

Belize Electricity Limited



Corporate Report

for the Quarter Ended March 31, 2012

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Corporate Headquarters located on the Northern Highway, Belize City

Company Profile

Belize Electricity Limited (BEL) is the primary distributor of electricity in Belize, Central America. Serving a customer base of approximately 78,727 accounts, the utility met a peak demand of 79.3 megawatts (MW) in 2011 from multiple sources of energy, including, biomass, hydroelectricity, imported energy and diesel fired generation. All major load centers are connected to the country's national electricity system, except Caye Caulker. Since 1998, our national electricity grid has been interconnected with the Mexican national electricity grid, allowing the Company to optimize its power supply options. BEL has an installed generating capacity of 28.3 MW and owns 1,806.7 miles of transmission and distribution lines. The Government of Belize and the Social Security Board hold a 70.2 per cent and 26.9 per cent interest in BEL, respectively. The remaining shares are owned by just over 1,500 small shareholders.

Financial Performance (Adjusted)

Historically, cost of power in the first half of the year is considerably higher than the average for the year, which negatively impacts net income for that period. For the first quarter in 2012, the Company had projected a net loss of \$1.5 million, even though the Company projects a positive net income of \$6.9 million for the year. At the end of the first quarter 2012, there was a net loss of \$2.8 million, while net income before tax was approximately \$50 thousand above the target of \$205,250. BEL has made a formal request to reduce the Company's business tax, since its focus following June 2011 is to strike a healthy balance between profitability and delivering reasonable electricity rates to consumers. A reduction in business tax, would have a positive impact on earnings and the Company is awaiting a response from the Government of Belize. We expect the adjustment to be made in the second quarter versus our earlier expectation for the first quarter.

Operating expenses were \$5.5 million as compared to \$7.2 million for the same period last year. This is mainly the result of tighter control on expenditures and a significant decrease in bad debt expense from \$909 thousand in 2011 to \$14 thousand at the end of the first quarter 2012.

Energy sales for the first quarter were 99.6 gigawatt hours (GWh) or a 7.1 per cent increase compared to sales in the same period last year. These results reflect growth in the residential, commercial and industrial sectors.

Revenues for the quarter were \$44.6 million as compared to \$43.6 million for the same period last year. Increase in electricity revenues was a direct result of higher electricity sales for the quarter, offset by the decrease in the Mean Electricity Rate, effective February 1, 2012.



Financial Performance (Adjusted) contd.

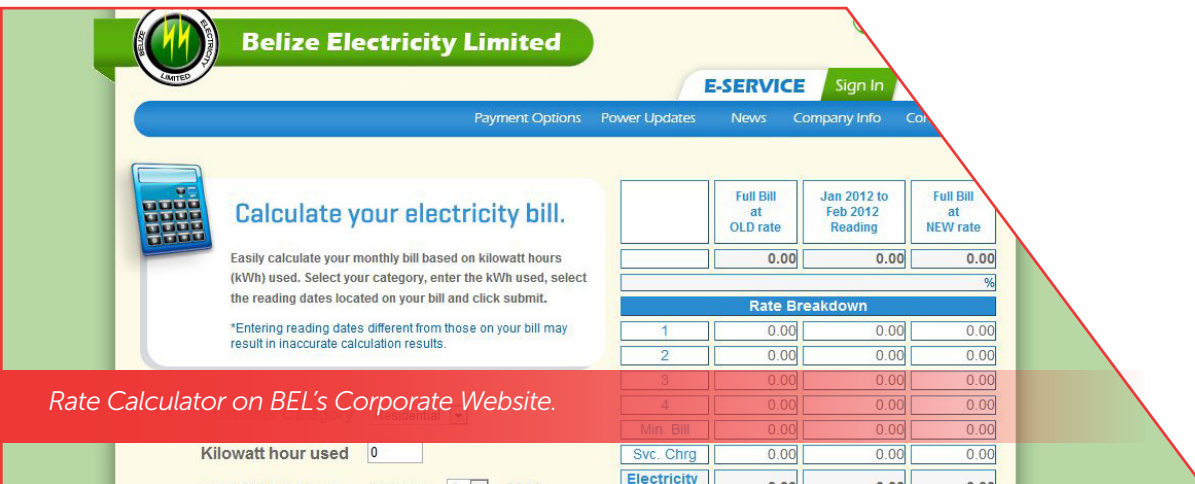
Loss per share for the quarter was \$0.04 compared to a planned loss of \$0.02, for the same reasons noted above on net loss.

Regulatory

On December 1, 2011, the Company submitted an application to the Public Utilities Commission (PUC) to reduce electricity rates under the Full Tariff Review Proceeding to return to customers the difference in the actual cost of power and the reference Cost of Power between 2008 - 2011. On February 1, 2012, the Mean Electricity Rate was reduced from 44.1 cents per kilowatt hour (kWh) to 41.8 cents per kWh.

