

BELIZE ELECTRICITY LIMITED

2001 ANNUAL REPORT

@the forefront of development



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## About the Cover

### Front

This silhouette view of a stretch of mainland beach is just a bird's-eye view of what this popular tourist destination has to offer. The coastal community of Hopkins offers the best of two worlds. It has arguably the best stretch of sandy beach in Belize and is also very near the rainforest where exotic plants and animals abound. Hopkins is just 30 minutes away from the Maya Mountains and the Cockscomb Basin, home of the jaguar reserve. Besides the beach and inland adventure, tourists are also attracted to the village because of the friendly atmosphere of the Garifuna culture, traditional foods, craft and music.



Photo: View of beach near Jaguar Reef Lodge in Hopkins Village.

### Back

1. Jaguar Reef Lodge, a cabana style resort, is set on a strip of sandy beach in Hopkins Village.
- 2.-3. International visitors shop at the Belize Tourism Village on the coastline of Belize City. The Tourism Village, which caters to the cruise line industry houses more than 38 stores. It was inaugurated in December 2001.
4. Kanantik Reef and Jungle Resort in the Stann Creek District is a newly constructed tourist facility. This resort is expected to open for business in March 2002.
5. Temple of Masonry Altars at Altun Ha, a Maya archaeological site located in the Belize District. The largest carved jade object ever found in the entire Maya region, the Head of Kinich Ahau, the Maya sun god was discovered during excavations at this site.
6. A stretch of white sandy beach in the coastal community of Hopkins.



Above: BEL's new branch office in Dangriga Town was completed in 2001.



## About Belize

Belize, spanning an area of 8,867 square miles, is the only English-speaking country in Central America. Located on the Eastern Coast of Central America, Belize is bounded in the north and northwest by Mexico and in the south and west by Guatemala. In fact, Belize's location allows it to boast the unique profile of being both a Central American and a Caribbean country, that is home to a culturally diverse population of about 255,000 people. Most of the population of Belize is concentrated in Belize City with a population of about 70,000.

From Creole, Mestizo, Chinese, and Garinagu, to East Indian, Mennonite and Maya, Belize is undoubtedly blessed with a rare blend of cultures. While their beliefs and traditions may differ, these people are linked together by a shared Belizean identity manifested in their use of the most commonly spoken dialect, Kriol, which is derived from the English language. Belize achieved independence from England on September 21, 1981 and is governed by a parliamentary democratic system. Belmopan City, located at the geographical center of Belize, is the capital of the country.

With the longest coral barrier reef in the Western Hemisphere, a picturesque tropical forest and breathtaking ancient Mayan temples, it is hardly surprising that tourism is one of the fastest growing industries in Belize -- the Belize Tourism Board recorded over 195,000 visitors in 2001, with snorkeling, diving, Mayan site visits and National Park tours being the more popular tourist attractions. Other major attractions in Belize are the cayes (islets) just off the country's coast, the towering Victoria Peak that stands at 3,675 feet, numerous underground caves, and the only Jaguar Reserve in the world. As more than 40% of Belize's land is committed to conservation efforts, there is always a reserve to visit just around the corner.

Belize has a sub-tropical climate, with average temperatures between 70-90 degrees Fahrenheit. This is one of the main reasons for high tourist arrivals from North America and Europe during winter months.

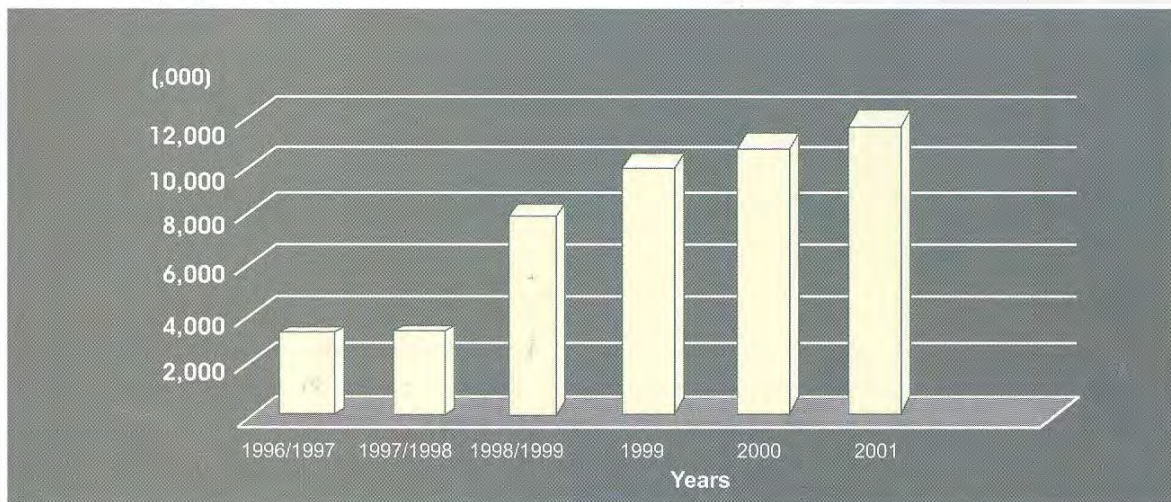
Apart from tourism, the Belizean economy is also rooted in agricultural exports, which include sugar, citrus, and bananas. Timber, merchandising and construction also contribute to the economy. The Belizean dollar has been pegged to the United States dollar at a fixed rate of \$1US to \$2BZ since May 1976.

# Corporate Profile

Belize Electricity Limited (BEL) is the primary commercial generator, transmitter and distributor of electricity in Belize, Central America. Serving more than 57,000 customers, the company meets the country's peak demand of 49 megawatts (MW) from multiple sources, which include electricity purchases from the Mollejon hydroelectric facility in western Belize, from Comission Federal de Electricidad (CFE), the Mexican state-owned electricity company, and from its own diesel-fired generation. All major load centers are connected to the country's national electricity system, which, in turn is connected to the Mexican electric grid allowing BEL to optimize its power supply options.

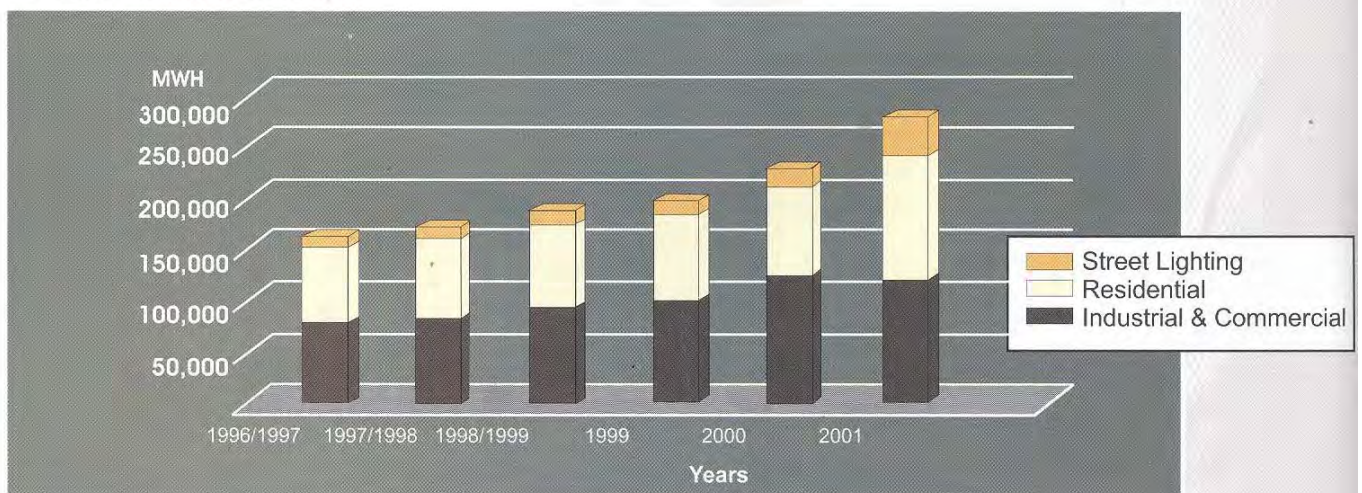
## Financial Highlights

### Earnings (\$,000's)



(Year ending December 31st 2001, 2000, 1999; Year ending March 31st all others)

### Sales Megawatt Hours (MWh)



(Year ending December 31st 2001, 2000, 1999; Year ending March 31st all others)

# Report to Shareholders

BEL faced and overcame many challenges in 2001. Despite several adverse power supply and weather related events, we pulled together as a team and made good progress in our efforts to improve service and reduce cost. With continued focus on productivity improvements, revenues per employee increased by more than 25%, while operating cost was reduced from \$300 to \$287 per megawatt hour (MWh) sold. The bottom line result was an improvement in earnings from \$0.39 to \$0.43 per share.

