

**BELIZE ELECTRICITY LIMITED**  
**ANNUAL REPORT 2000**

*Development with Environmental Sustainability*





## ***MISSION STATEMENT***

***Our Commitment to our customers.....  
To deliver reliable and high quality  
electricity supply to meet the needs  
of Belize at a reasonable rate.***

***Our Dedication to our Employees.....  
To uphold the guiding principles:  
integrity, quality, professional excellence  
and respect for people,  
and to continuously strive to support  
and develop our human resources.***

***Our Commitment to our Shareholders.....  
To earn a fair financial return for our  
shareholders.***





## ***Company Profile***

Belize Electricity Limited was incorporated in Belize on October 5, 1992, pursuant to the Belize Companies Act as a public limited liability company succeeding the Belize Electricity Board ("The Board"). The authorized share capital of \$100,000,001 is comprised of 38,000,000 Ordinary Shares of \$2 each and 12,000,000 Preference Shares of \$2 each, and one designated share of \$1. In October 1999, the Government of Belize divested itself of its 51% holding in the company effectively completing the privatization process which began in 1992.

At March 31, 2000, Maritime Electric Cayman Inc. held 21.48%, Newfoundland Energy Cayman Limited held 23%, Fortis Cayman Inc. held 20.60%, and the Social Security Board of Belize held 25% of the Ordinary Shares in the Company. The remaining shares are held by small shareholders in Belize.

BEL conducts its business under a 15-year renewable license and is the sole commercial distributor of electrical power in Belize with generating, transmission and distribution assets at Corozal, Sarteneja, Orange Walk, Ladyville, Belize City, Belmopan, San Ignacio, Dangriga, Independence, Punta Gorda, Caye Caulker, and San Pedro.

All major load centers are connected to the National Grid owned by BEL, which in turn is connected to the Mexican Grid, allowing the Company to optimize its power supply options. These load centers receive energy from BEL's diesel generators, the Mollejon Hydro Plant, which is a foreign owned independent power producer, and the Mexican Power Company, Comision Federal de Electricidad (CFE).

The Company presently buys 16 MW of capacity and associated power from Mexico at 115 kV and purchases up to 85% of its energy needs from Mexico and from the Mollejon Hydro Plant.

BEL's Registered Office is at #115 Barrack Road, Belize City, Belize.

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## Message to Shareholders

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**Robert Usher**  
Chairman  
BEL

The year ending March 31, 2000, was another year of positive change for Belize Electricity Limited. In October 1999, the Government of Belize successfully completed the sale of its 51% ownership of the company, with more than one thousand Belizeans taking the opportunity to buy shares in the Company. The Belize Social Security Board also increased its holdings from 22% to 25% and Fortis Inc., through its subsidiaries, bought 41% of the ordinary shares. Fortis Inc. owns several Canadian and American utilities including Newfoundland Power and Maritime Electric and their expertise in managing utilities will certainly make a positive difference. We welcome Fortis and all our new shareholders and we thank you all for the confidence you have expressed in BEL.



**Lynn Young**  
Director & CEO BEL

The newly privatized BEL doubled its efforts to expand and improve its service. In partnership with the Government, BEL embarked on Power III, a new distribution expansion project representing an investment of more than \$22 million. This project will be completed over the next four years and will take power to many rural communities as well as improving and expanding the service in urban centers. At the end of the financial year, 25 miles of distribution lines had been completed, adding over 1,200 new customers and more than 2,500 new street lights in new urban developments and rural villages that previously did not have access to electricity. This expansion program along with efforts to connect self-generating businesses, has spurred an 11% growth in sales and will undoubtedly contribute to economic growth in Belize.

During the course of the year, we also established a Call Center and introduced automated call-handling to ensure prompt and efficient customer response. By year's end, we have been handling an average of 2,100 calls per week at an efficiency of 95%. In addition, our new toll free number 1-800-BEL CARE was launched countrywide so that customers can easily and inexpensively reach us from any part of the country.

These and other re-engineering efforts have had a measurable positive effect. Our first Customer Satisfaction Survey carried out in the last quarter of the financial year, revealed that we had an 85% approval rating from our customers. The survey addressed various aspects of our service and the results will help us to make further improvements as we continue to address areas of customer concern. The Customer Satisfaction Surveys will be carried out quarterly and improving the index is a major corporate goal.

With the completion of the Power II project that interconnected the major load centers to each other and to the Mexican Grid, the Company reaped significant benefits in the year and was able to reduce power supply cost from \$183 per MWH to \$153 per MWH. Thus, in the face of rising oil prices, net income increased from \$8 million to \$10 million and shareholders received improved dividends of 20 cents per share for the full year.

In keeping with our commitment to participate in the economic development of Belize, management worked with the newly formed Public Utilities Commission to introduce new commercial and industrial rates at the end of the financial year. The new rates are designed to encourage efficient use of power and gave a 7% reduction in electricity rates to businesses that are the main drivers of the Belizean economy. The new rates came into effect in April 2000. This was the first part of a series of rate changes under the Company's commitment to reduce average rates by 15% over the four years ending 2003.





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We expect that the reductions in rates and our marketing efforts to connect self-generators to the system will continue to spur high growth in sales. To keep pace, management continued its work to increase power supply at the most economic cost possible. The feasibility study on Chalillo which will expand hydro production, and a study of co-generation opportunities with the sugar industry were completed during the year. These studies show that these projects can be developed economically with significant benefits to our customers and to the economy of Belize.

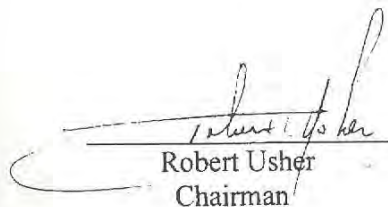
The hydro expansion would add another 6 MW of capacity in addition to improving the firm capacity of the existing Mollejon facility by 16 MW. The co-generation project has the potential to add 10 to 15 MW of capacity. Both projects could be completed within the next two to three years, but moving forward with them will depend on reaching agreements with BECOL, the present owners of Mollejon, and with the Belize Sugar Industries (BSI), owners of the sugar processing factory.

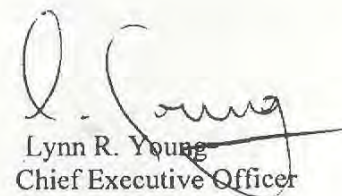
During the course of the year just ended, the Company launched its environmental initiative towards making our operations consistent with ISO 14001 (an international standard for environmental management). Considerable progress has already been made towards this goal. Environmental clean up was completed at four diesel power plants, and Spill Prevention Works was started at Belmopan and in Belize City.

Of course, much of the progress made to date has been through the efforts of our employees who have especially thrown themselves with vigor into the effort to improve service and to get our operations to meet internationally acceptable environmental standards. We are therefore very happy to report the successful implementation of the pension plan that provides improved retirement benefits and security to all of our employees. We are especially gratified that through excellent cooperation between Management and the Belize Energy Workers Union (BEWU) we were able to implement the plan with recognition of employees' past service so that all employees were able to benefit immediately.

Negotiations with BEWU for a new collective agreement have now begun. We are hopeful that the improved relationship between Management and the Union will again lead to an agreement that is beneficial to employees while at the same time, assist the Company in meeting its commitment to customers and shareholders.

The future continues to look bright for BEL and Belize. BEL is now a member of the Fortis group of companies, a group with wide experience in the electric utility industry and dedicated to delivering quality electric service in all their service territories. In the new millennium, customers will be demanding better quality and superior service at the most economic cost. BEL's association with the Fortis Group of Companies puts it in an excellent position to continue to meet and even exceed our customers' expectations as we strive to create value for our shareholders and contribute our share to the economic, social and environmental prosperity of Belize.

