
WATLINGTON WATERWORKS LIMITED

CONSOLIDATED Financial Statements

For the 6 months ended

JUNE 30, 2024

(Unaudited)

Watlington Waterworks Limited
Consolidated Statement of Financial Position (unaudited)
As at June 30, 2024
(Expressed in Bermuda Dollars)

	June 30, 2024	December 31, 2023
Assets		
Property, plant and equipment (note 4)	\$32,387,580	\$32,481,132
Total non-current assets	<u>32,387,580</u>	<u>32,481,132</u>
Other assets (note 12)	7,053	9,659
Inventories (note 7)	1,871,264	1,745,845
Trade and other receivables (note 8)	1,136,356	824,725
Prepayments	372,136	300,451
Investments	1,600,929	1,595,966
Cash and cash equivalents	4,814,638	4,841,212
Total current assets	<u>9,802,376</u>	<u>9,317,858</u>
Total assets	<u>\$42,189,956</u>	<u>\$41,798,990</u>
Equity		
Share capital	\$1,085,541	\$1,083,771
Share premium	1,989,340	1,952,517
Reserves	8,000,000	8,000,000
Retained earnings	30,179,630	28,906,791
Total equity	<u>41,254,511</u>	<u>39,943,079</u>
Liabilities		
Non-current liabilities		
Lease liabilities	2,736	2,736
Total non-current liabilities	<u>2,736</u>	<u>2,736</u>
Current liabilities		
Equipment deposits	2,166	2,104
Trade payables and accrued liabilities	919,474	1,840,002
Lease liabilities	11,069	11,069
Total current liabilities	<u>932,709</u>	<u>1,853,175</u>
Total liabilities and shareholders' equity	<u>\$42,189,956</u>	<u>\$41,798,990</u>

Watlington Waterworks Limited
Consolidated Statement of Comprehensive Income (unaudited)
For the six months ended June 30, 2024
(Expressed in Bermuda Dollars)

	2024	2023
Revenue (note 3)	\$6,729,834	\$5,744,518
Production costs	(1,487,932)	(1,273,955)
Gross profit	<u>5,241,902</u>	<u>4,470,564</u>
Administrative expenses	(1,882,494)	(1,800,719)
Distribution expenses	(1,578,168)	(1,493,105)
Total profit before finance income	<u>1,781,240</u>	<u>1,176,739</u>
Finance income	33,927	8,388
Profit and total comprehensive income for the period	<u>\$1,815,167</u>	<u>\$1,185,127</u>
Profit attributable to:		
Owners of the Company	<u>\$1,815,167</u>	<u>\$1,185,127</u>
Earnings per share:		
Basic earnings per share	<u>\$1.67</u>	<u>\$1.10</u>

Watlington Waterworks Limited
Consolidated Statement of Changes in Equity (unaudited)
For the six months ended June 30, 2024
(Expressed in Bermuda Dollars)

	Share capital	Share premium	Capital reserve	General reserve	Retained earnings	Total
Balance January 1, 2023	\$1,075,273	\$1,783,540	\$7,000,000	\$1,000,000	\$27,995,577	\$38,854,390
Net Income for 6 months (Jan – Jun 2023)	-	-	-	-	1,185,127	1,185,127
Dividends paid	-	-	-	-	(537,837)	(537,837)
Issuance of shares	500	12,073	-	-	-	12,573
Balance June 30, 2023	<u>\$1,075,773</u>	<u>\$1,795,613</u>	<u>\$7,000,000</u>	<u>\$1,000,000</u>	<u>\$28,642,867</u>	<u>\$39,514,253</u>
Net income for 6 months (Jul – Dec 2023)	-	-	-	-	805,339	805,339
Dividends paid	-	-	-	-	(541,415)	(541,415)
Issuance of shares	7,998	156,904	-	-	-	164,902
Balance December 31, 2023	<u>\$1,083,771</u>	<u>\$1,952,517</u>	<u>\$7,000,000</u>	<u>\$1,000,000</u>	<u>\$28,906,791</u>	<u>\$39,943,079</u>
Net Income for 6 months (Jan – Jun 2024)	-	-	-	-	1,815,167	1,815,167
Dividends paid	-	-	-	-	(542,328)	(542,328)
Issuance of shares	1,770	36,823	-	-	-	38,593
Balance June 30, 2024	<u>\$1,085,541</u>	<u>\$1,989,340</u>	<u>\$7,000,000</u>	<u>\$1,000,000</u>	<u>\$30,179,630</u>	<u>\$41,254,511</u>