Through the relentless efforts of our employees, the company's service satisfaction rating was maintained above 80% in spite of the difficulties encountered. Indeed, the company's efforts at improving customer service were endorsed resoundingly when the Belize tourism industry voted BEL as the "Corporate Organization of the Year" for BEL's achievements in delivering high quality service.

After not being hit by a major tropical storm in more than 30 years, Belize was hit by two Category IV storms, one in 2000 followed by another in 2001. With the previous year experience still fresh, our employees executed a well planned response to Hurricane Iris. Iris struck the southern part of the country in October 2001, one year after Hurricane Keith struck the islands off the northern coast. With help from our sister company Belize Electric Company Limited (BECOL), from the Caribbean Utilities Company (CUC) under the CARILEC Hurricane Action Plan, and from the Guatemalan Utility Instituto Nacional de Electricidad (INDE), service was restored to all affected customers within a month.

BEL did not focus solely on rapid service restoration. Employees worked hard in other ways to brighten the lives of individuals affected by Hurricane Iris - by donating clothing, packaging rations and serving food to the homeless. Meanwhile, our parent company Fortis contributed \$50,000 to the Belize Red Cross Hurricane Iris Relief Fund to support that agency's relief efforts for hurricane victims.

Hurricane Iris was the last of a string of unexpected events in 2001 that disrupted service delivery and severely challenged the company. Earlier in the year, several interruptions in the electricity supply from Mexico caused widespread outages. This was followed by Tropical Storm Chantal, which also caused many interruptions in the northern districts, although it did not cause significant damage to the distribution plant. Then, unusually intense lightning storms damaged the power plant in Independence causing more outages to customers in the southern part of the country.

Through it all, we kept our focus on the main objectives of expanding and improving service as well as leveraging technology to realize productivity improvements. During the year, more than 138 miles of distribution lines were installed connecting approximately 1,200 new customers through the rural electrification component of the Power III Project.

To finance these and other projects aimed at improving quality and reliability, the company successfully raised \$19.5 million through a debenture offering in April 2001. BEL will continue to offer investment opportunities to local Belizeans with similar offerings as the need arises.

In 2001, BEL continued to work towards meeting international environmental standards through several important initiatives. Spill prevention systems were installed at the two main diesel-generating plants in Belize City and Belmopan and a comprehensive audit of all power plants completed. Environmental cleanup was successfully completed at several decommissioned diesel-generating plants and the company was able to certify that the environment around the decommissioned plants had

**"Through it all, we kept our focus on our main objectives of expanding and improving service as well as leveraging technology to realize productivity improvements."**



*Left: President/CEO  
Lynn Young  
&  
Right: Chairman  
Robert Usher*

been returned to normal. As a result of these initiatives, the number and volume of spills has been reduced by more than 50%.

BEL is also committed to meeting the highest international standards established for safety performance. In 2001, a comprehensive safety audit was conducted. This audit set the foundation for the development of an aggressive and comprehensive five-year safety management plan.

In January 2001, Fortis, which owns a 67% interest in BEL, acquired a 95% interest in BECOL. BECOL owns and operates the Mollejon hydroelectric facility. Subsequently, BECOL committed to and received environmental approval to proceed with the Chalillo project. When completed, the Chalillo project will double hydroelectric generation to 160 gigawatt hours (GWh) annually. To facilitate the financing of the project, the power purchase agreement (PPA) between BEL and BECOL was amended. In the amendments, the capacity charge was eliminated so that BEL would now only be required to pay for power that the Mollejon plant produces and the price of power from Chalillo was established at 11.5 cents per kilowatt hours (kWh). In return, BEL agreed to an outright purchase of the transmission assets of BECOL. The amendments will ultimately result in the lowest cost to customers and is consistent with the regulatory objectives of separating transmission costs from generation costs and introducing competition in generation.

Despite absorbing increased cost due to increases in the cost of power and

weather-related expenses, BEL managed to maintain its rates to customers. In July 2001, BEL filed its first tariff application and quality of service standards report with the Public Utilities Commission (PUC) for the Annual Tariff Period (ATP) July 1, 2001 to June 30, 2002. The rates as approved by the PUC kept the tariffs the same as they were prior to the ATP.



**Above: Hurricane Iris ravaged Placencia Village causing significant structural damage and left many families homeless.**

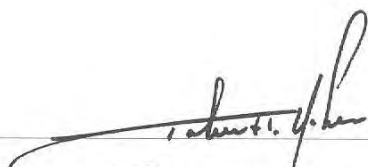


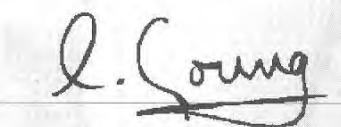
**Above: Many BEL employees volunteered to package and distribute rations for Hurricane Iris victims in Independence.**

At the beginning of the year, Mr. Fernando Coye, Chief Operating Officer retired after 30 years of committed service. Mr. Coye was a significant contributor to the success of the company and continues to sit on the Board of Directors as a government-appointed director. Upon Mr. Coye's retirement, Mr. Felix Murrin took up the new post of Vice President, Operations. With the wealth of utility operations experience that Felix brings from Newfoundland Power, he is well qualified to build on the company's past success and lead us to higher service and operational standards.

Despite the successes of 2001, we are not about to sit back. The outlook for 2002 is decidedly uncertain. After registering growth rates of 15% in 2000 and 12% in 2001, we believe that the recession and economic effects of the September 11th terrorist attacks in the United States, and the storm damage to Belize's banana and citrus industries will dampen growth in 2002. Weather events in the past several years dictate that we diligently continue to develop our storm-response capability. At the same time, we will continue to pursue service and productivity improvements with a renewed focus on reliability.

We thank our Board of Directors for their continued guidance, and our employees for rising to the challenges that we faced in 2001. We look forward to their contributions in 2002 as we continue on our mission to make BEL the best electric utility in our region.

  
Robert Usher  
Chairman

  
Lynn Young  
President / Chief Executive Officer

*Below: Management assessment team discusses the damage to southern Belize in the aftermath of Hurricane Iris.*



## MANAGEMENT DISCUSSION & ANALYSIS

Due to the change in the company's year end from March to December in 2000, the current period's audited results are for the period January - December 2001 as compared to April - December for the prior year's audited results. However, discussion and analysis is based on calendar year comparisons for 2001 versus 2000 (referred to as "2000") unless stated otherwise. Please refer to page 26 for a comparison of calendar year 2001 versus calendar year 2000.

### EARNINGS

Net profit in 2001 was \$11.8 million compared to \$10.7 million in 2000. Earnings per share for the year were \$0.43, or 10 % above those in 2000. This increase in earnings is a result of increases in energy sales coupled with a decrease in operating expenses somewhat offset by increases in finance charges and depreciation expenses. Finance charges increased over 2000 with the issue of the 9.5% Series II Debentures and by the addition of debt to finance new assets. Depreciation expense increased by approximately \$850,000 over last year, as a direct result of the company's ongoing expansion to meet growing demand.

A dividend of 5 cents per share to shareholders was paid on January 31, 2002 for shareholders of record as at January 24, 2002. This brings the total dividend paid for the year ended December 2001 to 20 cents per share.

### SALES & REVENUES

Energy Sales increased to 257 GWh from 229 GWh, a 12% increase over 2000 energy sales. Spurred by a significant increase in new homes, residential energy sales increased by 16% over 2000 sales. In comparison, commercial and industrial energy sales increased by 7%.

This high level of growth is attributed mostly to the ongoing rural expansion project, which spurred residential and streetlight sales. Increased sales in the commercial and industrial categories was mostly impacted by growth in the tourism industry. The company's loss reduction and revenue protection program also led to increased sales being recorded. There was strong growth in the company's customer base, which increased more than 7.5% as compared to 2000.

