



BELIZE ELECTRICITY LIMITED

Annual Report 2004

Growth & Challenges





Cover Photo by: Alejandro Tovar

Featured on the cover of this year's Annual Report is the Upper Macal River which originates in the Maya Mountains, Western Belize, Central America. Abundant vegetation, steep valleys and rapid under currents characterize this river and symbolize the Growth and Challenges BEL experienced in 2004.

TABLE OF CONTENTS

COUNTRY PROFILE	1
FINANCIAL HIGHLIGHTS	3
CORPORATE PROFILE	3
REPORT TO SHAREHOLDERS	4
MANAGEMENT DISCUSSION AND ANALYSIS	7
KEY EVENTS	10
OPERATIONS	11
COMMUNITY INVOLVEMENT	14
AUDITED FINANCIALS	15
FINANCIAL AND OPERATING STATISTICS	31
CORPORATE DIRECTORY	32
BOARD OF DIRECTORS	33
EXECUTIVE MANAGEMENT	34

COUNTRY PROFILE



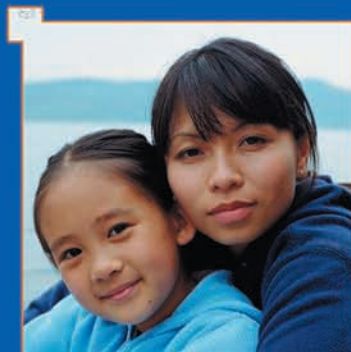
*New Marine Parade
Belize City, Belize
Central America*



Just two flight hours away from three major US gateways, you'll discover a tiny paradise called Belize. The mythical beauty of this peaceful English-speaking country and the colossal charisma of its people are unmatched and can only be found within this 8,867 square mile country. Nestled between Mexico and Guatemala in Central America and overlooking the Caribbean Sea, Belize can physically and culturally boast the unique profile of being both a Central American and a Caribbean country.

Belize's mid-2004 population estimate was just over 282,000 persons. About 30% of the population is concentrated in the Belize District, home to approximately 84,000 persons. 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.

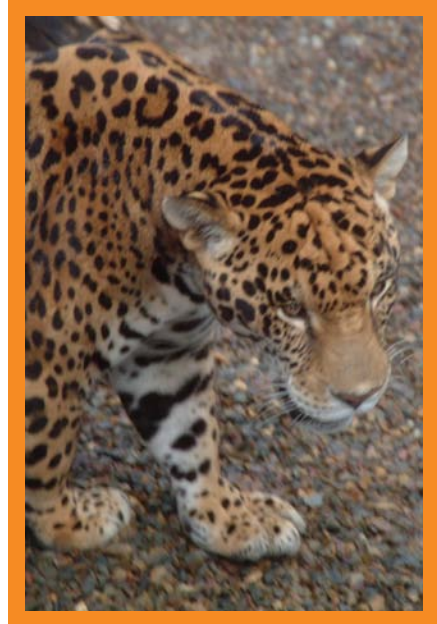
Belize achieved independence from England on September 21, 1981 and is governed by a parliamentary democratic system. The City of Belmopan is located at the geographical center of Belize and is the country's capital. Belize has a sub-tropical climate with average temperatures between 70–90 degrees Fahrenheit. This is one of the main reasons for high tourists arrivals from North America and Europe during winter months.



COUNTRY PROFILE

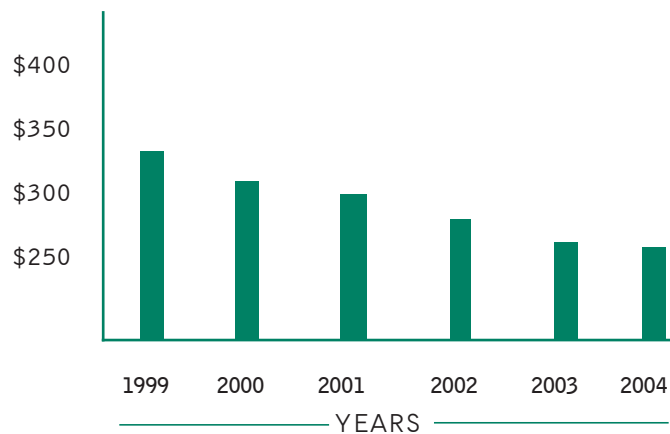
The verdant and wild beauty of its tropical forest, breathtaking ancient Mayan temples and the longest coral barrier reef in the Western Hemisphere (185 miles), attracts more than 200,000 tourists to Belize each year. Tourism is one of the fastest growing industries in Belize, with activities such as snorkeling, diving, Mayan Site and National Park tours being the more popular vacation activities. Other major attractions in Belize are the cayes (islets) just off the country's coast, the towering Victoria Peak which 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.

