,885	$ 10,318,541

Disaggregation of revenue from contracts with customers

In the following tables, revenue from contracts with customers is disaggregated by major product and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments.

	2022			
	Utility	Bottled Water	Other	Total
Major products and service lines				
Utility water sales	$ 6,565,851	$ -	$ -	$ 6,565,851
Bottled water sales	-	2,412,196	-	2,412,196
Plumbing supplies	-	-	446,754	446,754
Utility connection fees	118,589	-	-	118,589
	6,684,440	2,412,196	446,754	9,543,390
Timing of revenue recognition				
Products and services transferred over time	6,684,440	-	-	6,684,440
Products and services transferred at a point in time	-	2,412,196	446,754	2,858,950
Revenue from contracts with customers	6,684,440	2,412,196	446,754	9,543,390
Other revenue	-	2,204,398	-	2,204,398
Other income	-	-	62,097	62,097
External revenue and other income as reported in Note 5	$ 6,684,440	$ 4,616,594	$ 508,851	$ 11,809,885

6. Revenue and other income (continued)

Disaggregation of revenue from contracts with customers (continued)

	2021			
	Utility	Bottled Water	Other	Total
Major products and service lines				
Utility water sales	$ 5,293,382	$ –	$ –	$ 5,293,382
Bottled water sales	–	2,173,030	–	2,173,030
Plumbing supplies	–	–	493,482	493,482
Utility connection fees	52,071	–	–	52,071
	5,345,453	2,173,030	493,482	8,011,965
Timing of revenue recognition				
Products and services transferred over time	5,345,453	–	–	5,345,453
Products and services transferred at a point in time	–	2,173,030	493,482	2,666,512
Revenue from contracts with customers	5,345,453	2,173,030	493,482	8,011,965
Other revenue	–	2,246,516	–	2,246,516
Other income	–	–	60,060	60,060
External revenue and other income as reported in Note 5	$ 5,345,453	$ 4,419,546	$ 553,542	$ 10,318,541

7. Expenses by nature

Expenses by nature primarily comprise of:

	2022	2021
Employee benefits (Note 8)	$ 4,010,864	$ 3,802,345
Depreciation (Note 9)	1,568,897	1,638,651
Electricity	1,411,193	1,073,947
Inventories expensed (Note 13)	930,364	788,607
Other expenses	559,564	549,492
Repairs and maintenance	419,368	341,301
Vehicle	240,776	193,510
Consultancy	187,740	185,502
Advertising	118,929	107,738
Royalties	99,019	42,355
Amortization of intangible assets (Note 11)	11,098	12,220
Total production costs, administrative and distribution expenses	$ 9,557,812	$ 8,735,668

8. Employee benefit expenses

	2022	2021
Short term employment benefits	$ 3,155,572	$ 2,954,577
Compulsory payroll tax, social insurance and health scheme contributions	632,619	625,649
Payments to defined contribution pension scheme	142,704	142,390
Workmen's compensation and disability	58,562	54,687
Other employee benefit expense	21,407	25,042
	$ 4,010,864	$ 3,802,345