Watlington Waterworks Limited
Consolidated Statement of Cash Flows (Unaudited)
For the six months ended June 30, 2024
(Expressed in Bermuda Dollars)

	2024	2023
Operating activities		
Profit for the period	\$1,815,167	\$1,185,127
Adjustments for:		
Depreciation of property, plant and equipment	765,003	774,819
Finance income	<u>(33,927)</u>	<u>(8,388)</u>
	2,546,243	1,951,558
Changes in:		
Inventories	(125,419)	60,424
Trade and other receivables	(311,631)	222,772
Prepayments	(71,685)	(66,802)
Trade and other payables	(920,528)	(940,477)
Equipment deposits	62	124
Other assets	2,606	(2,509)
Net cash provided by operating activities	<u>1,119,648</u>	<u>1,225,090</u>
Investing activities		
Interest received	33,927	8,388
Acquisition of property, plant and equipment	(671,451)	(223,360)
Investments – term deposits	(4,963)	(17,307)
Net cash used in investing activities	<u>(642,487)</u>	<u>(232,279)</u>
Financing activities		
Proceeds from shares issued	38,593	12,573
Dividends paid	<u>(542,328)</u>	<u>(537,837)</u>
Net cash used in financing activities	<u>(503,735)</u>	<u>(525,264)</u>
Net increase (decrease) in cash and cash equivalents	(26,574)	467,547
Cash and cash equivalents at beginning of period	<u>4,841,212</u>	<u>4,249,846</u>
Cash and cash equivalents at end of period	<u>\$4,814,638</u>	<u>\$4,717,393</u>

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, 2024

(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

	2024	2023
Water sales	\$6,382,981	\$5,352,654
Other operating revenues	245,802	315,439
Connection fees	65,051	46,425
Rental income	36,000	30,000
Total revenue	<u>\$6,729,834</u>	<u>\$5,744,518</u>

Watlington Waterworks Limited
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2024

4. Property, plant and equipment

	Land & buildings	Plant & equipment	Furniture & fittings	Under construction	Total
Cost					
At January 1, 2023	\$6,730,926	\$31,769,845	\$404,548	\$17,119,187	\$56,024,506
Additions	5,620	270,080	8,646	1,954,533	2,238,879
Removal of fully depreciated assets	-	(1,871)	-	-	(1,871)
Transfers	19,900	199,256	-	(219,156)	-
At December 31, 2023	6,756,446	32,237,310	413,194	18,854,564	58,261,514
Additions	-	169,304	-	502,147	671,451
Transfers	418,757	373,474	-	(792,231)	-
At June 30, 2024	\$715,203	\$32,780,088	\$413,194	\$18,564,480	\$58,932,965
Accumulated depreciation					
At January 1, 2023	\$2,710,093	\$21,230,698	303,882	-	\$24,244,673
Removal of fully depreciated assets	-	(1,871)	-	-	(1,871)
Depreciation	369,123	1,125,537	42,920	-	1,537,580
At December 31, 2023	3,079,216	22,354,364	346,802	-	25,780,382
Depreciation	180,455	574,646	9,902	-	765,003
At June 30, 2024	\$3,259,671	\$22,929,010	\$356,704	\$-	\$26,545,385
Carrying amounts					
At December 31, 2023	\$3,677,230	\$9,882,946	\$66,392	\$18,854,564	\$32,481,132
At June 30, 2024	\$3,915,532	\$9,851,078	\$56,490	\$18,564,480	\$32,387,580

