
WATLINGTON WATERWORKS LIMITED

CONSOLIDATED Financial Statements

For the 6 months ended

JUNE 30, 2021

(Unaudited)

Watlington Waterworks Limited
Consolidated Statement of Financial Position (unaudited)
As at June 30, 2021
(Expressed in Bermuda Dollars)

	June 30, 2021	Dec 31, 2020
Assets		
Property, plant, and equipment (note 4)	\$ 21,916,831	\$ 18,732,755
Intangible assets (note 5)	17,152	23,318
Investment property (note 6)	-	-
	<u>21,933,983</u>	<u>18,756,073</u>
Total non-current assets		
Other assets (note 12)	2,714	2,752
Inventories (note 7)	1,378,548	1,305,403
Trade and other receivables (note 8)	709,924	673,531
Prepayments	347,939	242,863
Investments	9,034,597	8,963,319
Cash and cash equivalents	4,404,521	7,520,241
	<u>15,878,243</u>	<u>18,708,109</u>
Total current assets		
Total assets	\$ 37,812,226 =====	\$ 37,464,182 =====
Liabilities and equity		
Share capital	\$ 1,072,433	\$ 1,070,330
Share premium	1,691,669	1,645,354
Reserves	8,000,000	8,000,000
Retained earnings	26,209,221	25,721,789
	<u>36,973,323</u>	<u>36,437,473</u>
Total equity		
Liabilities		
Lease liabilities	30,180	30,180
	<u>30,180</u>	<u>30,180</u>
Total non-current liabilities		
Equipment deposits	1,902	1,739
Trade payables	794,964	982,933
Lease liabilities	11,857	11,857
	<u>808,723</u>	<u>996,529</u>
Total current liabilities		
Total liabilities and shareholders' equity	\$ 37,812,226 =====	\$ 37,464,182 =====

Watlington Waterworks Limited
Consolidated Statement of Comprehensive Income (unaudited)
For the six months ended June 30, 2021
(Expressed in Bermuda Dollars)

	June 2021	June 2020
Revenue (note 3)	\$ 4,842,507	\$ 5,444,273
Production costs	(1,149,752)	(1,237,215)
Gross profit	3,692,755	4,307,058
Administrative expenses	(1,514,480)	(1,789,974)
Distribution expenses	(1,316,174)	(1,375,891)
Total profit before finance income	862,101	1,041,193
Finance income	53,913	67,846
Profit and total comprehensive income for the period	\$ 916,014	\$ 1,109,039
Profit attributable to:		
Owners of the Company	\$ 916,014	\$ 1,109,039
Earnings per share		
Basic earnings per share	\$ 0.85	\$ 1.04

Watlington Waterworks Limited
Consolidated Statement of Changes in Equity (unaudited)
For the six months ended June 30, 2021
(Expressed in Bermuda Dollars)

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance January 1, 2020 (restated)	\$1,067,280	\$1,565,569	\$7,000,000	\$1,000,000	\$24,631,572	\$35,264,421
Net income for 6 months (Jan – June 2020)	-	-	-	-	1,109,039	1,109,039
Dividends paid	-	-	-	-	(640,636)	(640,636)
Issuance of shares	1,340	28,649	-	-	-	29,989
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at June 30, 2020	\$1,068,620	\$1,594,218	\$7,000,000	\$1,000,000	\$25,099,975	\$ 35,762,813
Net income for 6 months (July – December 2020)	-	-	-	-	1,295,430	1,295,430
Dividends paid	-	-	-	-	(673,616)	(673,616)
Issuance of shares	1,710	51,136	-	-	-	52,846
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance December 31, 2020	\$1,070,330	\$1,645,354	\$7,000,000	\$1,000,000	\$25,721,789	\$ 36,437,473
Net income for 6 months (Jan – June 2021)	-	-	-	-	916,014	916,014
Dividends paid	-	-	-	-	(428,582)	(428,582)
Issuance of shares	2,103	46,315	-	-	-	48,418
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at June 30, 2021	\$ 1,072,433	\$1,691,669	\$7,000,000	\$1,000,000	\$26,209,221	\$ 36,973,323
	=====	=====	=====	=====	=====	=====