9. Property, plant and equipment

	Land & buildings	Plant & equipment	Fixtures & fittings	Under construction	Total
Cost					
At January 1, 2021	$ 6,730,930	$ 31,192,871	$ 339,852	$ 1,636,784	$ 39,900,437
Additions	–	66,880	17,815	8,755,481	8,840,176
Removal of fully depreciated assets	–	(4,712)	–	–	(4,712)
Reallocation	(4)	(104,919)	(20,922)	–	(125,845)
Transfers	–	115,312	18,926	(134,238)	–
At December 31, 2021	6,730,926	31,265,432	355,671	10,258,027	48,610,056
Additions	–	332,644	33,594	7,048,212	7,414,450
Transfers	–	171,769	15,283	(187,052)	–
At December 31, 2022	$ 6,730,926	$ 31,769,845	$ 404,548	$ 17,119,187	$ 56,024,506
Accumulated depreciation					
At January 1, 2021	$ 1,961,713	$ 19,016,851	$ 189,118	$ –	$ 21,167,682
Removal of fully depreciated assets	–	(4,712)	–	–	(4,712)
Reallocation	7	(232,614)	106,762	–	(125,845)
Depreciation	370,816	1,217,044	50,791	–	1,638,651
At December 31, 2021	2,332,536	19,996,569	346,671	–	22,675,776
Reallocation	–	86,000	(86,000)	–	–
Depreciation	377,557	1,148,129	43,211	–	1,568,897
At December 31, 2022	$ 2,710,093	$ 21,230,698	$ 303,882	$ –	$ 24,244,673
Carrying amounts					
At January 1, 2021	$ 4,769,217	$ 12,176,020	$ 150,734	$ 1,636,784	$ 18,732,755
At December 31, 2021	$ 4,398,390	$ 11,268,863	$ 9,000	$ 10,258,027	$ 25,934,280
At December 31, 2022	$ 4,020,833	$ 10,539,147	$ 100,666	$ 17,119,187	$ 31,779,833

The removal of fully depreciated assets relates to items with $nil carrying amounts as at December 31, 2021 that are no longer in use by the Company.

9. Property, plant and equipment (continued)

At December 31, 2022 the Company had $10,019,089 (2021 - $8,622,817) in fully depreciated assets that were still in use.

During the year, the Company took the decision to reclassify assets to more appropriate classes to better reflect their use within the business. There is no impact on net book value at December 31, 2021 and December 31, 2022.

On November 4, 2022, the Company entered into a 'sale and purchase agreement' to purchase a freehold property known as Lot 5B1 Luke's Pond Drive in Southampton Parish, Bermuda, at a consideration of $375,000. As of December 31, 2022, a deposit of $37,500 was paid for the property, which is included in prepayments on the consolidated statement of financial position together with legal professional fees of $5,657 so far incurred on the purchase which will be capitalized to the cost of the property when the sale is complete. The remaining consideration will be settled when the conditions as set out in the sale and purchase agreement are satisfied, none of which have been satisfied as of December 31, 2022 and as of the date that the consolidated financial statements were authorized for issue.

10. Leases

Leases as lessee

During 2020 the Company entered into a lease for office equipment for a period of four years. Lease payments are $635 per month. The Company has recognized right-of-use assets in relation to leased office equipment which are presented as property, plant and equipment. The Company historically leases wells, well rights and right of ways on various landowners' properties. As at December 31, 2022 the Company had two enforceable contracts with respect to its use of wells, well rights and right of ways.

Right-of-use assets

	Land & buildings	Fixtures & fittings	Total
Balance at January 1, 2021	$ 17,645	$ 25,137	$ 42,782
Depreciation charge for the year	(3,529)	(5,386)	(8,915)
Balance at December 31, 2021	14,116	19,751	33,867
Depreciation charge for the year	(3,529)	(5,386)	(8,915)
Balance at December 31, 2022	$ 10,587	$ 14,365	$ 24,952

Amounts recognized in the consolidated statement of comprehensive income

	2022	2021
Interest on lease liabilities	$ 1,394	$ 711
Expenses relating to leases of low-value assets	980	954

Amounts recognized in the consolidated statement of cash flows

	2022	2021
Total cash outflow for leases	$ 12,668	$ 12,568

10. Leases (continued)

Leases as lessor

The Company leased out its investment property (Note 12) during the year ended December 31, 2022. The term of the lease is two years and expires on August 31, 2023. The Company classified this lease as an operating lease, because it did not transfer substantially all of the risks and rewards incidental to the ownership of the asset. Rental income recognized by the Company during 2022 was $60,000 (2021 - $60,000).