**Watlington Waterworks Limited,
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2024**

5. Intangible assets

	Application software
Cost	
At December 31, 2023	<u>\$151,123</u>
At June 30, 2024	<u>\$151,123</u>
Accumulated amortization	
At December 31, 2023	<u>\$151,123</u>
At June 30, 2024	<u>\$151,123</u>
Carrying amounts	
At December 31, 2023	<u>\$ -</u>
At June 30, 2024	<u>\$ -</u>

6. Investment property

	Investment property
Cost	
At December 31, 2023	<u>\$330,153</u>
At June 30, 2024	<u>\$330,153</u>
Accumulated depreciation	
At December 31, 2023	<u>\$330,153</u>
At June 30, 2024	<u>\$330,153</u>
Carrying amounts	
At December 31, 2023	<u>\$ -</u>
At June 30, 2024	<u>\$ -</u>

The property was valued by an independent appraiser on May 31, 2023 at a value of \$1,100,000. The property is leased at a monthly rental of \$6,000. Management believe that this appraised valuation approximates the fair value of the investment property.

Watlington Waterworks Limited
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For the six months ended June 30, 2024

7. Inventories

	June 30, 2024	December 31, 2023
Spares and production parts	\$1,229,698	\$1,210,515
Goods for resale	643,678	532,876
Water bottling supplies	51,911	56,477
Inventory provision	<u>(54,023)</u>	<u>(54,023)</u>
	<u>\$1,871,264</u>	<u>\$1,745,845</u>

The cost of inventories recognized as an expense and included in production costs and distribution expenses is \$460,038 (June 30, 2023 - \$431,980).

8. Trade and other receivables

	June 30, 2024	December 31, 2023
Accounts receivable	\$1,274,519	\$993,282
Allowance for debts	<u>(138,163)</u>	<u>(168,557)</u>
	<u>\$1,136,356</u>	<u>\$824,725</u>

9. Share capital and share premium

	June 30, 2024	December 31, 2023
Authorised - 2,000,000 shares of the par value of \$1.00 each	<u>\$2,000,000</u>	<u>\$2,000,000</u>
Issued and fully paid - 1,085,541 shares of the par value of \$1.00 each (December 31, 2023 – 1,083,771)	<u>\$1,085,541</u>	<u>\$1,083,771</u>

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, 2024 was \$38.00 (December 31, 2023 - \$ 36.86).

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, 2024, 1,770 shares were purchased by employees for consideration of \$38,593 (December 31, 2023 – 3,498 shares at a consideration of \$78,446). 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, 2024 the Company has a pension surplus of \$ 7,053 (December 31, 2023 – \$4,970) 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.

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

As at June 30, 2024, the Company had contracted capital commitments in respect of plant and equipment of \$93,956 (June 30, 2023 - \$64,397). These commitments will be met from operations during 2024.

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 first half of 2024, there were changes in scope to the project in the amount of \$185,595 (December 31, 2023 - \$172,806) bringing the total changes to \$501,108 and the revised cost of the project to \$15,713,831. Construction began in February 2021 and the project is expected to extend through 2024. 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 December 2024. Commitments outstanding as at June 30, 2024 amount to \$539,709 (2023 - \$1,323,780). These commitments will be met from a combination of operations and term deposits maturing during 2024.

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, 2024

15. Summaries of the last 5 six-month financial periods ended June 30

	2024	2023	2022	2021	2020
	\$	\$	\$	\$	\$
Revenue (including interest)	6,763,761	5,752,905	5,557,182	4,896,420	5,512,119
Net earnings	1,815,167	1,185,127	1,057,191	916,014	1,109,039
Dividends	542,328	537,837	429,043	428,582	640,636
Equity	41,254,511	39,514,253	38,064,365	36,973,323	35,606,295
Total assets	42,189,956	40,390,169	39,542,292	37,812,226	36,600,525
Per share amounts					
Net earnings	1.67	1.10	0.99	0.85	1.04
Dividends	0.50	0.50	0.40	0.40	0.60
Equity	38.00	36.73	35.49	34.48	33.31

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, 2024 was 285,399 (June 30, 2023 – 136,883) 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, 2024 amounted to \$60,478 (June 30, 2023 - \$51,083). There are no other contracts with the Company in which a director has a material interest, either directly or indirectly.