Operating revenue increased by 12% to \$90.8 million, an increase of \$9.3 million over 2000 and was a direct result of higher energy sales.

### EXPENSES

The company purchased 54% of its energy requirements from CFE and approximately 30% from the Mollejon hydroelectric facility. Self-generation from BEL's diesel-fired generation provided peaking and backup to meet demand during 2001. The cost of wholesale power in 2001 was \$44.9 million as compared to \$40.3 million in 2000 and resulted from higher energy purchases related to the increase in sales.

Operating expenses decreased by 4% in 2001 as compared to the previous year. A reduction in retirement expenses and increased focus on cost control contributed to the decrease in operating expenses.

## CAPITAL EXPENDITURE

BEL continued to invest heavily in expanding and upgrading its distribution plant in order to improve service to customers and meet new demand. In 2001, \$29.5 million was invested primarily in urban and rural distribution projects, and to extend sub-transmission lines to interconnect isolated loads. Significant capital expenditure was also incurred in recovering from Hurricane Iris, which hit southern Belize in October.

To finance these investments, the company raised long term debt on the local market and incurred some medium-term debt. In April 2001, BEL completed the issue of its Series II Debentures for total proceeds of \$19.5 million. Also, a loan of US\$7.4 million from EXIM Bank signed in June 2000 between the Government of Belize and BEL was completely drawn down by December 2001. Additional loans were made by the company during the year from its parent company and the Bank of Nova Scotia.

## REGULATION

In mid 2000, the PUC granted the company a 15-year license with an option to renew for a further 10 years. In that year, the PUC also enacted bylaws governing electricity tariffs and quality of service. Under the bylaws, the average tariff is separated into two components, a fixed component to cover overhead expenses and provide the company with a reasonable return on investment, and a variable component that reflects the cost of

electricity. The company is required to reduce the fixed component by five cents over five years. To avoid wide swings in the effective tariff to customers, fluctuations in the cost of power above or below a reference price of 17.5 cents is deferred to a Rate Stabilization Account (RSA) and surcharged or rebated over time. At the end of 2001, a balance of approximately \$11.5 million remained in the RSA as a result of increases in the cost of power driven by rising oil prices in 2000 and 2001. Until the balance in the RSA is recovered, surcharges to customers will nullify the effect of reductions in the fixed component of the tariff.

The company filed its first tariff application and quality of service standards report with the PUC for the ATP July 1, 2001 to June 30, 2002. The rates, as approved by the PUC, kept the tariffs the same as they were prior to the ATP. The company will file its second report in March 2002 for the ATP July 1, 2002 to June 30, 2003.

## OUTLOOK

The Belizean economy is expected to grow by 4.5% in 2002. This level is below the 7.3% average growth realized in 2000 and 2001 and reflects significant external events in 2001. The tourism sector of the economy was adversely affected by the September 11th terrorist attacks in the United States and by the effects of Hurricane Iris in October 2001. Hurricane Iris also devastated the banana crop, a major foreign exchange earner for the country. Tourism has shown signs of recovery and this sector could perform well in 2002. Tourist arrivals are increasing as more cruise ships have added Belize to their ports of call. The banana industry is also recovering and export earnings in 2002 are forecast to exceed pre-hurricane levels. Housing construction should continue at a modest pace supporting growth. Aquaculture exports, particularly shrimp, should also support positive GDP growth in 2002.

*Below: Spillway at the Mollejon Hydroelectric facility, owned and operated by BECOL. BEL purchased 30% of its energy requirements from BECOL in 2001.*



# KEY EVENTS DURING THE YEAR

**In January 2001**, Fortis Inc. acquired a 95% interest in BECOL. Subsequently, the PPA between BEL and BECOL was amended to eliminate the capacity charge so BEL would only pay for the electricity delivered. Benefits from the revised agreement will ultimately flow through to customers.

**A debenture offering** by BEL in April raised \$19.5 million from residents of Belize. The debentures carry an interest rate of 9.5% per annum. The company used the net proceeds from the offering to help finance its capital investment program and to pay other operating costs.

**BEL was recognized** as the "Corporate Organization of the Year 2000" at the Second Annual National Tourism Awards Program. BEL was chosen in recognition of the tremendous success the company achieved in quickly restoring power supply to San Pedro and Caye Caulker after Hurricane Keith had devastated the two islands. The Belize Tourism Board conducts the awards program to recognize those institutions that pursue and achieve excellence in their respective sectors, thereby helping to improve the levels of excellence in the tourism industry.

**Hurricane Iris**, the second Category IV hurricane to hit Belize in as many years, made landfall in southern Belize on October 8, 2001. BEL suffered BZ \$2.3 million in damages to its distribution system. With the experience of Hurricane Keith the year before, the company was able to respond very quickly and full power was restored to customers within a month. The company received assistance with restoration works from the CUC, INDE, and from its sister company, BECOL. The company used the opportunity to redesign the damaged distribution system to accommodate future growth in the area and to prevent damage under similar hurricane conditions.

In addition to the restoration of the electrical system, BEL gave assistance to people in the villages affected by Hurricane Iris. Employees donated clothing, and visited Independence Village to package rations and serve food to the hurricane victims. Fortis, Inc. also made a \$50,000 contribution to the Belize Red Cross Hurricane Iris Relief Fund. The money was used to purchase materials and supplies for the hurricane victims.

*Left: BEL Customer Care Representative Judith Badillo was one of the employees who volunteered to assist with the packaging of rations for Hurricane Iris victims in Independence Village.*



*Right: Corporate Organization of the Year 2000 Award presented to BEL by the Belize Tourism Board.*

*Below: BEL Linemen conducting maintenance work in Belize City*



## OPERATIONS

### **Customer Service and Satisfaction**

During the year, BEL's customer base increased to more than 57,000 from just over 53,000 in 2000. Improving service and productivity continued to be the highest priority for the company. Based on feedback received through customer visits, several initiatives were undertaken to improve bill delivery, make bill payment more convenient, and respond more quickly to customer requests. One such initiative involved the implementation of an automated bill statement print and folding process. This initiative resulted in a 50% reduction in cost and bill preparation time.

At year-end, the customer satisfaction index was 82.5%, showing consistent satisfaction with the overall service the company provides. This rating resulted from customer service initiatives such as the establishment of new collection agents at more convenient locations countrywide, and the consolidation of electrical service inspections and service connections to speed up new service requests.

The company placed high emphasis on revenue protection and loss reduction initiatives during 2001. Over the last three years, system losses have averaged more than 12%, and BEL is intent on reducing this figure.

Loss reduction initiatives included meter inspections and resealing, streetlight counts and repair of malfunctioning streetlights, institutional strengthening of the meter reading function, training of meter readers, and a public awareness campaign.

The result was an overall system loss reduction from 13% early in the year to 11.6% by year end. Sales recovered from the loss reduction program increased earnings by more than \$350,000.

### **System Operations & Reliability**

Several major outages occurred in 2001 due to generation and transmission difficulties with the supply from CFE. The impact on customers was significant and highlighted the need for more in-country supply. Construction of the Chalillo dam and installation of a gas turbine for back-up, are steps being taken to make BEL's energy supply more reliable and stable.

Nature was also responsible for its fair share of outages. Severe lightning storms caused several outages in southern Belize. Salt and dust also caused problems on the distribution system in San Pedro Town. The company continues its research to find ways to reduce these occurrences.

### **System Expansion**

The Power III Project, implemented in partnership with the Government of Belize, continued to provide first-time electricity to many rural areas in Belize.

During the year, 138 miles of distribution lines were installed to connect more than 1,200 customers. At the same time, the company continued to extend its transmission system to interconnect isolated loads to the main grid. This will allow the company to realize significant savings as it will permit higher-cost diesel generating stations to be removed from service.



*Above: Customer account clerks using the new automated billing statement system.*

Under the Power IV Project, BEL began construction of 90 miles of sub-transmission lines to connect isolated loads and decommission isolated diesel power plants. The Power IV Project includes the Sarteneja Interconnection and Southern Interconnection. Re-insulation works to upgrade Sarteneja Village from 6.6 kV to 22 kV was completed in May and the Chunox-Sarteneja 22kV line was successfully energized and commissioned in August 2001. The southern interconnection will connect the Independence and Toledo load centers to the national electricity grid. These projects will significantly improve quality and reliability of electricity supply in these areas and will help to reduce the risk of spills as the diesel plants will be shut down.