  
Robert Usher  
Chairman

  
Lynn R. Young  
Chief Executive Officer





## Management Discussion and Analysis

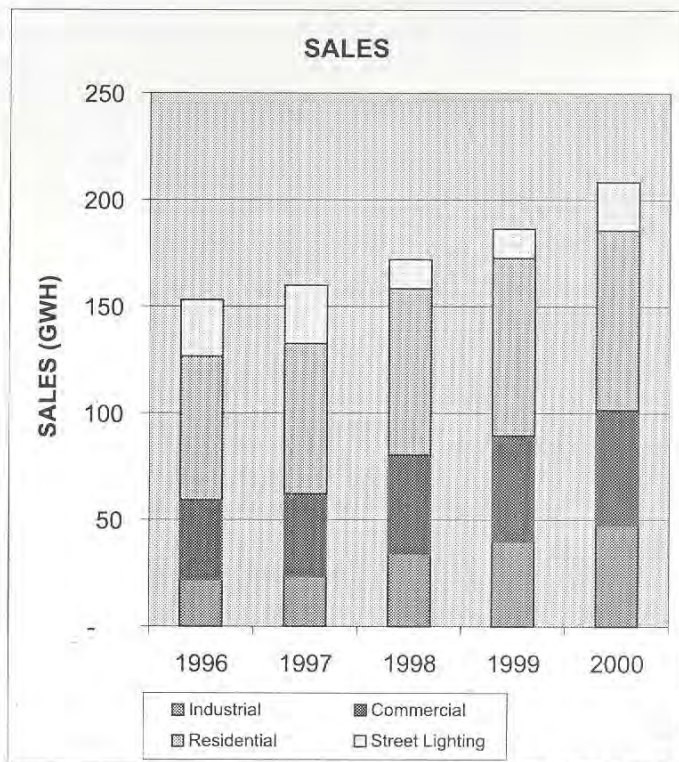
### Operating Revenues

Total revenues for the year ending March 31, 2000, increased by 11.4% to \$78.5 million, up from \$70.5 million. This was driven by kwh sales which grew by 11.4%. The high growth experienced during the year reflects a concerted marketing effort to connect self-generating businesses such as the citrus companies, as well as increased economic activity in Belize.

Based on the latest statistics from the Central Bank of Belize, economic growth for the calendar year ending December 31, 1999 was 6.1% as compared to 1.5% in calendar year 1998. Tourism has performed well and continues to show strong growth as increasing numbers of tourists visit Belize to experience this unique destination. Marine products, bananas and citrus products also did well, as did the construction industry and the financial services sector.

The Power III distribution expansion project in the latter half of the year also contributed to the growth in electricity sales. This four-year project will extend power to many rural communities currently without electricity access. The Power III project also includes upgrades and improvements to urban areas to meet the high pace of urban development being experienced.

Revenue per megawatt hour (MWH) during the year was \$377. This should be reduced by \$10 per MWH in the coming year as rates were decreased by 7% to commercial and industrial customers. The new rates also changed the structure of commercial tariffs so that these customers pay a lower rate as they use more power. The new industrial rates offer low off-peak rates to industries to encourage efficient use of power. These changes in the rates should help to stimulate economic activity and spur sales growth in the long run.



SOURCE: BEL

### Operating Expenses

Operating expenses increased by 1.9%, from \$61 million to \$62.1 million. The company received 67.8 GWH of hydropower, out of a possible production of 69 GWH. This is well below the minimum take of 85 GWH. With the completion of the Power II Project, BEL is now in a position to take all the production of the Mollejon Hydro plant, but the plant could not produce the minimum amount of 85 GWH. Consequently, the company is only liable to pay for the actual production of the plant. The capacity charge for power that the Mollejon plant could not deliver would have amounted to \$3,310,176.





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The shortfall in hydro production was made up mostly with purchases from Comision Federal de Electricidad (CFE) of Mexico and by increased use of BEL's own diesel generators. But despite a 50% increase in the price of fuel, power supply cost was reduced from \$183 per MWH to \$153 per MWH.

Transmission and distribution expenses increased by 26% from \$4.1 million to \$5.2 million. Most of the increase was due to operation and maintenance of the 115 kV transmission system and associated substations. A Transmission and Substations Department was formed for the first time to focus on maintaining high transmission reliability. This effort, along with the completion of the Power II project, has improved system reliability substantially.

***“Despite a 50% increase in the price of fuel, power supply cost was reduced from \$183 per MWH to \$153 per MWH.”***

Administrative expenses increased by 9% from \$10.8 million to \$11.8 million. Most of the increase was inventory write-offs associated with discontinuing diesel operations. Depreciation expenses also increased by 21.8% from \$6.2 million to \$7.5 million as half-year depreciation was taken on \$76 million of Power II assets, which were assets previously under construction.

As the Power II Project was substantially completed during the year, capital expenditures dropped from \$37.7 million in the year ending March 31, 1999, to \$16.7 million in this financial year. Most of the Power II completion work is the environmental clean-up and spill prevention works at the diesel power stations. Capital expenditures also include \$1.8 million spent on the new administrative building located next to the recently completed SCADA and Control Center. \$8.8 million spent on distribution expansion and upgrades.

## Earnings

With the increased revenues and lower operating expenses, earnings improved from \$8 million to \$10 million. This represents an increase of 25% despite increased interest expense, from \$4.5 million to \$6.6 million, on the Power II loans. Notwithstanding the reductions in rates, high sales growth should continue to sustain the profitability of the company.

Based on the performance of the company in financial year 2000, the Board of Directors recommended a final dividend of 10 cents per share. This is in addition to the interim dividend of 10 cents per share declared in September 1999, and paid in April 2000. This brings the total dividend for the year to 20 cents per share, compared to 15 cents the year before.





## Report on Operations

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Even whilst undergoing a tremendous transformation and expansion, BEL has retained its dynamism, forward-looking vision, and commitment to its shareholders, employees, institutional partners, its customers and the people of Belize.

### 85% Customer Satisfaction

**“ BEL is now equipped with valuable information needed to formulate strategies to provide improved services.”**

One of the fundamental methods of evaluating customers' perception of service levels is to conduct periodic surveys. In January 2000, BEL conducted its first-ever Customer Satisfaction Survey that reported

an impressive Customer Satisfaction Index of 85 percent. The survey measured and compared customers' perception of BEL's services and established a quantitative benchmark for the Company to retain and surpass. It also identified areas that customers believe needs improvement and it differentiated the observations of residential and commercial customers. In essence, the survey emphasizes BEL's commitment to delivering exemplary service.

A total of 500 customers were surveyed. The random selection ensured that a proportionate number of commercial and residential customers from every corner of the country were interviewed. The survey was conducted in-house by Customer Services staff who also capitalized on this opportunity to visit customers and become sensitized to their perceptions of BEL's operations.

The survey focused on five main categories of service: General Satisfaction, Over-the-Phone Service, Cashiering Service, In-Office Services and, Field Services. The General Satisfaction area includes power reliability and electricity cost.

The attainment of an 85 percent Satisfaction Index is the product of continued investment in Customer Services and the implementation of recommendations resulting from a re-engineering study. We believe that the index is a transparent representation of the level of services provided by BEL, and are convinced that further surveys will report consistent ratings.

Finally, the survey has identified areas of concerns for customers and BEL is now equipped with valuable information needed to formulate strategies to provide improved services. Initiatives are already in the pipeline to address customer concerns.

This survey will be conducted on a quarterly basis so we can measure our service and continuously highlight areas needing improvement.

The Business Development Department was formed in late 1998 in





recognition of the fact that commercial and business customers needed special attention for their electrical energy needs.

As a result of this intimate customer contact, Business Development makes suggestions to improve the customer contact experience with BEL. These have led to policy changes and new strategies to respond to the needs of customers. One such change is our capital contribution policy. Previously, the capital cost for new connections beyond a certain distance had to be financed by the prospective customer. With the new policy, an economic analysis is done taking into consideration the revenues that will be earned from this new connection. The net result is that the capital contribution from the prospective customer has been significantly reduced.

All the service improvements have been achieved with no increases in tariff. On the contrary, the tariff was restructured to lower the cost of electricity to the business sector, and, more importantly, to introduce a rate regime that encourages the efficient use of electricity. New rates that are 7% lower on average became effective on April 1, 2000.

The new tariff is structured to offer quantity discounts as well as peak and off-peak options. Customer response to the new tariff is very enthusiastic, and electrical sales should increase as the business sector benefits from more competitive electricity rates. A significant portion of new growth is expected to come from the self-generating industries as the Capital Contribution Policy and the Industrial Tariff have removed major barriers that made these potential customers become self-generators.

The Government of Belize (GOB) is an important customer and works in partnership with BEL in the expansion of services to new urban centers and to outlying rural communities. GOB also promotes the installation of streetlights to address the security concerns. Business Development works closely with Government to ensure a coordinated and timely response to its requests for services. Over 2,500 new streetlights were installed in this fiscal year ended March 2000. Electricity services were supplied to over 20 rural villages and to a host of single rural homes. Overall, our customer count increased by 6% in the fiscal year to almost 52,000 customers.

The current sales growth is expected to continue into next year. The growth will come from the increased business activity in response to the new rates, from the attraction of large, self-generating load to our service, and from Government's commitment to build 10,000 new homes by the year 2004.