11. Intangible assets

		Application software
Cost		
January 1, 2021, December 31, 2021 and December 31, 2022	$	151,123
Accumulated amortization		
At January 1, 2021		127,805
Amortization		12,220
At December 31, 2021	$	140,025
Amortization		11,098
At December 31, 2022	$	151,123
Carrying amounts		
At January 1, 2021	$	23,318
At December 31, 2021	$	11,098
At December 31, 2022	$	-

12. Investment property

Investment property comprises a residential property which is leased to a tenant on a month-by-month basis.

		Investment property
Cost		
At January 1, 2021 and December 31, 2021 and 2022	$	330,153
Accumulated depreciation		
At January 1, 2021 and December 31, 2021 and 2022	$	330,153
Carrying amounts		
At January 1, 2021 and December 31, 2021 and 2022	$	-

12. Investment property (continued)

The property was valued by an independent appraiser, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, on June 8, 2020 at a value of $1,150,000. The property is leased at a monthly rental of $5,000. Management believe that this appraised valuation approximates the fair value of the investment property. Earned rental income for the year ended December 31, 2022 was $60,000 (2021 - $60,000) and operating expenses pertaining to the investment property was $11,760 (2021 - $2,676).

The independent appraiser used the comparable sales analysis approach in determining the fair value. The valuation approach considered the annual rental values of similar properties as published by the Government of Bermuda, market listings for similar properties and the zoning of the property for purposes of development. The fair value measurement for investment properties is categorized as a level 3 (Note 18) fair value based on the inputs to the valuation approach used.

13. Inventories

	2022	2021
Spares and production parts	$ 1,263,851	$ 1,048,364
Goods for resale	561,413	460,993
Water bottling supplies	44,889	60,582
Inventory provision	(54,188)	(56,441)
	$ 1,815,965	$ 1,513,498

Included in the consolidated statement of comprehensive income are recognized inventory expenses of $930,364 (2021 - $788,607).

14. Cash and cash equivalents

	2022	2021
Bank balances	$ 1,018,417	$ 1,226,506
Call deposits	3,231,429	2,168,958
	$ 4,249,846	$ 3,395,464

15. Capital and reserves

Share capital

	Ordinary shares of $1 par value	
	2022	2021
Issued as at January 1	$ 1,072,583	$ 1,070,330
Issued for cash during the year	2,690	2,253
Issued at December 31 – fully paid	$ 1,075,273	$ 1,072,583
Authorized	$ 2,000,000	$ 2,000,000

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Share premium

The share premium balance relates to the excess of the consideration received over par value of shares of the Company.

Employee share purchase plan

In June 1999, the Company introduced an employee share purchase plan whereby an employee with a minimum of one year's continuous service may subscribe to purchase a maximum of 1,000 common shares in any one calendar year. The purchase price of the common shares is 85% of the average price, derived from the last three trade-date prices. The shares purchased are issued from authorized, unissued share capital. Employees are restricted from selling the shares for a period of one year from the issuance date. The subscription amount is reset to 1,000 at the beginning of the next calendar year for qualifying employees.

As at January 1, 2022 the total number of shares available for purchase under the plan was 31,000 (2021 - 31,000). During the year ended December 31, 2022, employees subscribed for and were issued 2,690 (2021 - 2,253) common shares for consideration of $68,330 (2021 - $51,875). The difference between the discounted price at which the shares were issued and the market price at the plan's subscription date was $9,837 (2021 - $13,087) and is included in employee benefit expenses for the year ended December 31, 2022 (Note 8). The excess of the market price over the par value of the shares of $75,477 (2021 - $62,709) is recorded as share premium. The weighted-average exercise price of exercised options was $25.40 (2021 - $23.02). As at December 31, 2022, there were 28,310 options outstanding with a weighted-average exercise price of $25.37 (2021 - 26,747 and $23.04 respectively).

Capital reserve

The amount of the capital reserve of $7,000,000 (2021 - $7,000,000) was transferred from retained earnings and represents the Company's investment in infrastructure renovations and improvements, including pipelines and reservoirs, in order to maintain the permanent capital of the Company and has been approved by the Board of Directors.