**Energy Supply**

BEL supplies electricity from a diverse mix of sources including hydroelectricity from Mollejon, electricity imported from Mexico, and diesel-generated electricity. With demand growth of 15% in 2000 and 12% in 2001, the company continues to seek other sources of reliable and competitively priced power. In addition to the need to meet growing demand, several major outages in 2001 highlighted the need for the company to focus on developing in-country generation sources to meet future demand and reduce reliance on imports.

BECOL has made significant progress in the development of the 7MW Chalillo Hydroelectric Project. During the year, the PUC approved a revised PPA with BECOL, to include Chalillo. The Environmental Impact Assessment (EIA) for the Chalillo Project was completed in August 2001, and after review the National Environmental Appraisal Committee (NEAC) granted conditional approval. Approval will be confirmed upon the signing of an Environmental Compliance Plan and completion of the project is scheduled for 2004.

In 2001, BEL also released a request for proposals to provide 18 MW of power by 2006. Some 16 local and international companies have expressed interest in providing BEL with this power. Meanwhile, to improve reliability and mitigate the risk of loss of supply from Mexico, the company plans to install a Gas turbine in early 2003 to provide emergency and peaking service.

**Information Technology**

Significant work was completed in 2001 to improve system security and network availability. A security and redundancy project was completed with the implementation of an Internet firewall to protect the network from external threats. A back-up server was implemented as part of a contingency plan in the event of system failure.

**Environment**

BEL made considerable progress during the year to improve its operations to meet internationally accepted environmental standards. During the year, the company completed the installation of spill prevention systems at Belize City and Belmopan. Spill response kits, which aid in rapid containment of spills, were installed at each power plant and employees were trained to use them.

Ground water monitoring at San Pedro was also completed in 2001. The results of the monitoring show that the ground water system no longer contains any contaminants resulting from previous BEL diesel generating operations at San Pedro. Environmental concerns were also discussed with contractors to ensure they comply with the environmental standards the company has established in the execution of work for BEL.

**Employee Wellness and Safety**

As part of continued efforts to improve service delivery, the company raised the emphasis on safety for both employees and the public. A corporate safety committee was formed, and a comprehensive safety management system is being implemented based on the results of a baseline safety audit.

The Baseline Safety Audit Report highlighted several areas of priority to bring about significant improvements to BEL's performance. The results of the study established a benchmark and formed the building blocks for a five-year corporate safety plan. As part of this effort, employee development in the context of the overall training initiative is being implemented with employees working towards certification in critical technical areas.

Throughout the year, several skills and quality of service training courses were conducted. Twenty-eight linemen completed a five-day lineman practical course in Belmopan. Line crews also received training in the safe operation of

specialized equipment.

A certification program for employees in the finance department was also implemented. Sixteen finance employees started preparation classes for the Association of Certified Chartered Accountant Certification Program and sat their first exams in December.

These initiatives to develop employees will improve the competence of the company and enhance its ability to deliver excellent customer service.



*Above: Employees in Dispatch Center monitoring the electricity supply to the Belize National Electricity Grid.*

*Right: Recipients of the first ever BEL Scholarships to the University of Belize.*

*Center: Donation presented to the Costa Maya Festival.*

*Far Right: BEL Volunteers distributing rations to Hurricane Iris victims.*



## COMMUNITY INVOLVEMENT

BEL was very active in the Belizean community this year, working with organizations and institutions to improve the quality of life in communities across Belize.

The company contributed financial and in-kind support to the core areas of education, culture, health, and sports. The company launched a scholarship program for students attending the University of Belize. Eight students benefitted from this scholarship, which was awarded based on academic merit, character and need.

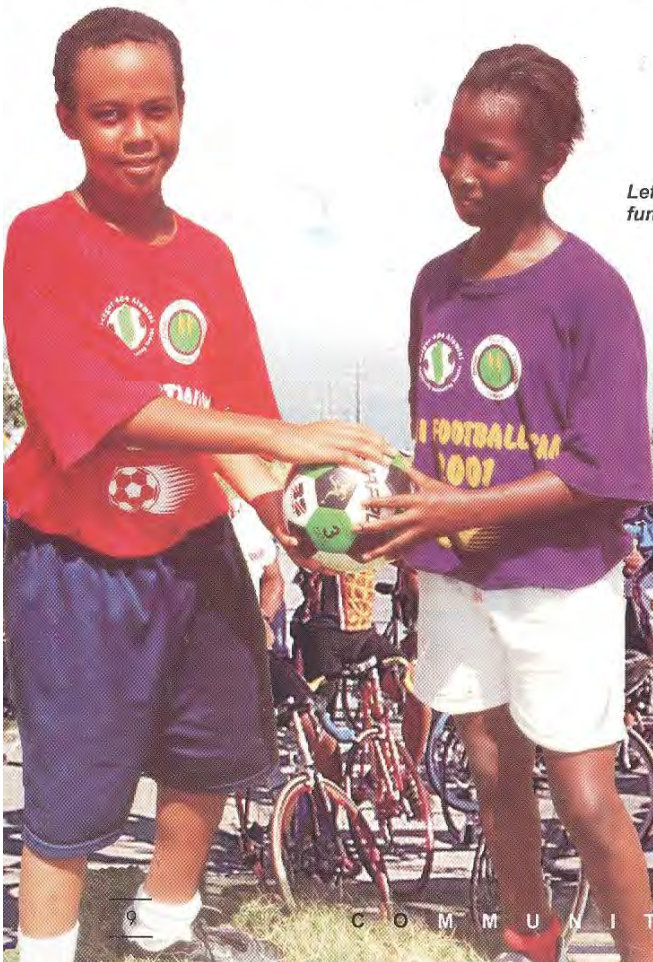
The company made several sports-related donations during the course of

the year. BEL co-sponsored the Annual Krem/BEL New Year's Day Cycling Classic and the Berger 404/BEL Football Summer Camp for boys and girls, which catered to some 118 inner-city youths. BEL also contributed to the Belize National Male Volleyball team's NORCECA Qualifications Tournament and the Belize City Games and was sole sponsor of the six-time male softball champions BEL Rookies.

Other community involvement initiatives included the delivery of Easter basket treats to children residing at the Dorothy Menzies Childcare Center in Belize City and the second annual "Light Up the Holidays" house decoration competition held in Orange Walk Town. The company was a sponsor of the annual Belize City Carnival Road March, the "La Ruta Maya" canoe race, and a platinum sponsor of the Costa Maya Festival. These three have developed into international events and have served to boost tourism in Belize.

*Left: The Berger 404/BEL Football Summer Camp taught inner city kids not only football fundamentals, but also the importance of team play.*

*Bottom: Cyclists getting ready for the start of the Krem/BEL New Year's Day Cycling Classic.*



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### BELIZE ELECTRICITY LIMITED INDEPENDENT AUDITORS' REPORT

AND

### FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001  
AND NINE MONTHS ENDED  
DECEMBER 31, 2000



## Chartered Accountants

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### AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF BELIZE ELECTRICITY LIMITED

We have audited the balance sheets of Belize Electricity Limited as at December 31, 2001 and 2000 and the statements of income, retained earnings and cash flows for the year ended December 31, 2001 and for the nine months ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flows for the year ended December 31, 2001 and for the nine months ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

January 23, 2002



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

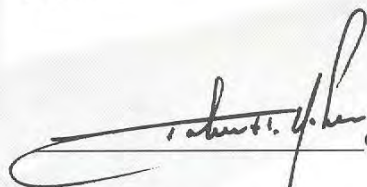
## BELIZE ELECTRICITY LIMITED

## BALANCE SHEET


YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000

(In Belize thousands of dollars)