Watlington Waterworks Limited
Consolidated Statement of Cash Flows (Unaudited)
For the six months ended June 30, 2021
(Expressed in Bermuda Dollars)

	June 2021	June 2020
Operating activities		
Profit for the period	\$ 916,014	\$1,109,039
Adjustments for:		
Depreciation of property, plant and equipment	819,530	841,322
Amortization of intangible assets	6,166	25,292
Depreciation of investment property	-	-
Finance income	<u>(53,913)</u>	<u>(67,846)</u>
	1,687,797	1,907,807
<u>Changes in:</u>		
Inventories	(73,145)	16,332
Trade and other receivables	(36,393)	17,082
Prepayments	(105,076)	(130,117)
Trade and other payables	(187,969)	(26,553)
Equipment deposits	163	163
Other assets	38	10,846
Net cash provided by operating activities	<u>1,285,415</u>	<u>1,795,460</u>
Investing activities		
Interest received	53,913	67,846
Acquisition of property, plant and equipment	(4,003,606)	(416,373)
Investments – term deposits	(71,278)	(2,080,793)
Net cash used in investing activities	<u>(4,020,971)</u>	<u>(2,429,320)</u>
Financing activities		
Proceeds from shares issued	48,418	29,989
Dividends paid	(428,582)	(640,636)
Net cash used in financing activities	<u>(380,164)</u>	<u>(610,647)</u>
Net decrease in cash and cash equivalents	(3,115,720)	(1,244,507)
Cash and cash equivalents at beginning of period	<u>7,520,241</u>	<u>7,785,674</u>
Cash and cash equivalents at end of period	<u>\$ 4,404,521</u> =====	<u>\$ 6,541,167</u> =====

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

1. Nature of business

Watlington Waterworks Limited ("The Company") and Bermuda Waterworks Limited ("the Subsidiary") (note 2(b)) are incorporated under the laws of Bermuda and are primarily engaged in the production and distribution of water and purification of drinking water for sale at the retail and wholesale level. The group is also engaged in the provision of customer services, plumbing supplies and the supply of coolers for sale and rental.

2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The significant accounting policies adopted by the Company are as follows:

(a) Basis of presentation

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bermuda Waterworks Limited. All significant intercompany transactions and balances are eliminated on consolidation.

(c) Water sales

Water sales comprise wholesale water and bottled water sales. Wholesale water sales are based on consumption recorded by meter readings taken monthly during the period.

(d) Other operating revenues

Other operating revenues comprise income from sales of plumbing supplies, sales and rental of water coolers and related equipment and utility connection fees.

(e) Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Property, plant and equipment other than freehold land are being depreciated on a straight-line basis over their estimated useful lives, which generally vary from 3 to 40 years.

(f) Investment property

Investment property is stated at cost and depreciated over its estimated useful life of 40 years.

(g) Intangible assets

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

(h) Inventories

Inventories which comprise essential utility parts, plumbing supplies and bottled water supplies are carried at the lower of average cost and net realisable value.

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

(i) Fair values of financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying values. Where amounts receivable and payable are subject to normal credit terms, their carrying values are used as an approximation of their fair values.

(j) Cash and cash equivalents

Cash and cash equivalents include deposits having a maturity of less than three months from the date of purchase.

(k) Pension plan

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.