15. Capital and reserves (continued)

General reserve

General reserve of $1,000,000 (2021 - $1,000,000) is an appropriation from retained earnings as a contingency for unexpected future expenditures and has been approved by the Board of Directors.

Dividends

The following dividends were declared and paid by the Company for the year ended December 31:

	2022	2021
20 cents per qualifying ordinary share (2021 - 20 cents) March	$ 214,517	$ 214,096
20 cents per qualifying ordinary share (2021 - 20 cents) June	214,526	214,486
20 cents per qualifying ordinary share (2021 - 20 cents) September	215,045	214,497
25 cents per qualifying ordinary share (2021 - 20 cents) December	268,818	214,517
	$ 912,906	$ 857,596

Subsequent to the year-end, the Company declared a dividend of 25 cents per share on February 23, 2023. This was paid out on March 31, 2023.

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2022 is based on the profit attributable to ordinary shareholders of $2,254,265 (2021 - $1,790,025), and a weighted average number of ordinary shares outstanding of 1,073,496 (2021 - 1,071,615), calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Total issued ordinary shares at January 1(Note 15)	1,072,583	1,070,330
Effect of shares issued during the year	913	1,285
Weighted average number of ordinary shares at December 31	1,073,496	1,071,615

16. Earnings per share (continued)

Diluted earnings per share

Share options with a dilutive effect were issued in June 1999 (Note 15). The calculation of diluted earnings per share for the year ended December 31, 2022 is based on the profit attributable to ordinary shareholders of $2,254,265 (2021 - $1,790,025), and a weighted average number of ordinary shares outstanding after adjustment of the effects of dilutive potential ordinary shares of 1,101,806 (2021 - 1,098,362), calculated as follows:

	2022	2021
Weighted average number of ordinary shares at December 31	1,073,496	1,071,615
Effect of dilutive ordinary shares	28,310	26,747
Weighted average number of ordinary shares at December 31 (diluted)	1,101,806	1,098,362

17. Other assets

The Company participates in a defined contribution pension plan on behalf of its employees with a third-party insurer. As at December 31, 2022 the Company has a pension surplus of $2,363 (2021 - $2,704) which is included in other assets on the consolidated statement of financial position. The pension surplus arises from contributions made by the Company for former employees who left the pension plan prior to the vesting date and can be offset against the Company's future pension contributions payable.

18. Financial instruments – Fair values and risk management

Measurement of fair values

Fair value

The Company's financial instruments consist of cash and cash equivalents, investments, trade and other receivables, trade payables and equipment deposits.

All investments consist of call deposits and are carried at amortized cost.

The carrying value of the Company's financial assets and liabilities approximate their fair value due to their short-term nature or the fact that they attract interest at market rates.

Fair value hierarchy

Financial instruments are carried at fair value, as classified by valuation method. The different levels of the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not hold any investments which are required to be disclosed in accordance with the above fair value hierarchy.

18. Financial instruments – Fair values and risk management (continued)

Financial risk management

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Company, and arises principally from cash and cash equivalents, trade and other receivables and investments.

The Company is exposed to credit related losses to the extent of non-performance by counterparties to the financial instruments, predominately trade and other receivable balances. There are no significant concentrations of credit risk.

a) Cash and cash equivalents and investments

The Company maintains the majority of its cash and cash equivalents in accounts with Bank of N.T. Butterfield and Son Ltd., a Bermuda-based bank. The risk of default is not considered significant by management.

Investments comprise of time deposits carried at amortised cost and which earn fixed interest rates between 0.05% and 0.60% per annum. Investments have been entered into for terms of six months and one year. The Company maintains its investments in term deposits with two Bermuda-based banks, HSBC Bank Bermuda Limited and Bermuda Commercial Bank.