	DECEMBER 2001	DECEMBER 2000
<b>ASSETS</b>		
PROPERTY, PLANT AND EQUIPMENT (Notes 1b and 5)	\$ 238,070	\$ 208,822
RATE STABILIZATION ACCOUNT ( Note 1e)	11,474	4,656
TRANSMISSION RIGHTS (Note 1m)	2,168	2,430
GOODWILL (Note 1g)	90	123
Total long-term assets	251,802	216,031
<b>CURRENT ASSETS</b>		
CASH AND SHORT TERM INVESTMENTS	1,236	5,707
ACCOUNTS RECEIVABLE (Notes 1d and 2)	12,169	10,326
INVENTORIES (Notes 1c and 4)	11,414	12,235
PREPAYMENTS (Note 3)	333	129
Total current assets	25,152	28,397
<b>TOTAL</b>	\$ 276,954	\$ 244,428
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
ORDINARY SHARES (Note 12)	\$ 54,950	\$ 52,151
PREFERENCE SHARES (Note 11)	-	2,799
CAPITAL CONTRIBUTIONS (Note 16)	9,082	36,053
INSURANCE RESERVE (Note 17)	3,875	3,375
RETAINED EARNINGS	40,496	34,730
Total shareholders' equity	108,403	129,108
<b>LONG-TERM LIABILITIES</b>		
LONG-TERM DEBT (Note 9)	88,406	56,463
DEBENTURES (Note 10)	36,615	17,100
Total long-term liabilities	125,021	73,563
<b>CONSUMER DEPOSITS</b>	5,612	5,128
<b>CURRENT LIABILITIES</b>		
BANK OVERDRAFT (Note 6)	-	3,933
ACCOUNTS PAYABLE AND ACCRUALS (Note 7)	24,685	22,045
ACCRUED RETIREMENT BENEFITS (Note 1j)	675	1,290
CURRENT PORTION OF LONG-TERM DEBT (Note 9)	10,514	7,275
OTHER SHORT-TERM DEBT (Note 6)	1,942	2,000
CORPORATE TAX PAYABLE (Note 14)	102	86
Total current liabilities	37,918	36,629
<b>TOTAL</b>	\$ 276,954	\$ 244,428



Chairman



President/Chief Executive Officer

See accompanying notes to financial statements.

## BELIZE ELECTRICITY LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000

*(In Belize thousands of dollars)*

	DECEMBER 2001	DECEMBER 2000*
<b>ELECTRICITY REVENUES (Note 1f)</b>	<b>\$ 90,799</b>	<b>\$ 62,763</b>
<b>COST OF WHOLESALE POWER</b>	<b>(44,925)</b>	<b>(31,874)</b>
	<b>45,874</b>	<b>30,889</b>
OTHER REVENUE	2,629	2,042
OPERATING EXPENSES		
Transmission and Distribution	(4,546)	(2,767)
General and Administrative Expenses	(13,769)	(11,234)
DEPRECIATION AND AMORTIZATION	(10,323)	(7,143)
FINANCE CHARGES (Note 9)	(6,948)	(3,035)
<b>NET EARNINGS BEFORE TAXES</b>	<b>12,917</b>	<b>8,752</b>
CORPORATE TAX (Notes 1k and 14)	(1,153)	(799)
<b>EARNINGS APPLICABLE TO SHAREHOLDERS</b>	<b>\$ 11,764</b>	<b>\$ 7,953</b>
<b>EARNINGS PER SHARE (Notes 1h and 15)</b>	<b>\$ 0.43</b>	<b>\$ 0.29</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<b>\$ 34,730</b>	<b>\$ 32,523</b>
Net Income	11,764	7,953
Dividends	(5,498)	(5,371)
Insurance Reserve (Note 17)	(500)	(375)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>\$ 40,496</b>	<b>\$ 34,730</b>

\* Reclassified for comparative purposes.  
See accompanying notes to financial statements.



## BELIZE ELECTRICITY LIMITED

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000  
*(In Belize thousands of dollars)*

	DECEMBER 2001	DECEMBER 2000
<b>CASH FROM (USED IN) OPERATIONS:</b>		
<b>NET INCOME</b>	\$ 11,764	\$ 7,953
ITEMS NOT AFFECTING CASH:		
DEPRECIATION AND AMORTIZATION (NET)	10,323	7,143
UNREALIZED EXCHANGE GAIN ON LONG-TERM DEBT (NET)	(146)	(77)
CHANGE IN NON-CASH WORKING CAPITAL	(5,620)	9,659
	<b>16,321</b>	<b>24,678</b>
<b>CASH FROM (USED IN) INVESTING:</b>		
ACQUISITION OF PLANT AND EQUIPMENT	(39,029)	(21,477)
PROCEEDS FROM DISPOSAL OF PLANT AND EQUIPMENT	-	15
	<b>(39,029)</b>	<b>(21,462)</b>
<b>CASH FROM (USED IN) FINANCING:</b>		
PAYMENT OF BANK OVERDRAFT	(3,933)	(740)
PROCEEDS FROM NEW LOANS	44,602	6,925
PAYMENT ON LONG-TERM DEBT	(9,477)	(4,108)
PROCEEDS FROM SALE OF COMMON SHARES/RIGHTS	-	106
CAPITAL CONTRIBUTION	(26,971)	-
PROCEEDS FROM SALE OF SERIES II DEBENTURES	19,524	-
DIVIDENDS PAID	(5,498)	(6,264)
CONVERTIBLE DEBENTURES REDEEMED	(10)	(59)
	<b>18,237</b>	<b>(4,140)</b>
<b>NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>(4,471)</b>	<b>(924)</b>
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	5,707	6,631
<b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>	<b>\$ 1,236</b>	<b>\$ 5,707</b>

See accompanying notes to financial statements.

**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000**  
*(In Belize thousands of dollars)*

**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's significant shareholders are Fortis Inc. and the Belize Social Security Board.

At its meeting held on June 14, 2000, the Company's Board of Directors approved a resolution to change the Company's financial year-end from March 31 to December 31.

**Significant Accounting Policies / Regulations** - Accounting policies conform to Canadian generally accepted accounting principles and to accounting requirements established from time to time by the Public Utilities Commission of Belize (PUC). In order to achieve proper matching of revenues and expenses, the Company follows accounting practices prescribed by the PUC. Accordingly, the timing of recognition of certain revenues and expenses may differ from that otherwise expected under Canadian generally accepted accounting principles applicable to non-regulated operations.

**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 at that date with realized exchange gains and losses included in income. Unrealized gains and losses on translation of foreign currency long-term loans are deferred and are amortized over the remaining life of the 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. During the nine month period ended December 31, 2000, the Company adopted a composite depreciation policy consistent with North American industry practice whereby the cost of plant and

equipment retired, less salvage value, is charged to accumulated depreciation. Implementation of the composite depreciation method with respect to all categories of fixed assets will be completed in 2002.

On certain construction projects, interest at varying rates is capitalized and included as a cost in the appropriate property accounts (Note 9).

**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.

**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.

**e. Cost of Power Rate Stabilization Account**

The Company's tariff by-laws established by the PUC include a rate stabilization clause, which permits the Company to recover from customers charges to a Cost of Power Rate Stabilization Account (CPRSA). The rate of recovery is recalculated on July 1 of each year based on the balance in the CPRSA as of the preceding year-end (See Note 17).

**f. 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 December 31 is included in income of the subsequent financial year on a consistent basis.

**g. Goodwill Amortization**

Excess of cost over net assets acquired when the Company was privatized in 1993 is amortized on a straight-line basis over 20 years.

**h. Earnings per Share**

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. Preference shares ranked equally in all respects with the ordinary shares regarding entitlement to income of the Company including payment of any cash dividends.

**i. Installation Fees**

Installation fees are consistently credited to income in

BELIZE ELECTRICITY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000  
 (In Belize thousands of dollars)

1 STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

respect of installations carried out by the Company.

**j. Retirement Benefits**

Retirement benefits are calculated based on amounts which are payable to employees on retirement as a result of an early retirement plan currently in place. Benefits are not funded.

**k. Corporate Tax / Business Tax**

The company records corporate tax as paid in the year. Deferred income tax does not arise from the recording of corporate tax (See Note 14).

**l. Capital Contributions**

Contributed assets are recorded as capital contributions and amortized over the useful life of the related asset (See note 16).

**m. Transmission Rights**

Transmission rights represent the cost of transmission lines and substation extensions constructed across the Mexican border and used by the Company in purchasing energy from Mexico. The transmission rights are amortized over the 15-year life of the power purchase contract, which commenced in 1998.