3. Revenue

	<u>2021</u>	<u>2020</u>
Water sales	4,443,748	5,058,019
Other operating revenues	340,938	367,558
Connection fees	27,821	18,696
Rental income	<u>30,000</u>	<u>-</u>
Total revenue	\$ 4,842,507 =====	\$5,444,273 =====

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

4. Property, plant and equipment

	<u>Land & buildings</u>	<u>Plant & equipment</u>	<u>Fixtures & fittings</u>	<u>Under construction</u>	<u>Total</u>
Cost					
At January 1, 2020	\$ 6,713,285	\$ 30,993,892	\$ 307,627	\$ 795,671	\$ 38,810,475
Additions	17,645	43,166	53,797	1,170,703	1,285,311
Fully depreciated assets	-	(173,777)	(21,572)	-	(195,349)
Transfers	-	329,590	-	(329,590)	-
At December 31, 2020	\$ 6,730,930	\$ 31,192,871	\$ 339,852	\$ 1,636,784	\$ 39,900,437
At January 1, 2021	\$ 6,730,930	\$ 31,192,871	\$ 339,852	\$ 1,636,784	\$ 39,900,437
Additions	-	5,950	-	3,997,656	4,003,606
Fully depreciated assets	-	(756)	-	-	(756)
Transfers	-	29,160	24,374	(53,534)	-
At June 30, 2021	\$ 6,730,930	\$ 31,227,225	\$ 364,226	\$ 5,580,906	\$ 43,903,287
Depreciation					
At January 1, 2020	\$ 1,587,406	\$ 17,953,831	\$ 168,846	\$ -	\$ 19,710,083
Depreciation	374,307	1,236,797	41,844	-	1,651,153
Fully depreciated assets	-	(173,777)	(21,572)	-	(195,349)
At December 31, 2020	\$ 1,961,713	\$ 19,019,851	\$ 189,118	\$ -	\$ 21,167,682
At January 1, 2021	\$ 1,961,713	\$ 19,019,851	\$ 189,118	\$ -	\$ 21,167,682
Depreciation	185,567	613,417	20,546	-	819,530
Fully depreciated assets	-	(756)	-	-	(756)
At June 30, 2021	\$ 2,147,280	\$ 19,629,512	\$ 209,664	\$ -	\$ 21,986,456
Carrying amounts					
At December 31, 2020	\$ 4,769,217	\$ 12,176,020	\$ 150,734	\$ 1,636,784	\$ 18,732,755
At June 30, 2021	\$ 4,583,650	\$ 11,597,713	\$ 154,562	\$ 5,580,906	\$ 21,916,831

**Watlington Waterworks Limited,
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021**

5. Intangible assets

Cost	Application software
Balance at January 1, 2020	\$ 151,123
Acquisitions	-
Disposals	-
	<hr/>
Balance at December 31, 2020	\$ 151,123
	=====
Balance at January 1, 2021	\$ 151,123
Acquisitions	-
Disposals	-
	<hr/>
Balance at June 30, 2021	\$ 151,123
	=====
<u>Amortization and impairment losses</u>	
Balance at January 1, 2020	\$ 84,056
Amortization for the year	<hr/> 43,749
Balance at December 31, 2020	\$ 127,805
	=====
Balance at January 1, 2021	\$ 127,805
Amortization for the period January to June 2021	<hr/> 6,166
Balance at June 30, 2021	\$ 133,971
	=====
<u>Carrying amounts</u>	
At December 31, 2020	\$ 23,318
	=====
At June 30, 2021	\$ 17,152
	=====

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

6. Investment property

Cost	Investment Property
December 31, 2019 and 2020	\$ 330,153 =====
 <u>Depreciation</u>	
Balance at December 31, 2020	\$ 330,153
Balance at June 30, 2021	\$ 330,153 =====
 <u>Carrying amounts</u>	
At December 31, 2020	\$ - =====
At June 30, 2021	\$ - =====

The property was valued by an independent appraiser 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.

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

7. Inventories

	June 2021	Dec 2020
	\$	\$
Spares and production parts	995,481	963,884
Goods for resale	415,782	372,075
Water bottling supplies	58,165	60,323
Inventory provision	(90,880)	(90,879)
	1,378,548	1,305,403

The cost of inventories recognized as an expense and included in production costs and distribution expenses is \$443,661 (June 30, 2020 - \$467,277).