System operations was much improved in Fiscal Year 2000. The SCADA System (Supervisory Control and Data Acquisition) allowed for the monitoring and control of the critical power system parameters, such as the voltages, generator and feeder loads, interconnection load

## New rates spur growth

**“Some 2,500 new streetlights were installed in this fiscal year ended March 2000.”**





## Report on Operations

transfers, circuit status, and system frequency. Using the System, BEL was able to optimize cost of power and energy on the grid, effectively using the cheapest cost source. SCADA System data was also logged for all available parameters, and were used for operational and planning studies for the system. Generation, Transmission and Distribution system reliability data were also logged, which allowed for detailed analysis and enhanced maintenance planning for the system.

### Improved reliability and expanded supply

With the effective use of the SCADA System, power system reliability was much improved. The change was well noted by our customers as evidenced by the results of our customer satisfaction

survey. During Fiscal Year 1999, there were 12 system-wide outages with restoration to 75% of customers taking an average of one hour. In Fiscal Year 2000, however, there were only two system-wide outages with supply restored within 10 minutes to 75% of the customers.

Our supply sources during the year were from Mexico, the Mollejon Hydro Plant, and BEL's own diesel-generation. In addition, arrangements were made for the purchase of up to 25 MW of power and associated energy from CFE Mexico during the months of February and March 2000. Negotiations with CFE were also concluded for three other contracts that will allow additional supply options. These are a Framework Contract which sets out the main terms and conditions for all future contracts between BEL and CFE; an Economic Energy Agreement, which will give BEL and CFE the option to buy and sell excess energy to each other at economic prices; and an Emergency Services Contract, which will give BEL and CFE the option of assisting each other with the supply of power and energy during power system emergencies.

We also completed a Least-Cost Generation and Transmission System Expansion Planning Study during Fiscal Year 2000, which projects a doubling of demand and energy over the next 12 years. Potential sources identified for supplying the needs in the future are the Chalillo Hydro Expansion Project, co-generation with Belize Sugar Industries using bagasse, diesel generators, and gas turbines.

### The Chalillo Hydro Expansion Project

The Least-Cost Generation and Transmission System Expansion Planning Study recommended that BEL should strongly consider the development of the Chalillo hydro storage facility upstream of the Mollejon hydro plant. This storage reservoir would increase both the capacity and energy production capability of the Mollejon Plant, and add the capability for the production of additional energy at the Chalillo site itself.

***“ Using the System, BEL was able to optimize cost of power and energy on the grid, effectively using the cheapest cost source. ”***





The technical and environmental feasibility analysis of the Chalillo Project was completed in Fiscal Year 2000. The studies demonstrated that the proposed Chalillo Project is the first economic choice for the further development of electrical generation within the country.

Discussions have begun with Duke Energy, the owners of the Mollejon Hydro Plant. We have also submitted an Environmental Impact Assessment analysis for the project to the Department of the Environment, for their review.

### **Generation Options**

Other generation options identified by the Least Cost Planning Study include a co-generation scheme with the Belize Sugar Industries Limited, using bagasse, the waste product from sugar production operations. BEL and BSI have jointly conducted a feasibility study to investigate the technical requirements, economic viability, optimal installation timing, and possible configurations of a co-generation project.

The potential for the use of large-high, medium, and low-speed diesel generators or gas turbines to meet future demand is also being investigated. Each of the identified technologies has a preferred economic use within the power system. We will continue to analyze the benefits of using these and other technologies in our generation expansion.

### **Power III Project**

The Power III Project is designed to improve the reliability of electricity supply, continue interconnecting isolated systems and implement a countrywide Housing & Rural Electrification Project. The latter is being done in partnership with the Government of Belize, who contributes to those projects that are uneconomic.

The Housing & Rural Electrification Project was started in early June 1999, and is financed with loans from the EXIM bank, BEL's internal cash, and GOB's contribution.

The Housing & Rural Electrification Project consists of 112 developments scheduled for completion by the end of the year 2002. This represents the provision of electricity to approximately 10,875 lots with an estimated cost of about \$22 million.

To date, 11 developments have been completed, and 26 are in progress. The actual expenditure to date is \$1.5 million.

***“ We also completed a Least-Cost Generation and Transmission System Expansion Planning Study during Fiscal Year 2000, which projects a doubling of demand and energy over the next 12 years.”***





## *Community Support*

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As a major corporate citizen in Belize, BEL has traditionally reached out to the Belizean Community through its support of endeavours in culture, education, health, and athletics. The year ended March 2000 was no different, as BEL expanded its reach to support other ventures.

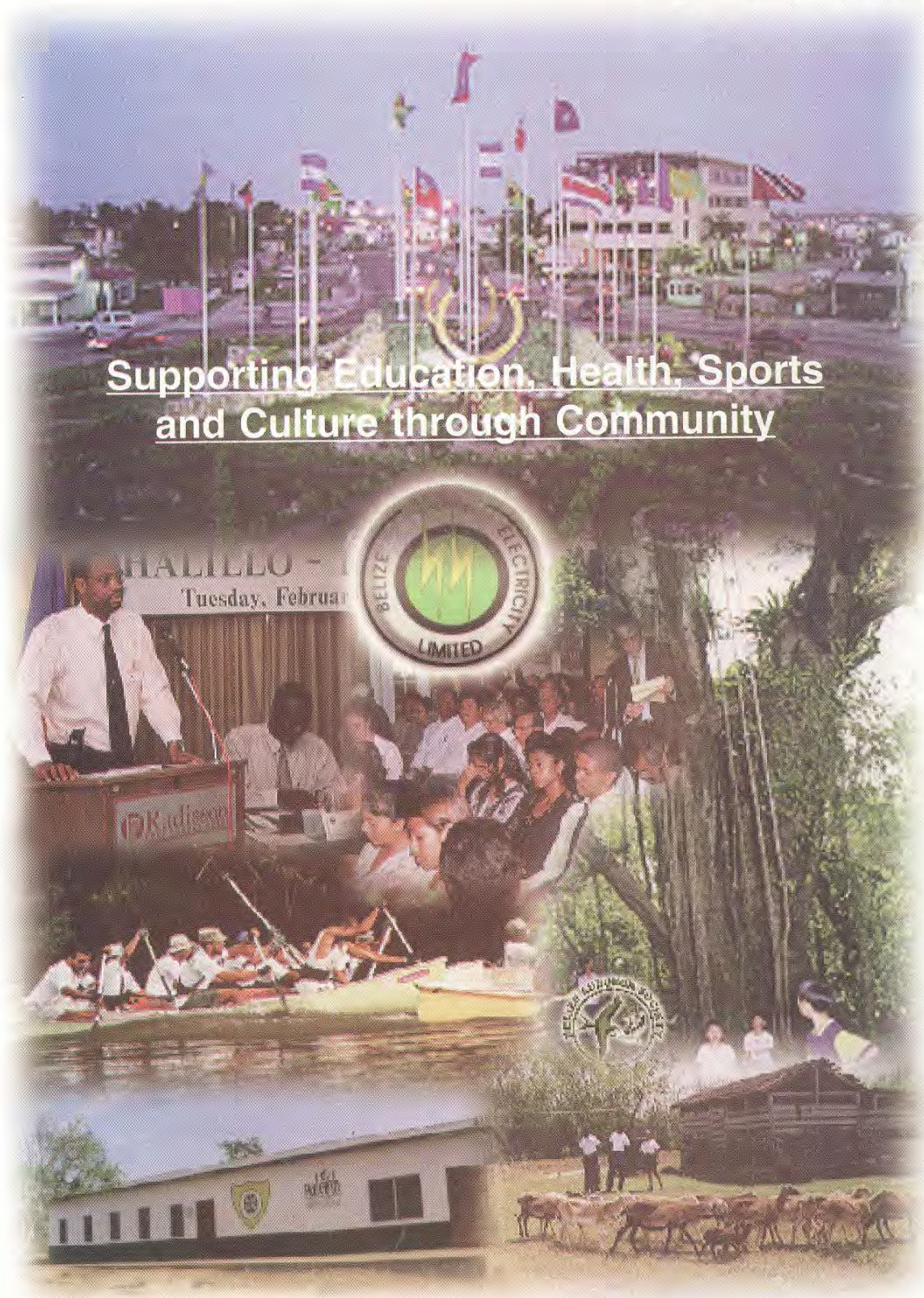
This year, along with the traditional Christmas Hamper and food drive for the homeless, BEL also made significant financial contributions to the Audubon Society, to programs such as a vegetable farming project by the 4-H Club, and was a primary partner in the erection of the Flag Monument at the Northern entrance to Belize City. Flags from the Caribbean and Central American countries are flown on the monument.

Other significant contributions to the community included funding for a Student Assistance Summer Program conducted by the Council for Voluntary Social Services (CVSS) and the Youth Development Department. Some 160 high school students were deployed to various social service agencies and non-profit organizations where they gained valuable employment experience and received a stipend to assist with school supplies for the new academic year.