**n. Use of Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

2 ACCOUNTS RECEIVABLE

	DECEMBER 2001	DECEMBER 2000
Consumers	\$ 8,845	\$ 5,782
Government of Belize (GOB)	2,551	2,220
Other	2,221	3,433
	<u>13,617</u>	<u>11,435</u>
Less: provision for doubtful accounts	(1,448)	(1,109)
	<u>\$ 12,169</u>	<u>\$ 10,326</u>

3 PREPAYMENTS

	DECEMBER 2001	DECEMBER 2000
Insurance	\$ 173	\$ 129
PUC & other deferred charges	160	-
	<u>\$ 333</u>	<u>\$ 129</u>

4 INVENTORIES

	DECEMBER 2001	DECEMBER 2000
Bulkstores	\$ 13,427	\$ 15,084
Fuel and oil	620	445
	<u>14,047</u>	<u>15,529</u>
Less: provision for damaged and obsolete spares	(2,633)	(3,294)
	<u>\$ 11,414</u>	<u>\$ 12,235</u>

**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000**  
*(In Belize thousands of dollars)*

**5 PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and Machinery	Lines and Equipment	Transportation Equipment	Office and Other Assets & Equipment	Assets Under Construction	Total
<b>Cost</b>								
January 1, 2001	\$ 1,327	\$ 10,856	\$ 57,534	\$ 173,133	\$ 5,225	\$ 17,815	\$ 26,189	\$ 292,079
Additions	37		3,978	23,768	787	832	28,949	58,351
Disposals/Transfer			(6,995)	(17)			(19,306)	(26,318)
December 31, 2001	1,364	10,856	54,517	196,884	6,012	18,647	35,832	324,112
<b>Accumulated Depreciation</b>								
January 1, 2001	-	3,524	36,690	32,759	3,928	6,356	-	83,257
Additions	-	260	2,170	6,008	475	1,517	-	10,430
Disposals	-		(6,995)	(650)				(7,645)
December 31, 2001	-	3,784	31,865	38,117	4,403	7,873	-	86,042
<b>Net Book Value</b>								
December 31, 2001	\$ 1,364	\$ 7,072	\$ 22,652	\$ 158,767	\$ 1,609	\$ 10,774	\$ 35,832	\$ 238,070
December 31, 2000	\$ 1,327	\$ 7,332	\$ 20,844	\$ 140,374	\$ 1,297	\$ 11,459	\$ 26,189	\$ 208,822

Depreciation expense shown in the statement of income for the period is reduced by \$375,338, which represents amortization of capital contributions.

## BELIZE ELECTRICITY LIMITED

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000  
(In Belize thousands of dollars)

## 6 BANK OVERDRAFT / OTHER SHORT-TERM DEBT

The Company has a \$4,000,000 and \$3,000,000 overdraft facility at the Belize Bank and the Bank of Nova Scotia, respectively. The overdrafts bear annual interest of 14% to 15.5%, are unsecured, and are payable on demand.

On November 7, 2000, the Company borrowed BZ \$2,000,000 from St. James National Building Society for refinancing of the bank overdraft. The loan was repaid on May 8, 2001.

On November 23, 2001, the Company borrowed US\$971,235 from its parent company. Effective interest rate is 10% per annum and the loan is payable on demand.

## 7 ACCOUNTS PAYABLE AND ACCRUALS

	DECEMBER 2001	DECEMBER 2000
Trade payables	\$ 19,860	\$ 16,098
Government of Belize	1,028	1,614
Dividends declared	-	919
Deferred unrealized gain on foreign currency exchange (See Notes 1a and 9)	1,168	803
Accrued interest	1,608	1,154
Other	1,021	1,457
	<u>\$ 24,685</u>	<u>\$ 22,045</u>

## 8 DUE TO RELATED PARTIES (NET)

	DECEMBER 2001	DECEMBER 2000
Due from Related Parties:		
Belize Electric Company Limited (Note 2)	\$ 675	\$ -
Fortis Inc. (Note 2)	591	180
	<u>1,266</u>	<u>180</u>
Due to Related Parties:		
Belize Electric Company Limited		
Transmission Facility Loan (Note 9)	29,647	-
Power Purchases (Note 7)	10,669	15,821
Other (Note 7)	493	-
Fortis Inc. (Notes 6 & 7)	2,803	4
	<u>\$ 43,612</u>	<u>15,825</u>
<b>Due to Related Parties (Net)</b>	<u>\$ 42,346</u>	<u>\$ 15,645</u>

**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000**  
*(In Belize thousands of dollars)*

**9 LONG - TERM DEBT**

**(1) Government of Belize:**

**a. Loan No. 2749S BEL:**

Loan of US\$7,500,000 from the International Bank for Reconstruction and Development 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, which commenced 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 December 31, 2001 is 8.59% (December 31, 2000 - 8.76%) per annum.

**DECEMBER  
2001**

**DECEMBER  
2000**

\$ 2,236

\$ 3,396

**b. Loan No. 37/SFR BZ:**

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 US\$3,067,234 has been drawn. Repayment is by 60 equal quarterly installments, which commenced March 31, 1993. The loan bears interest at 8.5%.

2,564

2,974

**c. Loan No. 1/SFR BZ:**

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 due in 2004. Both tranches bear interest at 4% per annum.

281

484

**d. Loan No 3776A/S BEL:**

Loan of US\$11,400,000 from the International Bank for Reconstruction and Development for onlending to the Company, approved as part of the Power II Project, of which the full amount has been drawn down. Repayment is by 23 equal semi-annual installments of US\$480,000, which commenced 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 December 31, 2001 is 8.59% (December 31, 2000 - 8.76%) per annum.

19,002

20,342

**e. Loan No. 7.0971/2:**

Loan of EURO 3,700,000 from European Investment Bank for onlending to the Company, approved as part of the Power II Project of which the full amount has been drawn down. Repayment is by 15 annual installments, which commenced May 31, 2000. The loan bears interest at 5% per annum.

5,775

6,602

**f. Loan No 14/OR-BZ:**

Loan of US\$13,310,000 from the Caribbean Development Bank for onlending to the Company approved as part of the Power II Project, of which US\$12,706,210 and US\$12,653,492 have been drawn down as at December 31, 2001 and December 31, 2000, respectively. Repayment is by 60 quarterly installments of US\$193,935 and CDN\$39,318, which commenced February 5, 2000. The loan bears interest at 7.0% per annum.

23,142

24,538

## BELIZE ELECTRICITY LIMITED

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000  
(In Belize thousands of dollars)

<b>9 LONG - TERM DEBT (Continued)</b>	DECEMBER 2001	DECEMBER 2000
<p><b>(2) Export-Import Bank of the Republic of China:</b> 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 was secured by a promissory note from the Company. Final installment was paid on January 22, 2001.</p>	-	183
<p><b>(3) Caribbean Development Bank (44/SFR BZE):</b> Unsecured loan of US\$42,000 approved as part of the Power II Project of which the full amount has been drawn down. Repayment is by 31 consecutive quarterly installments of US\$1,313, which commenced September 30, 1996, and ends on June 30, 2004. The loan bears interest at 2% per annum.</p>	29	39
<p><b>(4) Banco Nacional de Comercio Exterior, S.N.C. (Bancomext):</b> Unsecured loan of US\$1,310,900 approved as part of the Power II Project of which the full amount has been drawn down. Repayment is by 10 equal semi-annual installments of US\$131,090, which commenced July 29, 1998. The loan bears interest at 8% per annum.</p>	742	1,241
<p><b>(5) Bank of Nova Scotia:</b> Standby unsecured non-revolving loan of US\$2,500,000 for payment of uninsured hurricane related expenses, of which US\$1,925,000 and \$1,165,000 have been drawn down as at December 31, 2001 and 2000 respectively. Principal is repayable by quarterly payments beginning December 31, 2001 and ending September 30, 2006. Interest is payable at LIBOR as determined from time to time plus 3% per annum.</p>	3,862	2,342
<p><b>(6) Caterpillar Financial Services Corporation:</b> Loans of US\$832,883 and US\$416,454 granted through promissory notes for the purchase of three Caterpillar generators. Principal is repayable in sixteen quarterly installments of US\$52,055 and US\$26,028 commencing on November 2000 and April 1, 2001 and ending on August 2004 and January 2005. Interest is payable at 3 month LIBOR plus 2.75%. The related assets secure the notes.</p>	1,861	1,597
<p><b>(7) All-First Bank:</b> Loan of US\$4,892,512 guaranteed by the Export-Import Bank of the United States granted through promissory notes for the purchase of electricity distribution, substation and transmission equipment. Principal is repayable in 10 semi-annual installments beginning April 15, 2002 and ending October 15, 2006. Interest is payable at three months LIBOR plus 0.085% per annum.</p>	9,780	-
<p><b>(8) Belize Electric Company Limited (BECOL):</b> Loan of US\$14,896,212 granted April 1, 2001 for purchase of the unamortized cost of the Mollejon Transmission Facilities. The loan is repayable in monthly installments inclusive of interest over 10 years commencing November 1, 2001. The loan bears interest at 10% per annum.</p>	29,646	-