8. Trade and other receivables

	June 2021	Dec 2020
	\$	\$
Accounts receivable	805,929	899,729
Allowance for doubtful debts	(96,005)	(226,198)
	709,924	673,531

9. Share capital and share premium

	June 2021	Dec 2020
	\$	\$
Authorised – 2,000,000 shares of the par value of \$1.00 each	2,000,000	2,000,000
Issued and fully paid – 1,072,433 shares of the par value of \$1.00 each (December 31, 2020 – 1,070,330)	1,072,433	1,070,330

The net asset value attributable to each share, calculated on the basis of the book value as disclosed in the Company's consolidated balance sheet as at June 30, 2021 was \$34.49 (December 31, 2020 - \$ 34.04).

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

9. Share capital and share premium

(a) Employee share purchase plan

In June 1999, the Company introduced an employee share purchase plan whereby employees 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 market price on the plan's subscription date. 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.

During the 6 months ended June 30, 2021, 2,103 shares were purchased by employees for consideration of \$48,418 (December 31, 2020 – 3,050 shares \$ 82,835). The excess of the purchase price over the par value of the shares is recorded as share premium.

(b) Share premium

The share premium balance relates to the excess of the purchase price over par value of shares of the Company.

10. Reserves

Capital reserve

The amount maintained in capital reserve 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.

11. General reserve

General reserve is an appropriation from retained earnings as a contingency for unexpected future expenditures and has been approved by the Board of Directors.

12. Other assets

The Company participates in a defined contribution plan on behalf of its employees with a third party insurer. As at June 30, 2021 the Company has a pension surplus of \$ 2,714 (December 31, 2020 \$2,752) 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.

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

13. Financial instruments

The estimated fair values of the Company's cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities and deposits held approximate their carrying values.

Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash and cash equivalents, investments and accounts receivable.

Cash and cash equivalents and investments consist mainly of cash deposits. The Company has deposited the cash and cash equivalents and investments with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company's credit risk with respect to its accounts receivable is minimized by the Company's large customer base, which covers consumer and business sectors in Bermuda. The Company follows a programme of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

Commitments

During 2010 the Company entered into a Memorandum of Understanding with the Bermuda Government to extend its pipeline from Lighthouse Road, Southampton westwards towards Somerset and the West End. At June 30, 2016 capital expenditure totaling \$4,531,906 had been incurred on this project and our obligation has been fulfilled.

As at June 30, 2021, the Company had capital commitments in respect of plant and equipment of \$164,728 (June 30, 2020 - \$ 104,749). These commitments will be met from operations during 2021. During the year, the Company entered into a contract of \$15,212,723 to construct a reservoir and treatment plant at Lot 6B, Luke's Pond Drive, Southampton. The project is expected to extend through 2021 with commitments of \$11,292,829. These commitments will be met from a combination of operations and term deposits maturing during 2021.

14. Capital disclosures

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.

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2021

15. Summaries of the last 6 six month financial periods ended June 30

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Revenue (including interest)	4,896,420	5,512,119	5,673,852	5,798,295	5,983,738
Net earnings	916,014	1,109,039	1,301,104	1,413,110	1,648,653
Dividends	428,582	640,636	596,596	829,387	637,330
Equity	36,973,323	35,606,295	33,696,337	31,976,300	30,156,265
Total assets	37,812,226	36,600,525	34,598,492	32,901,613	30,900,141
Per share amounts					
Net earnings	0.85	1.04	1.22	1.33	1.55
Dividends	0.40	0.60	0.56	0.78	0.60
Equity	34.48	33.31	31.60	30.06	28.38

16. Directors share interests 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 June 30, 2021 was 105,697 (June 30, 2020 – 122,261) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer, except for the management staff who qualifies under the employee share purchase plan.

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 six months ended June 30, 2021 amounted to \$19,588 (June 30, 2020 - \$19,588). There are no other contracts with the Company in which a director has a material interest, either directly or indirectly.