In our continuing efforts to educate and sensitize the public on power development issues, BEL held a Public Conference and conducted Public Lectures on its operations and on proposed developments such as the electricity facility at Chalillo. The primary objective of the forums was to update the general public, and more importantly, to address any concerns they may have.

BEL was a corporate sponsor for the La-Ruta Maya River Challenge, a 4-day canoe race along the Old Belize River. The arduous 180-mile trek along the Belize River amidst the chirps and chants of the watchful rainforest has grown each year since its inception in 1998 to become an international event. This route used for the event served as the artery of trade and travel in the Mayan Classic Period, and the main channel for the logwood and chicle trade which thrived in Belize in the early colonial era.





Supporting Education, Health, Sports  
and Culture through Community





**INDEPENDENT AUDITORS' REPORT**



Chartered Accountants

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**TO THE BOARD OF DIRECTORS OF  
BELIZE ELECTRICITY LIMITED**

We have audited the accompanying balance sheet of Belize Electricity Limited as of 31 March 2000 , and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Belize Electricity Limited as of 31 March 1999, were audited by other auditors whose report dated 17 May 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 1m to the financial statements, the company has adopted an accounting policy of recognizing unrealized foreign exchange gains occurring in the financial year by amortizing such gains over the term of the related outstanding loans, that in our opinion should be fully credited to income to conform with International Accounting Standards.

In our opinion, except for the effects of not recognizing in income the full amount of unrealized foreign exchange gains occurring in the year, the financial statements give a true and fair view of the financial position of the company as of 31 March, 2000 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

  
19 April 2000



KPMG. KPMG, a firm established under Belize law, is a member of KPMG International, a Swiss Association

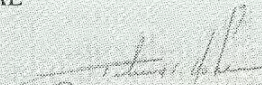
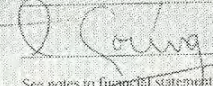
SJP Ermeav FCA  
Fellow of the Institute of Chartered Accountants in England and Wales



**BELIZE ELECTRICITY LIMITED****BALANCE SHEET****MARCH 31, 2000**

(In Belize thousands of dollars)

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 1b and 5)	\$ 193,916	\$ 184,878
TRANSMISSION RIGHTS (Note 1L)	2,486	2,650
GOODWILL (Note 1f)	131	142
Total long-term assets	<u>196,533</u>	<u>187,670</u>
<b>CURRENT ASSETS</b>		
Cash and short-term investments	6,631	4,298
Accounts receivable (Notes 1d and 2)	7,362	7,009
Prepayments (Note 3)	1,574	48
Inventories (Notes 1c and 4)	12,227	11,780
Total current assets	<u>27,794</u>	<u>23,135</u>
<b>TOTAL</b>	<u>\$ 224,327</u>	<u>\$ 210,805</u>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>		
<b>SHAREHOLDERS' EQUITY</b>		
Preference shares (Note 10)	\$ 2,906	\$ 22,384
Ordinary shares (Note 11)	51,938	13,860
Special share (Note 12)	-	-
Capital contribution (Notes 1k and 16)	33,753	33,963
Insurance reserve (Note 17)	3,000	2,500
Retained earnings	32,523	27,508
Total shareholders' equity	<u>124,120</u>	<u>100,215</u>
LONG-TERM DEBT (Note 8)	56,273	60,278
DEBENTURES (Note 9)	17,160	26,810
ACCRUED RETIREMENT BENEFITS (Note 1i)	1,001	725
Total shareholders' equity and long-term liabilities	<u>198,554</u>	<u>188,028</u>
<b>CURRENT LIABILITIES</b>		
Bank overdraft (Note 6)	4,673	7,617
Accounts payable and accruals (Note 7)	9,373	6,117
Consumer deposits	4,931	4,638
Income tax payable	-	91
Current maturities on long-term debt (Note 8)	6,724	3,987
Total current liabilities	<u>25,701</u>	<u>22,450</u>
CUSTOMER ADVANCES FOR CONSTRUCTION	72	327
<b>TOTAL</b>	<u>\$ 224,327</u>	<u>\$ 210,805</u>

 Chairman  
 Chief Executive Officer  
 See notes to financial statements.





2000 Annual Report

**BELIZE ELECTRICITY LIMITED**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**YEAR ENDED MARCH 31, 2000**

(In Belize thousands of dollars)

	<u>2000</u>	<u>1999</u>
Sale of electricity (Note 1e)	\$ 73,796	\$ 66,807
Other operating revenues	<u>4,719</u>	<u>3,671</u>
Total operating revenues	<u>78,515</u>	<u>70,478</u>
OPERATING EXPENSES:		
Operations		
Power purchase	22,876	22,685
Diesel generation	10,668	12,593
Transmission and distribution	3,464	1,650
Maintenance		
Diesel generation	3,073	3,772
Transmission and distribution	1,722	2,464
General and administrative	11,784	10,807
Depreciation and amortization	7,525	6,177
Corporate taxes (Note 13)	<u>974</u>	<u>800</u>
Total operating expenses	<u>62,086</u>	<u>60,948</u>
NET OPERATING INCOME	16,429	9,530
OTHER INCOME		
Interest income	171	203
Other	<u>81</u>	<u>2,787</u>
NET INCOME BEFORE INTEREST EXPENSE	16,681	12,520
Interest	<u>(6,636)</u>	<u>(4,466)</u>
NET INCOME	<u>\$ 10,045</u>	<u>\$ 8,054</u>
RETAINED EARNINGS, BEGINNING OF YEAR,		
Net income	10,045	8,054
Dividends (Note 14)	(4,530)	(1,812)
Insurance reserve (Note 17)	<u>(500)</u>	<u>(500)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 32,523</u>	<u>\$ 27,508</u>
EARNINGS PER SHARE (Notes 1g and 15)		
Basic	<u>\$ 0.45</u>	<u>\$ 0.44</u>

See notes to financial statements.



**BELIZE ELECTRICITY LIMITED****STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2000**

(In Belize thousands of dollars)

	<u>2000</u>	<u>1999</u>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 10,045	\$ 8,054
Adjustments for:		
Depreciation and amortization (net)	7,525	6,177
Unrealized exchange (gain) loss on long-term debt - net	(62)	172
Gain on disposal of plant and equipment	(19)	(2,215)
Operating profit before working capital changes	17,489	12,188
(Increase) in accounts receivable	(353)	(1,742)
(Increase) Decrease in prepayment	(1,526)	480
(Increase) Decrease in inventories	(447)	2,045
Increase (decrease) in accounts payable, accruals and customer advances	314	(4,826)
Increase in consumer deposits	293	254
Decrease in income tax payable	(91)	(90)
Increase in accrued retirement benefits	276	364
Net cash provided by operating activities	<u>15,955</u>	<u>8,673</u>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of plant and equipment (net of capital contributions)	(16,703)	(37,700)
Proceeds from disposal of plant and equipment	124	2,525
Net cash used in investing activities	<u>(16,579)</u>	<u>(35,175)</u>
<b>FINANCING ACTIVITIES:</b>		
(Repayment of) / Proceeds from bank overdraft	(2,944)	7,617
Proceeds of new loan	3,079	18,754
Payment on long-term debt	(3,410)	(11,909)
Proceeds on sale of common shares via share rights	8,950	
Proceeds on issuance of new series debentures	-	16,042
Dividends paid	(2,718)	(1,812)
Convertible debentures redeemed	-	(1,998)
Net cash provided by financing activities	<u>2,957</u>	<u>26,694</u>
<b>NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>2,333</b>	<b>192</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR</b>	<b><u>4,298</u></b>	<b><u>4,106</u></b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF YEAR</b>	<b><u>\$ 6,631</u></b>	<b><u>\$ 4,298</u></b>

See notes to financial statements.





## BELIZE ELECTRICITY LIMITED

### NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

#### 1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES

Status - Belize Electricity Limited (the "Company") is a public company incorporated in Belize on October 5, 1992 to carry on the business of generating and supplying electricity to the public. The Company, whose majority shareholders are Belize Social Security and the Fortis Group of Companies, succeeds the Government of Belize control of Belize Electricity Limited ("The Board") following the Government's second privatization process.

#### Significant Accounting Policies

- a. Foreign Currency Translation and Exchange Gains and Losses - Foreign currency transactions are converted at the rate prevailing on the transaction date. Foreign currency balances at year-end are converted at the rates of exchange ruling at that date with realized exchange gains and losses included in income. Unrealized gains and losses are deferred and are included in income over the life of related loans.
- b. Property, Plant and Equipment and Depreciation - Property, plant and equipment are carried at cost and, with the exception of land and assets under construction, are depreciated on the straight line basis over their estimated useful lives which, for the major classes of assets, are as follows:

Buildings	20 – 40 years
Plant and machinery	10 – 33 years
Lines and equipment	25 – 40 years
Transportation equipment	4 – 5 years
Office equipment	10 years
Other assets and equipment	10 years

Maintenance and repairs are expensed as incurred. Expenditures, which significantly increase value or extend useful asset life, are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and gains or losses on disposal are included in income for the year.