**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000**  
*(In Belize thousands of dollars)*

**9 LONG -TERM DEBT (Continued)**

	DECEMBER 2001	DECEMBER 2000
Less current installments	\$ 98,920 (10,514)	\$ 63,738 (7,275)
	<u>\$ 88,406</u>	<u>\$ 56,463</u>

The loans are repayable as follows:	<b>2002</b>	10,514
	<b>2003</b>	11,890
	<b>2004</b>	10,633
	<b>2005</b>	10,316
	<b>2006</b>	10,305
	<b>Subsequently</b>	45,262
		<u>\$98,920</u>

Loan No. 7.0971/2 denominated in EURO Dollars has been revalued resulting in a deferred unrealized gain of BZ\$179,670 and BZ\$872,776 for year ended December 31, 2001 and nine months ended December 31, 2000 respectively.

Interest and related charges on loans capitalized during the year ended December 31, 2001 relating to capital expansion projects amounted to BZ\$1,768,745 (BZ\$720,938 for nine months ended December 31, 2000).

	DECEMBER 2001	DECEMBER 2000
<b>Finance Charges</b>		
Interest	\$ 9,975	\$ 3,756
Interest on CPRSA	(1,258)	-
Interest charged to capital projects	(1,769)	(721)
TOTAL	<u>\$ 6,948</u>	<u>\$ 3,035</u>

**10 DEBENTURES**

**Series I:**

13,837 unsecured debentures of \$76 each and 160,341 unsecured debentures of \$100 each (13,847 of \$76 and 160,479 of \$100 at December 31, 2000) to mature December 31, 2012 with interest payable quarterly at 12% per annum.

	DECEMBER 2001	DECEMBER 2000
	\$ 17,086	\$ 17,100

**Series II:**

195,292 unsecured debentures of \$100 each to mature March 31, 2021 with interest payable quarterly at 9.5% per annum.

	\$ 19,529	\$ -
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The Series I 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 not 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 is also allowed.



## BELIZE ELECTRICITY LIMITED

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000

*(In Belize thousands of dollars)***10 DEBENTURES (Continued)**

The Series II debentures can be called by the Company at any time after April 30, 2008 until maturity by giving holders not more than 60 days or not less than 30 days written notice, and are repayable at the option of the holders at any time on or after April 30, 2008 by giving 12 months written notice to the Company. Redemption by agreement between the Company and the Debenture holder at any time is also allowed.

The Indentures to the Debentures contain covenants, which must be complied with by the Company. In the event of a default as defined in the Indentures, the Company through the Fiscal Agent or via a Trustee appointed by the Debenture holders may be required to purchase the Debentures at their face value.

**11 PREFERENCE SHARES**DECEMBER  
2001DECEMBER  
2000

Convertible redeemable preference shares:

Authorized 12,000,000 shares of \$2.00 each  
Issued and fully paid 1,399,654 shares of \$2.00 each

	DECEMBER 2001	DECEMBER 2000
Convertible redeemable preference shares:		
Authorized 12,000,000 shares of \$2.00 each	\$ -	\$ 2,799
Issued and fully paid 1,399,654 shares of \$2.00 each		

On June 8, 2001, all outstanding preference shares were converted to ordinary shares under the provisions of Article 4(A) of the Companies Memorandum and Articles of Association. Article 4(A) was amended by special resolution passed and confirmed at shareholders' meetings held in April and May 2001 respectively.

**12 ORDINARY SHARES**DECEMBER  
2001DECEMBER  
2000

Ordinary shares:

Authorized 38,000,000 shares of \$2.00 each

	DECEMBER 2001	DECEMBER 2000
Ordinary shares:		
Authorized 38,000,000 shares of \$2.00 each	\$ 76,000	\$ 76,000
Issued and fully paid 27,475,106 shares of \$2.00 each (December 2000 26,075,452 shares)	\$ 54,950	\$ 52,151

Issued and fully paid 27,475,106 shares of \$2.00 each (December 2000 26,075,452 shares)

**13 SPECIAL SHARE**

Special rights redeemable preference share:  
Authorized, issued and fully paid 1 share of \$1.00.

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 any 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 is subject to the provisions of the statutes and the Articles of the Company.

**BELIZE ELECTRICITY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000**  
*(In Belize thousands of dollars)*

**13 SPECIAL SHARE (Continued)**

**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.

**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 of Belize 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.

**14 CORPORATE TAXES**

The Company pays tax under the Income and Business Tax Act of Belize. Income tax is charged at the rate of 25% but is capped at 1.25% of gross revenues (Business Tax).

**15 EARNINGS PER SHARE**

	DECEMBER 2001	DECEMBER 2000
Net income applicable to shareholders	\$ 11,764	\$ 7,953
Shares and potential shares outstanding	27,475,106	27,442,477
Earnings per share	\$ 0.43	\$ 0.29

Shares outstanding used in the calculation of earnings per share include 1,399,654 of convertible redeemable preference shares at December 2000. (See Note 1h.)

**16 CAPITAL CONTRIBUTIONS**

At December 31, 2000, capital contributions included the transmission facility connecting the Mollejon hydroelectric plant to the Company's distribution system, which on April 1, 2001, the Company agreed to repay BECOL as a long-term debt in consideration for amendments to the power purchase agreement and franchise agreement with BECOL. (See Notes 8 and 9(8)). The amount remaining in the capital contributions account includes Government of Belize contributions towards rural electrification programs.

## BELIZE ELECTRICITY LIMITED

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND NINE MONTHS ENDED DECEMBER 31, 2000  
(In Belize thousands of dollars)

## 16 CAPITAL CONTRIBUTION (Continued)

	DECEMBER 2001	DECEMBER 2000
Capital contributions brought forward	\$ 39,356	\$ 36,351
Additions	52	3,005
Repaid	(26,647)	-
Capital contributions carried forward	12,761	39,356
Amortization brought forward	3,303	2,598
Additions	376	705
Amortization carried forward	3,679	3,303
Capital contributions - net	\$ 9,082	\$ 36,053

## 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 December 31, 2001, the Company was in compliance with all of these covenants except for deposits to the electricity special fund account covenant under two of the loan agreements, namely Caribbean Development Bank Loan No. 44/SFR BZE and European Investment Bank Loan No. 7.0971/2.

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 plan for transmission and distribution assets for a total of \$5,000,000 and earmarked \$500,000 per annum to be set aside for this plan. Retained earnings of the Company have been appropriated for this plan and funds are to be set aside in a fixed deposit account to cover the appropriated retained earnings. As at December 31, 2001, BZ\$3,875,000 of retained earnings has been appropriated. A stand-by credit agreement with the Bank of Nova Scotia for US \$2,500,000 is also in place as a part of this self-insurance plan. This amount has been drawn down by US\$1,165,000 during the nine months ended December 2000 financial year for Hurricane Keith rehabilitation purposes. The remainder was drawn down during the latter part of 2001 and early 2002 for Hurricane Iris rehabilitation purposes. The Company is currently renegotiating with the Bank to reestablish the line of credit.

**Changes in Regulatory Framework / Rate Stabilization Account** - As a result of by-laws set out by the PUC governing the determination of electricity tariffs, charges and quality of service standards, the Company is allowed to defer excess costs of fuel, power purchases, and diesel operating and maintenance expenses, plus interest on the account balances, to be recovered from or rebated to customers over four years. An account known as the CPRSA was established to regulate the manner in which these excess costs of power and changes in the CPRSA are passed on to customers. The Cost of Power component in \$/kWh is 0.175 to June 30, 2005. Excess Cost of Power and interest for the period January 1, 2001 to December 31, 2001 amounted to \$6,818,737 (\$4,655,733 in 2000). Recovery or rebating of the balance in the CPRSA, which is regulated by the PUC will be addressed in the Company's next annual tariff review submission for the period July 1, 2002 to June 30, 2003, and is dependent on future operational circumstances that cannot be determined at this time.