BEL was also able to obtain an increase in the Value Added of Delivery (VAD) component of the electricity rates, net of Cost of Power Rate Stabilization Account (CPRSA) recovery and corrections, from 12.9 cents per kWh to 14 cents per kWh, which will result in an increase of \$5 million contribution towards operating income for the 2012-2013 review period.

We intend to manage the reduction in the Mean Electricity Rate by cost saving measures and the aforementioned expected reduction in the business tax rate.



Rate Calculator on BEL's Corporate Website.

Customer Service

Following the reduction in Electricity Rates on February 1, 2012, a rate calculator was featured on the Company's Corporate website, to help customers understand the impact of the rate reduction on their electricity bills. With this tool, customers are able to input information on their average consumption and calculate their new bill at the new rates, compared to the old rates.

Customers will soon benefit from a new Utility Cash Software, which will be launched in the second quarter. This software, will allow customers to make real time payments at our Collection Agents to both BEL and Belize Water Services Limited, providing customers of both utility companies great convenience.

The Company is also in the process of revising all contracts with its Collection Agents, with the objective of achieving greater coverage.



Employees consistently aim to improve quality of service to customers.



Reliability Initiatives

This quarter, BEL completed upgrades at the Belmopan Substation. This initiative was necessary to replace the aging and archaic switchgear which was previously facilitating power distribution to the capital city. Service reliability is expected to improve in the area with the new substation in place. Belmopan's load capacity is 5.8 megawatts and growing.

Service reliability during the quarter was negatively impacted by two major power outages. On January 13, 2012, a power outage affected the entire country for 2.5 hours. This incident was related to vegetation encroachment on the 115kV transmission line near San Ignacio Town, which caused heavy surges on the 115 kV Mexican transmission line. On February 27, 2012, an outage affected Belize City for 6 hours, which was caused by a defective capacitor vacuum. This equipment isolates capacitor banks which help to regulate voltage on the distribution system in Belize City.

In the fourth quarter of 2011, BEL commenced a Field Asset Audit project and in the first quarter of 2012, the first phase of this initiative was completed, which included all distribution and substation assets in the Belize District. The results of this countrywide audit will be used to revise asset values where necessary and the data collected will help the Company improve its engineering analysis of the system and as a consequence also improve service reliability to our customers.

Energy Supply

Net generation for the first quarter was 120.7 gigawatt (GWhs), or a 6 per cent increase over the value for the same period last year. The peak demand for the quarter was 74.3 megawatts (MW), compared to 76.4 MW in 2011, resulting in an increase in load factor of 74.4 per cent compared to 69 per cent for the same period in 2011.

Energy production from hydroelectricity increased by 53 per cent and from Belize Cogeneration Energy Limited by 162 per cent compared to the same period in 2011. This has had a positive impact on cost of power.



Heads of Departments and Supervisors participating in an implementation planning workshop in relation to the 2012 - 2016 Business Plan

System Expansion

During the quarter preliminary works got underway to connect 34 urban and peri-urban communities to the national grid. This \$5.5 million initiative is being financed 75 per cent through the African, Caribbean and Pacific Group of Countries (ACP) – European Union Energy Facility II Grant Funds and 25 per cent counterpart contribution from the Government of Belize.

Communities that will benefit from the project include: Steadfast, Belize City's Belama Phase 4, Belmopan's Salvapan and Maya Mopan, Dangriga's Wagirale and Rivas Estate, Independence's New Site and Noralez Extension, Benque Viejo Town, the villages of Cotton Tree, Valley of Peace, Ontario, Hattieville, Rockstone Pond, Succotz, San Lazaro, Guinea Grass, Paraiso, San Narciso, Patchakan, Carmelita, Libertad, Hope Creek, Sarawee, Hopkins, San Roman Village, Seine Bight and Bella Vista.

Human Resources

With the roll out of the Company's five-year Business Plan and 2012 Corporate Targets, a workshop was hosted for supervisory staff, aimed at reviewing best approaches to implementation planning. A comprehensive leadership training was also hosted during the quarter and reviewed topics such as management & supervision, leadership skills, coaching, and mentoring.

For our technical staff, training was facilitated in Pole Top Rescue, which teaches linemen how to rescue a co-worker in distress on a utility pole. During a Transformer Connection & Underground Training, linemen learnt technical skills in relation to transformer connections, and installation and troubleshooting skills in relation to underground power systems.



Employee participating in Elevator Rescue Training.

Technology

In support of improving our response time to power outages, the Company plans to amalgamate all of its communication networks under its Information Systems Department. The objective is to further integrate and automate the switching and controls of our transmission and distribution grid.