Assets under construction (Note 5) include interest on funds borrowed to finance the construction of major capital additions (Note 8). See also Note 1h below.

- c. Inventories - Inventories are valued at the lower of average cost and net realizable value. Full provision is made against materials specifically identified as damaged or obsolete and a 5% general provision is made against all other materials.
- d. Provision for Doubtful Debts - Full provision is made in respect of disconnected consumer accounts after application of consumer security deposits, and a 3% general provision is made against active accounts net of deposits.





## BELIZE ELECTRICITY LIMITED

### NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

#### 1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- e. Sale of Electricity - Sale of electricity is recognized on a twelve-month basis of meter readings taken during the financial year. Revenue in respect of unread consumption of electricity at March 31 is included in income of the subsequent financial year on a consistent basis.
- f. Goodwill Amortization - Excess of cost over net assets acquired by the Company is amortized on a straight-line basis over 20 years, which commenced fiscal 1993.
- g. Earnings per Share - Basic earnings per share is calculated by dividing net income applicable to both ordinary and preference shares by the weighted average number of ordinary and preference shares outstanding during the year. As explained in Note 10, preference shares rank equally in all respects with the ordinary shares regarding entitlement to income of the Company including payment of any cash dividends. On a fully diluted basis, both net income and shares outstanding are adjusted to assume the conversion of convertible debentures to ordinary shares or the exercise of debenture conversion rights warrants to purchase shares.
- h. Installation Fees - Installation fees are consistently credited to income in respect of installations carried out by the Company. Corresponding installation costs are consistently capitalized since ownership of the respective assets remains with the Company. (See Note 16).
- i. Retirement Benefits - Management's best estimate of the current service cost of retirement benefits is calculated using the present value of amounts which would be payable upon retirement of all present eligible employees at the end of their qualifying service periods. Benefits are not funded.
- j. Income Tax/Business Tax - Business tax is calculated at 1.25% on the gross revenues of the Company. Deferred income tax does not arise from the recording of business tax (See Note 13).
- k. Capital Contributions - Contributed assets are recorded as capital contributions and amortized over the useful life of the related asset.
- l. Transmission Rights - Transmission rights represent the cost of constructing transmission lines and sub-station extensions across the Mexican Border and are used by the Company in purchasing energy from Mexico. The transmission rights are amortized over the life of the power purchase contract.
- m. Change in accounting policy - Effective April 1, 1999, the Company changed its method of accounting for unrealized foreign exchange gains and losses by amortizing such gains and losses over the life of the related loans. Under the previous accounting policy, unrealized exchange gains and losses were fully included in income together with realized gains and losses. The change in accounting policy resulted in a reduction of \$875,000 in operating income for fiscal year 2000. The change, which has not been made retrospectively, had no material effect on the 1999 operating results.

Management believes that the adoption of this change more prudently recognizes unrealized foreign exchange gains and losses in income. This change was made to comply with parent company reporting.





## BELIZE ELECTRICITY LIMITED

### NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

#### 2. ACCOUNTS RECEIVABLE

	<u>2000</u>	<u>1999</u>
Consumers	\$ 5,574	\$4,902
Government of Belize (GOB)	1,115	1,907
Other	<u>1,714</u>	<u>1,366</u>
	8,403	8,175
Less: provision for doubtful accounts	<u>(1,041)</u>	<u>(1,166)</u>
	<u>\$ 7,362</u>	<u>\$7,009</u>

#### 3. PREPAYMENTS

	<u>2000</u>	<u>1999</u>
Insurance	\$ 327	\$ 48
Power purchase	<u>1,247</u>	<u>-</u>
	<u>\$ 1,574</u>	<u>\$ 48</u>

#### 4. INVENTORIES

	<u>2000</u>	<u>1999</u>
Bulkstores	\$ 14,827	\$ 13,715
Fuel and oil	<u>637</u>	<u>410</u>
	15,464	14,125
Less: provision for damaged and obsolete spares	<u>(3,237)</u>	<u>(2,345)</u>
	<u>\$ 12,227</u>	<u>\$ 11,780</u>





**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

(In Belize thousands of dollars)

**5. PROPERTY, PLANT AND EQUIPMENT**

Cost	Land	Building	Plant and Machinery	Line and Equipment	Transportation and Equipment	Office Equipment	Other Assets and Equipment	Asset Under Construction	Total
April 1, 1999	\$ 952	\$ 8,514	\$ 55,477	\$ 110,532	\$ 4,467	\$ 3,546	\$ 1,116	\$ 69,203	\$ 253,807
Additions	375	1,285	25	58,177	1,548	23	12,557	18,699	92,689
Disposals			(214)	(629)	(6)			(75,096)	(75,945)
March 31, 2000	1,327	9,799	55,502	168,495	5,386	3,563	13,673	12,806	270,551
<b>Accumulated Depreciation</b>									
April 1, 1999	-	3,202	32,906	25,021	4,037	3,441	322	-	68,929
Additions	-	220	2,217	3,667	104	35	2,207	-	8,450
Disposals	-		(153)	(590)	(1)				(744)
March 31, 2000	-	3,422	35,123	28,535	3,551	3,475	2,529	-	76,635
<b>Net Book Value</b>									
March 31, 1999	\$ 952	\$ 5,312	\$ 22,571	\$ 85,511	\$ 430	\$ 105	\$ 794	\$ 69,203	\$ 184,878
March 31, 2000	<b>\$ 1,327</b>	<b>\$ 6,377</b>	<b>\$ 20,379</b>	<b>\$ 139,960</b>	<b>\$ 1,835</b>	<b>\$ 88</b>	<b>\$ 11,144</b>	<b>\$ 12,806</b>	<b>\$ 193,916</b>

Depreciation expense shown in the statement of income for the period is reduced by \$925,341 which represents capital contribution amortized.





**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

(In Belize thousands of dollars)

**6. BANK OVERDRAFT**

The Company has a \$4,000,000 and a \$1,500,000 overdraft facility at the Belize Bank and the Bank of Nova Scotia, respectively. The overdrafts bear interest at 15.5% from the Belize Bank Limited and 15% from the Bank of Nova Scotia per annum, are unsecured and are payable on demand.

**7. ACCOUNTS PAYABLE AND ACCRUALS**

	<u>2000</u>	1999
Foreign	\$3,378	\$ 1,868
Local	<u>1,729</u>	<u>1,323</u>
	<b>5,107</b>	<b>3,191</b>
Government of Belize	<b>887</b>	2,143
Dividends declared	<b>1,812</b>	
Deferred unrealized gain on foreign currency exchange	<b>875</b>	-
Other	<u>692</u>	<u>783</u>
	<u><b>\$9,373</b></u>	<u><b>\$6,117</b></u>

**8. LONG -TERM DEBT**

	<u>2000</u>	1999
<b>(1) Government of Belize:</b>		
<b>a. Loan No. 2749S BEL -</b>	<b>\$3,976</b>	\$5,183
Loan of US\$7,500,000 from the International Bank for Reconstruction and Development (IBRD) for onlending to the Company, approved as part of a power project, of which the full amount has been drawn down. Repayment is by 25 equal semi-annual installments of US\$290,000 commencing January 15, 1991 and a final installment of US\$250,000 on July 15, 2003. Interest is 0.5% per annum above the Bank's "Cost of Qualified Borrowings" as defined in the loan agreement. The effective rate of interest as of March 31, 2000 is 8.53% (1999 – 7.97%) p.a.		
<b>b. Loan No. 37/SFR – BZ -</b>	<b>3,180</b>	3,590
Loan of US\$3,079,000 from the Caribbean Development Bank for onlending to the Company, approved as part of a power project, of which the full amount has been drawn down at March 31, 2000 and US\$3,067,234 at March 31, 1999. Repayment is by 60 equal quarterly installments with the first installment due March 31, 1993. The loan bears interest at 8.5%.		
<b>c. Loan No. 1/SFR – BZ -</b>	<b>680</b>	941
Loan of US\$3,546,243 from the Caribbean Development Bank for onlending to the Company for electricity expansion. The first tranche of the loan (US\$2,520,480) and the second tranche (US\$1,025,763) are repayable by 40 equal semi-annual installments with final installment maturing in 2004. Both tranches bear interest at 4% per annum.		