## 18 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.



### Chartered Accountants

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501-2-76629  
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E-Mail: marwick@btlnet

### AUDITORS' REPORT ON ADDITIONAL INFORMATION TO THE BOARD OF DIRECTORS OF BELIZE ELECTRICITY LIMITED

Our examination of the financial statements of Belize Electricity Limited in respect of the year ended December 31, 2001 and the nine months ended December 31, 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 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information have been subjected to the procedures applied in our 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*

January 23, 2002



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

## STATEMENT OF INCOME

CALENDAR YEARS ENDED DECEMBER 31, 2001 AND 2000  
*(In Belize thousands of dollars)*

	DECEMBER 2001	DECEMBER 2000*
ELECTRICITY REVENUES	\$ 90,799	\$ 81,451
COST OF WHOLESALE POWER	(44,925)	(40,345)
	45,874	41,106
OTHER REVENUE	2,629	4,015
OPERATING EXPENSES		
Transmission and Distribution	(4,546)	(4,277)
General and Administrative	(13,769)	(14,828)
DEPRECIATION AND AMORTIZATION	(10,323)	(9,472)
FINANCE CHARGES	(6,948)	(4,767)
NET EARNINGS BEFORE TAXES	12,917	11,777
CORPORATE TAX	(1,153)	(1,049)
EARNINGS APPLICABLE TO SHAREHOLDERS	\$ 11,764	\$ 10,728
EARNINGS PER SHARE	\$ 0.43	\$ 0.39

\* Reclassified for comparative purposes.

**FINANCIAL AND OPERATING STATISTICS**

	Calendar Year Ended December 31			Fiscal Year Ended March 31			
	2001	2000	1999	1999/2000	1998/1999	1997/1998	1996/1997
<b>FINANCIAL STATISTICS</b> (Financial Figures in Belize thousands of dollars)							
Energy Revenues	90,799	81,451	78,073	73,796	66,807	61,999	59,906
Net Profit	11,764	10,728	10,012	10,045	8,054	3,203	3,165
Net Fixed Assets	238,070	208,822	191,194	193,916	184,878	153,362	124,179
Total Assets Employed	276,954	244,428	222,630	224,327	210,805	179,891	150,577
Long Term Debt	88,406	56,463	60,578	56,273	60,278	44,377	30,046
Shareholder's Equity	108,403	129,108	121,085	124,120	100,215	93,681	87,638
Debentures	36,615	17,100	17,218	17,160	26,810	12,766	12,766
<b>Performance Indicators</b>							
Rate of Return on Net Fixed Assets in Operation	11.02%	10.48%	14.67%	14.54%	15.31%	8.57%	8.71%
Rate of Return on Shareholder's Equity	9.91%	8.58%	8.27%	8.09%	8.04%	3.53%	4.48%
Earnings per share (\$)	0.43	0.39	0.49	0.45	0.44	0.18	0.17
<b>OPERATING STATISTICS</b>							
<b>Sales (MWH)</b>							
Industrial & Commercial	117,828	110,193	101,098	110,973	92,926	82,070	76,578
Residential	119,144	102,832	83,403	84,010	80,779	77,672	70,916
Street Lighting	19,743	16,327	14,298	13,547	13,026	12,525	12,044
<b>Total</b>	<b>256,715</b>	<b>229,352</b>	<b>198,799</b>	<b>208,530</b>	<b>186,731</b>	<b>172,267</b>	<b>159,538</b>
<b>Customers (numbers)</b>							
Industrial & Commercial*	483	518	6,089	7,855	6,093	5,611	5,159
Residential	56,599	52,632	44,745	43,892	42,735	40,553	38,553
Street Lighting	1	1	1	1	1	1	1
<b>Total</b>	<b>57,083</b>	<b>53,151</b>	<b>50,835</b>	<b>51,748</b>	<b>48,829</b>	<b>46,165</b>	<b>43,713</b>
<b>Net Diesel Generation (MWh)</b>							
Purchased Power - Mollejon (MWh)	43,367	41,171	53,955	60,134	103,381	96,916	88,108
Purchased Power - CFE (MWh)	91,374	93,615	75,529	67,809	67,985	72,028	62,375
Losses	158,634	126,807	100,347	107,039	41,560	28,791	25,988
Peak Demand (MW)	12.50%	12.32%	13.50%	11.26%	12.30%	12.88%	9.60%
Installed Capacity (MW)	49.3	44.5	42.8	42.8	38.0	36.6	31.3
Employees (number)	27	26.3	30.8	30.8	31.3	37.8	38.8
	244	296	374	379	357	358	426

\* Reclassified in 1999 and 2000

**CORPORATE DIRECTORY / INVESTOR INFORMATION****DIRECTORS**

Robert Usher (Chairman)  
 H. Stanley Marshall (Vice Chairman)  
 Fernando Coyo  
 Philip G. Hughes  
 James Lea  
 Karl H. Menzies  
 Yasin Shoman  
 Karl Smith  
 Lynn R. Young

**OFFICERS**

Lynn R. Young, President and CEO  
 Rene Blanco, Vice President, Finance and CFO  
 Derek Davis, Vice President, Energy Supply  
 Felix Murrin, Vice President, Operations  
 Michael Polonio, Vice President, Customer Services and Business Development  
 Joseph Sukhmandan, Vice President, Planning and Engineering  
 Juliet Estell, Company Secretary

**CORPORATE ADDRESS**

Belize Electricity Limited  
 2 ½ Miles Northern Highway  
 Belize City, Belize  
 Central America

**FISCAL AGENT**

Platinum Trust Corporation Limited  
 28 Regent Street  
 Belize City, Belize  
 Central America

**SHAREHOLDER SERVICES**

*For general information, shareholder publications, and other requests please contact:*

Company Secretary  
 Belize Electricity Limited  
 2 ½ Miles Northern Highway  
 Belize City, Belize  
 Central America  
 Tel: 501-2-70954 (ext. 118)

**FINANCIAL INQUIRIES**

Shareholders and Financial Analysts may obtain information by contacting the Securities Officer at the Corporate Headquarters.

**DIRECT DEPOSIT**

Shareholders may obtain automatic electronic deposit of dividends to their designated Belizean financial institution by contacting the Securities Officer at the Corporate Headquarters.

# Board of Directors

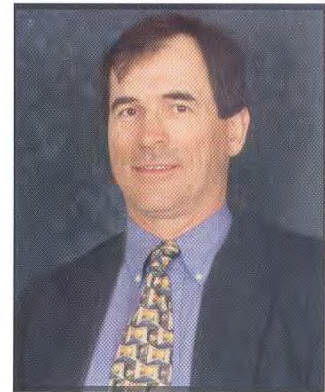
As of December 2001



**Robert Usher**  
Chairman



**H. Stanley Marshall**  
Vice Chairman



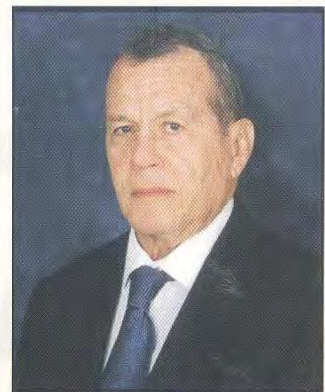
**James Lea**  
Director



**Fernando Coye**  
Director



**Philip G. Hughes**  
Director



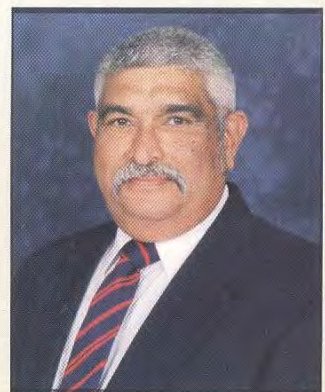
**Karl H. Menzies**  
Director



**Lynn R. Young**  
Director



**Karl Smith**  
Director



**Yasin Shoman**  
Director



## Executive Management



**Lynn R. Young,  
President and CEO**



**Rene Blanco,  
Vice President  
Finance and CFO**



**Derek Davis,  
Vice President  
Energy Supply**



**Felix Murrin,  
Vice President  
Operations**



**Michael Polonio,  
Vice President  
Customer Services and  
Business Development**



**Joseph Sukhnandan,  
Vice President  
Planning and Engineering**



**Juliet Estell,  
Company Secretary**

Notes:




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