Safety, Health & Environment

With a highly mobile workforce, one of the highest areas of risk is vehicular accidents. Seventy-five employees countrywide participated in Defensive Driving Training as part of a year-long schedule to keep drivers informed of vital driving skills.

There was one recordable vehicle accident this quarter. Two personal injuries were reported, resulting in two lost days.

Fire Marshall and Elevator Rescue trainings were conducted for employees charged with these responsibilities. A Fire Risk Assessment of the gas turbine facility and all BEL substations countrywide commenced to assess risks and ensure that preventative measures currently in place are adequate.

The Annual Management Review of the Company's Environmental Management System (EMS) was conducted by the Chief Executive Officer and senior management to assess the sustainability and effectiveness of the EMS. Following this assessment, an Environmental Aspects workshop was held for the Company's management team, within the scope of the EMS.

Environmental Awareness and Spill Prevention and Response training was conducted for employees of several technical departments. Year-to-date spills total two with 3.5 gallons. The 2012 target for spills is 13 with 42 gallons.



Employee presenting award to recipient under the Golden Citizens Bill Pay Program.

Community Involvement

The Company's Community Involvement Program was revised under the new mandate of its Social Club Committee to provide more employee-driven support of initiatives and contributions toward the development of social programs.

The Golden Citizens Bill Pay Program was launched, through which 50 randomly selected senior citizens, whose monthly electricity bill is calculated under the Social Rate category, were awarded with prepayment of their electricity bill for an entire year.

BEL also committed to supporting the Skills Training Center which caters to youths between the ages of 14 and 18. The Company has pledged to participate in the center's Mentorship Program and provide volunteer Information Technology (IT) instructors for its IT Program.

BEL sponsored the 6th Annual Belize Band Fest which promotes the development of music in schools and Lifeline Foundation's Black and White Gala in aid of children with cancer.

Q1 Report to Shareholders

Financials (Unaudited)

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Statement of Income *(Unaudited)*

	Three Months Ended March 31 (in thousands)	
	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 44,630	\$ 43,574 *
Power purchases	33,163	29,007
Operating expenses	5,474	7,162
Depreciation	<u>4,062</u>	<u>4,487</u> *
	<u>42,699</u>	<u>40,656</u>
Operating income	1,931	2,918
Finance charges	1,613	3,528
Loss on foreign exchange	<u>64</u>	<u>172</u>
	<u>1,677</u>	<u>3,700</u>
Net income before corporate taxes	254	(782)
Corporate taxes	<u>2,833</u>	<u>604</u>
Net loss	<u>\$ (2,579)</u>	<u>\$ (1,386)</u>
Earnings per share	(0.04)	(0.02)

* Reclassified for comparative purposes.

Statement of Retained Earnings *(Unaudited)*

	Three Months Ended March 31 (in thousands)	
	<u>2012</u>	<u>2011</u>
Balance, beginning of period	104,339	106,254
Net loss	(2,579)	(1,386)
Balance, end of the period	<u>\$ 101,760</u>	<u>\$ 104,868</u>

Balance Sheet *(Unaudited)*

	<u>Mar</u> <u>2012</u>	<u>Dec</u> <u>2011</u>
ASSETS		
Current assets	<u>41,946</u>	<u>44,649</u>
NON-CURRENT ASSETS		
Property, plant and equipment (net)	\$ 444,125	\$ 445,143
Intangible Assets	<u>498</u>	<u>715</u>
	444,623	445,858
	<u><u>\$ 486,569</u></u>	<u><u>\$ 490,507</u></u>
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities	71,068	70,713
Contribution in aid of construction	33,444	33,190 *
Consumer deposits	7,388	7,373
Long-term debt	62,520	64,503
Shareholders' equity	<u>312,149</u>	<u>314,728 *</u>
	<u><u>\$ 486,569</u></u>	<u><u>\$ 490,507</u></u>

* Reclassified for comparative purposes

Statement of Cash Flows *(Unaudited)*

	Three Months Ended March 31 (in thousands)	
	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Net loss	\$ (2,579)	\$ (1,386)
Items not affecting cash	3,882	4,430 *
Change in working capital	<u>3,627</u>	<u>10,091</u> *
	<u>4,930</u>	<u>13,135</u>
INVESTING ACTIVITIES		
Expenditures for fixed assets	<u>(3,195)</u>	<u>(9,586)</u>
FINANCING ACTIVITIES		
Payments of debt (net)	<u>(2,026)</u>	<u>(4,696)</u>
Net decrease in cash and short-term investments	(291)	(1,147)
Cash and short-term investments, beginning of period	<u>9,174</u>	<u>5,340</u>
Cash and short-term investments, end of period	<u><u>\$ 8,883</u></u>	<u><u>\$ 4,193</u></u>

* Reclassified for comparative purposes