# BELIZE ELECTRICITY LIMITED

## NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

### 8. LONG TERM DEBT (CONT'D)

<p><b>d. Loan No 3776A/S BEL -</b></p> <p>Loan of US\$11,400,000 from the International Bank for Reconstruction and Development (IBRD) for onlending to the Company, approved as part of Power II Project, of which the full amount has been drawn down at March 31, 2000 and US\$10,728,131 at March 31, 1999. Repayment is by 23 equal semi-annual installments of US\$480,000 commencing February 15, 2000 and a final installment of US\$460,000 on August 15, 2011. Interest is 0.5% per annum above the Bank's "Cost of Qualified Borrowings" as defined in the loan agreement. The effective rate of interest as of March 31, 2000 is 8.03% (1999 – 7.97%) per annum.</p>	<p><b>21,669</b></p>	<p><b>21,524</b></p>
<p><b>e. Loan No. 7.0971/2</b></p> <p>Loan of EUR 3,700,000 from European Investment Bank (EIB) for onlending to the Company, approved as part of Power II Project of which the full amount (EUR 3,700,000) has been drawn down at March 31, 2000 and 1999. Repayment is by 15 annual installments commencing May 31, 2000. The loan bears interest at 5% per annum.</p>	<p><b>7,077</b></p>	<p><b>8,014</b></p>
<p><b>f. Loan No 14/OR-BZ -</b></p> <p>Loan of US\$13,310,000 from the Caribbean Development Bank for onlending to the Company approved as part of Power II Project, of which US\$12,214,099 and US\$10,830,572 have been drawn down as at March 31, 2000 and 1999, respectively. Repayment is by 60 quarterly installments commencing February 5, 2000. The loan bears interest at 6.750% per annum.</p>	<p><b>24,505</b></p>	<p><b>22,260</b></p>
<p><b>(2) Export-Import Bank of the Republic of China:</b></p> <p>Loan of US\$1,500,000 for the purchase of generating equipment repayable in 16 equal consecutive semi-annual installments of US\$93,750 from July 22, 1993 to January 22, 2001 with interest at 5% per annum. The loan is secured by a promissory note from the Company.</p>	<p><b>374</b></p>	<p><b>752</b></p>
<p><b>(4) Caribbean Development Bank:</b></p> <p>Unsecured loan of US\$42,000 approved as part of Power II Project of which the full amount has been drawn down. Repayment is by 31 consecutive quarterly installments commencing September 30, 1996 and ending on June 30, 2004. The loan bears interest at 2% per annum.</p>	<p><b>45</b></p>	<p><b>55</b></p>





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## BELIZE ELECTRICITY LIMITED

### NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

#### 8. LONG TERM DEBT (CONT'D)

(5) Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) (Mexico):	1,491	1,991
Unsecured loan of US\$1,310,900 approved as part of Power II Project of which the full amount has been drawn down as at March 31, 2000 and 1999. Repayment is by ten equal semi-annual installments commencing July 29, 1998. The loan bears interest at 8% per annum.		
	<u>62,997</u>	<u>64,265</u>
Less current maturities	<u>(6,724)</u>	<u>(3,987)</u>
	<u>\$ 56,273</u>	<u>\$ 60,278</u>

The loans are repayable as follows:

Fiscal 2001	6,724
2002	7,235
2003	6,978
2004	6,663
Subsequently	<u>35,397</u>
	<u>\$ 62,997</u>

Loan No. 7.0971/2 denominated in EURO Dollars has been revalued at March 31, 2000 resulting in an unrealized gain of \$937,000 (\$Nil - 1999). Loans No. 2749S and 3776S BEL are denominated in United States dollars. Up to fiscal 1999, these loans were periodically revalued by IBRD based on currencies from which IBRD finances its loans, and resulted in an unrealized exchange loss of \$ 191,404 included in fiscal 1999 operating results.

Interest and related charges on loans capitalized during 2000 relating to Power II and other projects amounted to BZ\$1,360,891 (BZ\$2,892,149 in 1999).



**BELIZE ELECTRICITY LIMITED****NOTES TO FINANCIAL STATEMENTS**

(In Belize thousands of dollars)

**9. DEBENTURES****Series 1 Fixed Rate 12% Debentures:**

	<u>1999</u>	<u>1999</u>
14,630 unsecured debentures of \$76 and 160,479 unsecured debentures of \$100 (1999-141,611 unsecured debentures of \$76 and 160,479 unsecured debentures of \$100) to mature December 31, 2012 with interest payable quarterly at 12% per annum.	<u>\$17,160</u>	<u>\$26,810</u>

On March 30, 1998, the Company conducted a public offering of \$12,000,000 Series 1 Fixed Rate 12% Debentures and simultaneously offered to replace the debentures of existing debentureholders with additional Series 1 Fixed Rate Debentures ("rollover"). Proceeds of the offering were utilized to refinance a Social Security \$8,740,000 loan, to set up a fund to facilitate the purchase and resale of small amounts of debentures and provide funds to redeem existing debentures of debentureholders who decided not to replace their existing debentures with the additional Series 1 Fixed Rate Debentures.

On April 27, 1998, the Company closed the offering receiving \$16,047,900 in subscriptions. In addition, holders of \$2,003,436 existing debentures did not "rollover" their debentures to the Series 1 Fixed Rate Debentures. On May 4, 1998, the Board of Directors decided to accept all \$16,047,900 subscriptions and to utilize the excess funds in reducing other loan funds bearing interest in excess of 12% per annum for its Power II project. All subscribers were notified and in May 1998, new Series 1 Fixed Rate 12% Debenture certificates were issued.

In October 1999 and January 2000, Belize Social Security, and Regent Insurance Co. Ltd., and Regent Life Ltd. converted 127,254 debenture of \$76 each into 4,843,100 ordinary common shares at \$2.00 each.

The debentures can be called by the Company at any time after June 30, 2003 until maturity by giving holders not more than 60 days or less than 30 days written notice, and are repayable at the option of the holders at any time on or after June 30, 2002 by giving 12 months written notice to the Company. Redemption by agreement between the Company and the Debenture holder at any time from time to time is also allowed.

The Indenture to the Debenture contains covenants which must be complied with by the Company. In the event of a default as defined in the Indenture, the Company through the Fiscal Agent or via a Trustee appointed by the Debenture holders as provided for in the Indenture may be required to purchase the Debentures at their face value. (See Note 17.)

**10. PREFERENCE SHARES**

	<u>2000</u>	<u>1999</u>
Convertible redeemable preference shares		
Authorized 12,000,000 shares of \$2.00	<u>\$ 24,000</u>	<u>\$ 24,000</u>
Issued and fully paid 1,452,854 shares of \$2.00	<u>\$ 2,906</u>	<u>\$ 22,384</u>
Rights attached to the preference shares are:-		

**Conversion** – for each ordinary share purchased under the debenture conversion rights, and immediately following such purchase, 1 preference share shall automatically be converted to 1 fully paid ordinary share. Preference shares can only be converted to ordinary shares via this avenue. During October 1999 and January 2000, Belize Social Security, Belize Bank Limited, Regent Insurance Co. Ltd., Regent Life Ltd., and other Conversion Rights holders exercised their debenture conversion rights resulting in the conversion of 9,739,096 preference shares into ordinary shares.





# BELIZE ELECTRICITY LIMITED

## NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

### 10. PREFERENCE SHARES (CONT'D)

Income – preference shares rank equally in all respects with the ordinary shares with respect to entitlement to income from the Company including any cash dividends paid by the Company.

Voting - at annual general meetings, preference shares are nonvoting. However, each preference share ranks *pari passu* with each ordinary share with respect to voting rights in special circumstances provided in the articles regarding dissolution of the Company.

Redemption - the Company will redeem all of the outstanding preference shares on December 31, 2025 at their nominal value after giving no less than 30 days notice to holders of such shares.

Purchase and transfer - the Company shall not purchase any of the preference shares. No preference share may be transferred by the Government of Belize until after December 31, 1997.

### 11. ORDINARY SHARES

	<u>2000</u>	<u>1999</u>
Ordinary shares		
Authorized 38,000,000 shares of \$2.00	<u>\$76,000</u>	\$76,000
Issued and fully paid	<u>\$51,938</u>	<u>\$13,860</u>

### 12. SPECIAL SHARE

	<u>2000</u>	<u>1999</u>
Special rights redeemable preference share:		
Authorized, issued and fully paid 1 share of \$1.00	<u>\$-</u>	<u>\$-</u>
Rights attached to the Special Share:		

Income - the Special Share is not entitled to participate in any income distributed by the Company.