The following table presents an analysis of the credit quality of cash and cash equivalents and investments at amortized cost by reference to the external credit rating and default rates published by Standard and Poor's:

	2022	2021
Cash and cash equivalents		
A-	$ 220	$ 172
BBB+	4,223,392	3,342,289
BB+	100	100
B+	27,975	54,832
B	2,500	2,500
	4,254,187	3,399,893
Impairment loss	(4,341)	(4,429)
	$ 4,249,846	$ 3,395,464

	2022	2021
Investments		
A-	$ -	$ 1,603,139
BB+	1,568,510	5,901,697
	1,568,510	7,504,836
Impairment loss	(4,862)	(19,258)
	$ 1,563,648	$ 7,485,578

18. Financial instruments – Fair values and risk management (continued)

Financial risk management (continued)

Credit risk (continued)

a) Cash and cash equivalents and investments (continued)

Impairment on cash and cash equivalents and investments has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. 12-month and lifetime probabilities of default are based on historical data supplied by Standard and Poor's for each credit rating. The Company considers that its cash and cash equivalents and investments have low credit risk based on the external credit ratings of the counterparties.

Movements in the allowance for impairment in respect of cash and cash equivalents

The movement in the allowance for impairment in respect of cash and cash equivalents during the year was as follows:

	2022	2021
Balance at January 1	$ 4,429	$ 9,740
Net re-measurement of loss allowance	(88)	(5,311)
Balance at December 31	$ 4,341	$ 4,429

Movements in the allowance for impairment in respect of investments

The movement in the allowance for impairment in respect of investments during the year was as follows:

	2022	2021
Balance at January 1	$ 19,258	$ 17,641
Net re-measurement of loss allowance	(14,396)	1,617
Balance at December 31	$ 4,862	$ 19,258

b) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's receivable balances are predominately with multiple Bermuda-based residential and commercial customers, and are subject to credit risks in the normal course of business.

The maximum exposure to credit risk for receivable balances at the reporting date is represented by the carrying value on the consolidated statement of financial position.

The credit exposure is mitigated through the use of credit policies under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The credit exposure is further mitigated through on-going monitoring and assessment of customer payment history.

18. Financial instruments – Fair values and risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Expected credit loss assessment for individual customers

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at December 31, 2022:

As at December 31, 2022	Weighted - average loss rate	Gross carrying amount	Loss allowance	Credit - impaired
Current	1%	$ 702,861	$ (7,028)	No
Past 30 days	13%	88,528	(11,453)	No
Past 60 days	29%	23,377	(6,819)	No
Past 90 days	90%	145,015	(130,030)	Yes
		$ 959,781	$ (155,330)	

Loss rates are based on the actual credit loss experience over the past 3 years. Management considers these loss rates to be the best available evidence of expected credit loss and these have not been adjusted. The difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables is not assessed as having a significant impact on the assessment of ECLs. Actual loss rates may differ from this assessment.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at December 31, 2021:

As at December 31, 2021	Weighted - average loss rate	Gross carrying amount	Loss allowance	Credit - impaired
Current	1%	$ 607,655	$ (6,077)	No
Past 30 days	11%	83,702	(9,207)	No
Past 60 days	30%	14,921	(4,476)	No
Past 90 days	89%	110,885	(98,688)	Yes
		$ 817,163	$ (118,448)	

18. Financial instruments – Fair values and risk management (continued)

Financial risk management (continued)

Credit risk (continued)

b) Trade and other receivables (continued)

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022	2021
Balance at January 1	$ 118,448	$ 226,199
Amounts written off	(4,775)	(8,027)
Net re-measurement of loss allowance	41,657	(99,724)
Balance at December 31	$ 155,330	$ 118,448

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial liability obligations. The Company maintains sufficient cash together with cash generated from sales, to meet its liabilities as they fall due.