Voting - the holder of the Special Share is entitled to receive notice of, and to attend and speak at, any general meeting or any meeting of any class of shareholders of the Company, but the Special Share does not carry a right to vote nor any other rights at such meeting.

Redemption - The holder of the Special Share may require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate to the Company. Any redemption are subject to the provisions of the statutes and the Articles of the Company.

Capital - The Special Share confers on the holder thereof the right, on a winding-up or other return of capital but not on a redemption, to repayment in priority to any payment to the holders of Ordinary Shares and at least in parity with the holders of the Preference Shares and the holders of any other preference shares of the Company from time to time, of the amount paid up on the Special Share.

Purchase and transfer - The Company shall not purchase, but may redeem the Special Share. The Special Share may be transferred only to a Minister of the Government of Belize or any person acting on the written authority of the Government of Belize.



**BELIZE ELECTRICITY LIMITED****NOTES TO FINANCIAL STATEMENTS**

(In Belize thousands of dollars)

**12. SPECIAL SHARE (CONT'D)**

Right to appoint Chairman – Article 4(B) of The Articles of Association of Belize Electricity Limited states that “when determining the rights attaching to any shares, the shares held by the Government shall be deemed to include shares held by the Social Security Board or any other Public Statutory Corporation.” The holder of the special share is entitled to appoint two directors of the Board of Directors of the Company, one of whom is to serve as the chairman at any time during which the holder of the special share is the holder of Ordinary shares amounting to 25% or more of the issued share capital of the Company.

**13. BUSINESS TAX**

In July 1998, the Government of Belize introduced a business tax of 1.5% on gross revenues and abolished corporate taxation. Business tax is assessed and collected on a monthly basis. Effective April 1, 1999 the rate of business tax applicable to the Company was reduced to 1.25%.

**14. DIVIDENDS**

At the Company's seventh annual general meeting held on December 15, 1999, the Company declared and shareholders confirmed a \$0.15 per share dividend to all shareholders for the year ended March 31, 1999. This dividend was paid in December 1999. Shareholders also confirmed an interim dividend of \$0.10 per share to be paid to shareholders on record at September 30, 1999 to be paid in April 2000. On March 15, 2000, it was resolved that for the six months ended March 31, 2000 a final dividend of \$0.10 per share be paid in cash and payable in May 2000 for all Ordinary and Preference Shares of the Company to shareholders on record at the close of business on Friday March 31, 2000.

**15. EARNINGS PER SHARE**

	<u>2000</u> Basic	<u>1999</u> Basic
Net income	\$ 10,045	\$ 8,054
Interest on convertible debentures	-	-
Net income applicable to shareholders and potential shareholders	<u>\$ 10,045</u>	<u>\$ 8,054</u>
Shares and potential shares outstanding	<u>22,249,762</u>	<u>18,121,950</u>
Earnings per share	<u>\$ 0.45</u>	<u>\$ 0.44</u>

Shares and potential shares outstanding used in the calculation of the basic earnings per share include 1,452,584 of convertible redeemable preference shares (1999-11,191,950) - See note 1g.

At March 31, 2000, 1,452,854 debenture conversion rights are outstanding (1999-10,753,050) which are exercisable up to December 31, 2000 at an exercise price of \$2 per ordinary share. Because it is impracticable to determine an independent fair market value of the Company's shares, the dilutive effect of exercising outstanding conversion rights is not presented.



**BELIZE ELECTRICITY LIMITED****NOTES TO FINANCIAL STATEMENTS**

(In Belize thousands of dollars)

**16. CAPITAL CONTRIBUTIONS**

Capital contributions include the transmission facility connecting the Mollejon hydroelectric plant to the Company's distribution system that was transferred by BECOL to the Company at construction cost of \$29,751,632. Government of Belize contributions towards rural electrification programmes are also included in capital contributions.

	<u>2000</u>	1999
Capital contributions brought forward	<u>\$35,636</u>	\$34,474
Additions	<u>715</u>	<u>1,162</u>
Capital contributions carried forward	<u>36,351</u>	<u>35,636</u>
Amortization brought forward	<u>1,673</u>	803
Additions	<u>925</u>	<u>870</u>
Amortization carried forward	<u>2,598</u>	<u>1,673</u>
Capital contributions – net	<u>\$33,753</u>	<u>\$33,963</u>

**17. COMMITMENTS AND CONTINGENCIES**

Compliance with Covenants - The Indenture to the Debenture and other loan agreements contain numerous covenants that must be complied with by the Company. During the year ended March 31, 2000, the Company was in compliance with all of these covenants except for the following:

Deposits to Electricity Special Fund account

The insurance coverage of the Company's transmission and distribution assets was discontinued in fiscal 1994 due to a limitation in the availability and a significant increase in the cost of this insurance. In fiscal 1995, the Company approved a self-insurance scheme for transmission and distribution assets for a total of \$5,000,000 and earmarked \$500,000 per annum to be set aside for this scheme. Retained earnings of the Company have been appropriated for this scheme and funds set-aside in a fixed deposit account to cover the appropriated retained earnings. As at March 31, 2000, \$2,361,243 had been set aside in fixed deposits against the \$3,000,000 of appropriated retained earnings. A stand-by credit agreement with one of the Company's major bankers for \$5,000,000 is also in place as a part of this self-insurance scheme.

Power II Project - The Company has substantially completed a major project to meet the electricity needs of Belize for the next ten years ("Power II project"). The project mainly involved the construction of a 115 kV transmission line to the Mexico border, the linking of San Pedro to this 115 kV transmission line, an improved control center with related training and the linking of Dangriga to the 115 kV transmission line from the Mollejon hydroelectric plant. Total estimated financing for the Power II project is BZ\$76,055,500 of which BZ\$59,333,468 is from foreign financial institutions (See note 8).





## BELIZE ELECTRICITY LIMITED

### NOTES TO FINANCIAL STATEMENTS

(In Belize thousands of dollars)

#### 17. COMMITMENTS AND CONTINGENCIES CONTINUED

Changes in Regulatory Framework - A component of the Company's Power II Project provided funding under World Bank financing for the engagement of consultancy services to conduct a study to put in place a regulatory framework to enable the Government of Belize to define transparent procedures for electricity pricing and tariff setting and approval.

The Government of Belize is considering regulations based on an incentive regulation model for electricity rates and other revenues as a result of the regulatory framework study which was designed to reflect, among other things, costs of supply to customers and tariff changes where justifiable.

Capacity Charge - Under its Power Purchase Agreement (PPA) with BECOL, the Company is obligated to take and pay for an annual minimum of 85 GWh of power from Mollejon hydro facility. The difference between what is actually taken and what should have been taken is billed to the Company as a Capacity Charge. The PPA was signed in April 1991 and the plant began commercial operations on April 1 1996. A fundamental plank of the agreement is the ability of the plant to produce the minimum of 85 GWh except for force majeure conditions. The agreement has been modified twice, and the last modification in December 1993 reduced the minimum take from 120 GWh to 85 GWh.

In December 1999, the Company became aware that the Mollejon hydro facility is incapable of producing the base energy of 85 GWh in an operating year. Acting on legal advice, the Company has taken the position that it will not pay for power that the plant cannot produce and that BECOL must upgrade the plant so that it is able to produce the minimum take amount. The Company has notified BECOL that it is not subject to and will not pay a capacity charge for the operating year ending March 31, 2000. The Company is also claiming a refund of the capacity charge paid in respect of the prior operating years ending March 31, 1997, 1998 and 1999.

Accordingly, the capacity charge of \$2,063,355 billed by BECOL in respect of the six months ending March 31, 2000 has not been paid or accrued. In addition, \$1,246,820 paid in October 1999 in respect of the six months ending September 30, 1999 has been treated as a prepayment to be set off against future invoices from BECOL.

#### 18. SUBSEQUENT EVENTS

Energy Projects - The Company is pursuing options to reduce the cost of hydropower through the construction of an upstream storage facility. The Company is also exploring the possibility of producing power from excess sugar cane waste with the Belize Sugar Industry.

Pension Plan - A Defined Contribution Pension Plan was implemented effective April 2000 where employee contribute 4% of gross monthly income per month which is matched equally by the Company. The scheme is a funded defined contribution plan with past years of service taken into consideration.

Tariff Reduction - The Public Utilities Commission on March 3, 2000 approved new tariffs for Commercial and Industrial Consumers. The new tariffs will come into effect on April 1, 2000 representing a 7% decrease in rates to these customers.

#### 19. FINANCIAL INSTRUMENTS

The carrying amounts of cash, receivables, trade and other payables at the balance sheet date represent best estimates of fair values because of the relative short-term maturities of these assets and liabilities. Long-term obligations have been contracted at market terms and accordingly approximate fair value.





## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION



Chartered Accountants

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### **TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BELIZE ELECTRICITY LIMITED:**

Our examination of the financial statements of the Company for the year ended 31 March 2000 was intended primarily for the purpose of formulating an opinion on those financial statements taken as a whole.

The accompanying additional information presented on page II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*KPMG*

19 April 2000



KPMG. KPMG, a firm established under Belize law, is a member of KPMG International, a Swiss Association

SJP Ermeav FCA  
Fellow of the Institute of  
Chartered Accountants in  
England and Wales





## BELIZE ELECTRICITY LIMITED

### FINANCIAL AND OPERATING STATISTICS

Item	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
<b>Financial Statistics</b>					
(Financial Figures in Belize thousands of Dollars)					
Sales	73,796	66,807	61,999	59,906	58,318
Net Profit	10,045	8,054	3,203	3,165	5,643
Net Fixed Assets	194,273	184,878	153,362	124,179	89,261
Total Assets Employed	224,684	210,805	179,891	150,577	121,770
Long Term Debt	59,010	60,278	44,377	30,046	20,280
Shareholder's Equity	125,352	100,215	93,681*	87,638	53,642
Convertible Debentures	17,160	26,810	12,766	12,766	21,506
<b>Performance Indicators</b>					
Return on Net Fixed Assets in Operation	14.54%	15.31%	8.57%	8.71%	12.51%
Return on Shareholder's Equity	8.01%	8.04%	3.53%	4.48%	10.80%
Earnings per share (\$)	0.45	0.44	0.18	0.17	0.32
Receivable (days)	29	31	30	30	40

### OPERATING STATISTICS

	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
<b>Sales (MWh)</b>					
Industrial	51,011	43,120	35,461	34,026	32,616
Commercial	59,962	49,806	46,609	42,552	40,791
Residential	84,010	80,779	77,672	70,916	67,979
Street Lighting	13,547	13,026	12,525	12,044	11,545
<b>Total</b>	<b>208,531</b>	<b>186,731</b>	<b>172,267</b>	<b>159,537</b>	<b>152,931</b>
<b>Customers (numbers)*</b>					
Industrial**	20	18	17	19	19
Commercial	7,835	6,075	5,594	5,140	4,846
Residential	43,892	42,735	40,553	38,553	36,985
Street Lighting	1	1	1	1	1
<b>Total</b>	<b>51,748</b>	<b>48,829</b>	<b>46,165</b>	<b>43,713</b>	<b>41,851</b>
Net Diesel Generation (MWh)	60,134	103,381	96,916	88,108	97,929
Purchased Power - Mollejon (MWh)	67,809	67,985	72,028	62,375	46,695
Purchase Power - CFE (MWh)	107,039	41,560	28,791	25,988	24,319
Losses	11.26%	12.30%	12.88%	9.59%	9.48%
Peak Demand (MW)	39.8	38.0	36.6	31.3	31.8
Installed Capacity (Diesel Plant) (MW)	30.8	31.3	37.8	38.8	40.9
Employees (number)	379	357	358	426	436

\* Historical numbers revised to eliminate inactive accounts.

\*\* Reclassified in 1999.









## BOARD OF DIRECTORS

as of MARCH 31, 2000



**Mr. Robert Usher**  
Chairman

**Mr. H. Stanley Marshall**  
Vice Chairman



**Mr. Fernando Coye**  
Director,  
Chief Operating Officer

**Lynn R. Young,**  
Director,  
Chief Executive Officer,



**Mr. Karl H. Menzies**  
Director

**Mr. Philip G. Hughes**  
Director



**Ms. Juliet Estell**  
Company Secretary

**Mr. Karl Smith**  
Director



**Mr. Yasin Shoman**  
Director

**Mr. James Lea**  
Director



**NOTE: SUBSEQUENT CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS**

Mr. Philip Johnson and Mr. Philip Osborne resigned as Directors of the Board in November 1999. Mr. Karl Smith, Vice President & Chief Financial Officer of Fortis Inc. was appointed as Director on 15th December, 1999.





## Corporate Directory



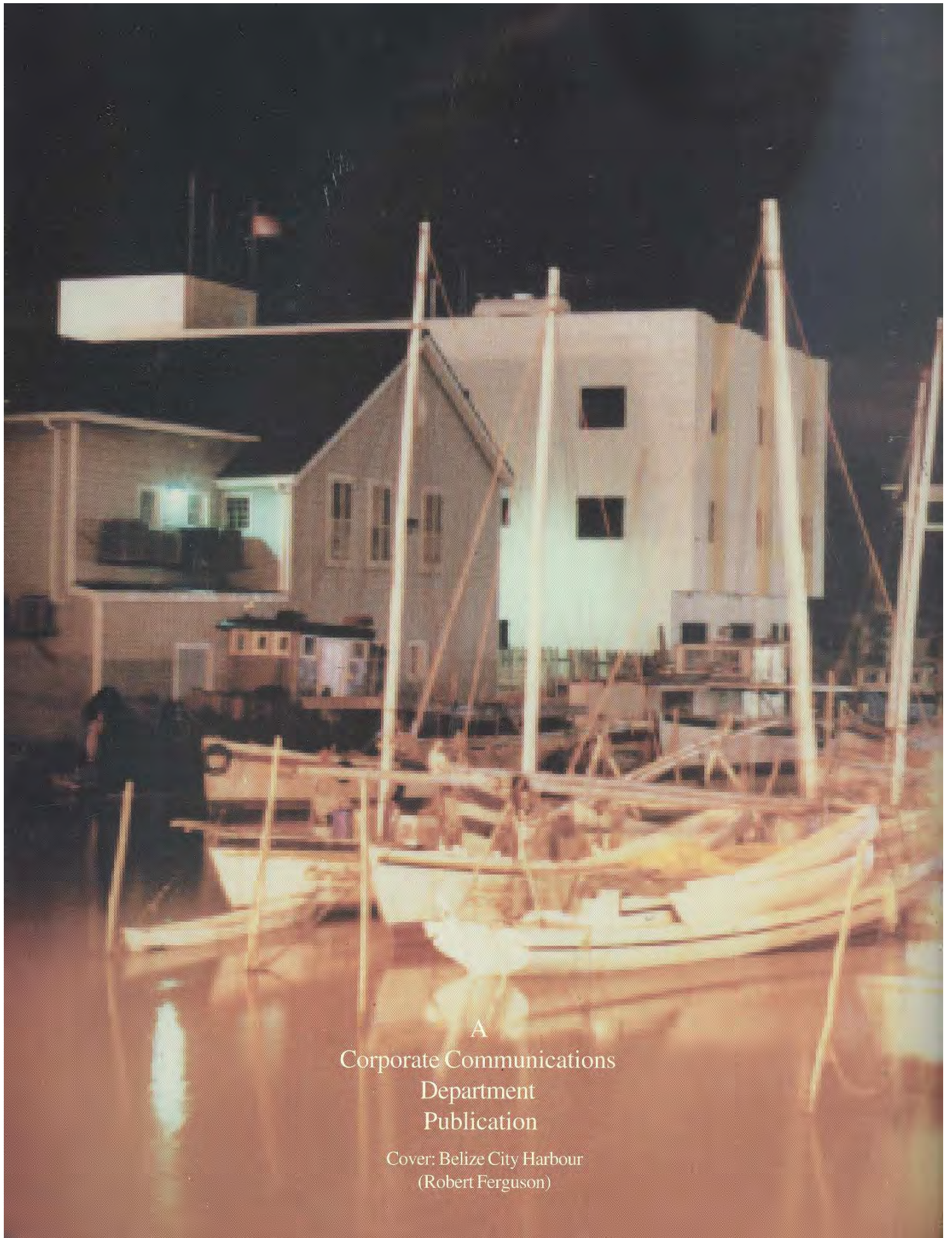
**Back Row from left:** *Lynn Young, Director & Chief Executive Officer*  
*Derek Davis, Energy Supply Manager*  
*Michael Polonio, Business Development Manager*  
*Sean Fuller, Information Systems Manager*  
*Ambrose Tillett, Environment, Safety & Training Manager*  
*Fernando Coye, Director & Chief Operating Officer*

**Front Row from left:** *Jose Espat, Distribution Manager*  
*Anita Eck, Financial Controller*  
*Eugene Cleland, Customer Services Manager*  
*Juliet Estell, Company Secretary & Human Resources Manager*  
*Joseph Sukhnandan, Planning, Engineering & Logistics Manager*

### Investor Information

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E-mail: [corporate@bel.com.bz](mailto:corporate@bel.com.bz)





A  
Corporate Communications  
Department  
Publication

Cover: Belize City Harbour  
(Robert Ferguson)