The table below categorizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months approximate their carrying values, as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	0 - 3 months	4 - 12 months	Greater than 1 year
As at December 31, 2022					
Trade payables	$ 222,362	$ 222,362	$ 222,362	$ -	$ -
Equipment deposits	2,158	2,158	2,158	-	-
Lease liabilities	18,906	28,458	1,905	10,864	15,689
Total financial liabilities	$ 243,426	$ 252,978	$ 226,425	$ 10,864	$ 15,689

	Carrying amount	Contractual cash flows	0 - 3 months	4 - 12 months	Greater than 1 year
As at December 31, 2021					
Trade payables	$ 631,509	$ 631,509	$ 631,509	$ –	$ –
Equipment deposits	1,809	1,809	1,809	–	–
Lease liabilities	30,180	41,126	1,905	10,763	28,458
Total financial liabilities	$ 663,498	$ 674,444	$ 635,223	$ 10,763	$ 28,458

18. Financial instruments – Fair values and risk management (continued)

Financial risk management (continued)

Interest rate risk

The Company does not have any significant exposure to interest rate risk. Investments comprise of time deposits which earn a fixed interest rates between 0.05% and 0.60% per annum.

Currency risk

Currency risk arises from changes in prevailing foreign currency rates. Assets and liabilities are predominately held in the functional currency of the Company, which is the Bermuda dollar. The Company is not exposed to significant foreign currency risk.

Capital management

The Company's objectives in managing capital are to ensure sufficient liquidity to enable the internal financing of capital projects and working capital needs, thereby facilitating its expansion, to maintain a strong capital base so as to maintain investor, creditor and market confidence and to provide an adequate return to shareholders.

The Company's capital is comprised of shareholders' equity. The Company's primary uses of capital are to fund increases in non-cash working capital, along with capital expenditure for new production processes and distribution networks. The Company currently funds these requirements out of its internally generated cash flow. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. The Company is not subject to any externally imposed capital requirements.

19. Commitments

As at December 31, 2022, the Company had contracted capital commitments in respect of plant and equipment of $40,242 (2021 - $57,278). These commitments will be met from operations during 2023.

During 2020, the Company entered into a contract of $15,215,780 with D&J Construction Ltd. to construct a reservoir, pump station and Phase 1 treatment building at Lot 6B, Luke's Pond Drive, Southampton. During the year, there were changes in scope to the project in the amount of $139,851 bringing the total cost of the project to $15,355,431. Construction began in February 2021 and the project is expected to extend through 2023 with commitments of $1,547,038. The project was initially scheduled for completion in May 2022, however, due to supply chain issues which have caused delays, the project is now scheduled for completion in May 2023. These commitments will be met from a combination of operations and term deposits maturing during 2023.

The funds withheld on this contract of $726,758 (2021 – $422,372) represents the retention amount which is payable under the contract.

20. Related parties

Directors' fees
Directors' fees in 2022 amounted to $39,850 (2021 - $39,850).

Key management personnel compensation
Key management compensation comprised the following:

	2022	2021
Short term employment benefits	$ 869,901	$ 902,676
Post-employment pension benefits	43,470	45,069
Dividends	20,434	17,847
Employee share purchase plan	5,336	8,940
	$ 939,141	$ 974,532

Directors' share interest and service contracts

Pursuant to Regulation 6.8(3) of Section 11B of the Bermuda Stock Exchange Listing Regulations, the total interest of all directors and officers of the Company as at December 31, 2022 was 148,163 (2021 - 120,031) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer, except for the managing director who qualifies under the employee share purchase plan (Note 15).

The Company has a service contract with a third party entity in which a director of the Company holds a material interest. Fees under the service contract for the year ended December 31, 2022 amounted to $58,512 (2021 - $47,966). There are no other contracts with the Company in which a director has a material interest, either directly or indirectly.

21. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. More specifically, income earned from non-core operations have been split out from Revenue and presented as Other Income on the Consolidated Statement of Comprehensive Income. This change in presentation also impacted Notes 5 and 6.