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



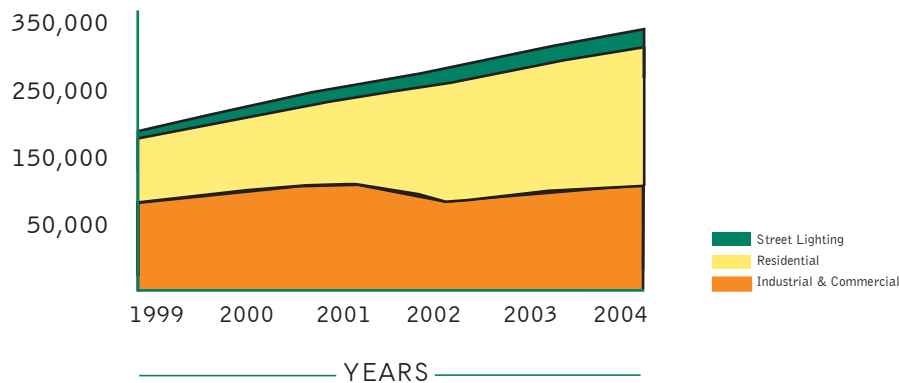
Financial Highlights

OPERATING COST PER MWh SOLD



SALES

(In Megawatt Hours)



CORPORATE PROFILE

Belize Electricity Limited (BEL) is the primary distributor of electricity in Belize, Central America. Serving more than 66,000 customers, the Company meets a peak demand of 61 megawatts (MW) from multiple sources of energy including power purchases from BECOL, from Comision Federal de Electricidad (CFE), the Mexican state-owned power Company and from its own diesel-fired generators. All load centers on the mainland are connected to the country's National Electricity Grid, which is interconnected with the Mexican National Grid, allowing BEL to optimize its power supply options. Fortis holds a 68% interest in BEL.

ANNUAL COMPARISON (In Belize Thousands of Dollars)	2004	2003
Operating Revenues	105,512	101,420
Earnings applicable to shareholders	15,822	14,079
Total Assets	346,472	338,120
Shareholders' equity	150,762	135,375

Report to Shareholders

Growth and Challenges in many ways characterize BEL over the last few years. With our sights set on transforming the Company into a top performer, the challenge of meeting high demand growth and at the same time improving service without unnecessarily burdening consumers has certainly tested us. In 2004, we witnessed the unfolding of events on the international scene, which we could not have anticipated, but which carried critical implications for our operations. The cost of world fuel prices reached unprecedented levels, driving large increases in energy prices and adding significantly to the challenges already facing us.

In 2004, we continued to experience healthy demand growth as sales increased by 7.3%. This increase was driven by strong growth in residential sales as the Rural Electrification Power III Project continued to fuel residential demand. Tourism and shrimp farming in addition to increased sales in the citrus industry also fueled growth.

Over the last five years, cost control has become a focal point at BEL and in the face of ever rising energy prices, our reaction has naturally been to work even harder at reducing operational costs. As the cost of power increased from \$187 per MWh sold in 1999 to \$209 per

MWh in 2004, operating costs were reduced from \$346 per MWh sold to \$285 per MWh sold over the same period. This reduction in operating costs has been used to help finance the extra costs of power and stabilize electricity rates to customers as well as to finance service improvement initiatives. Indeed, electricity rates over the same period have seen a reduction of 5% on average due to the combination of lower administration and distribution costs and the operation of the Rate Stabilization Account (RSA).

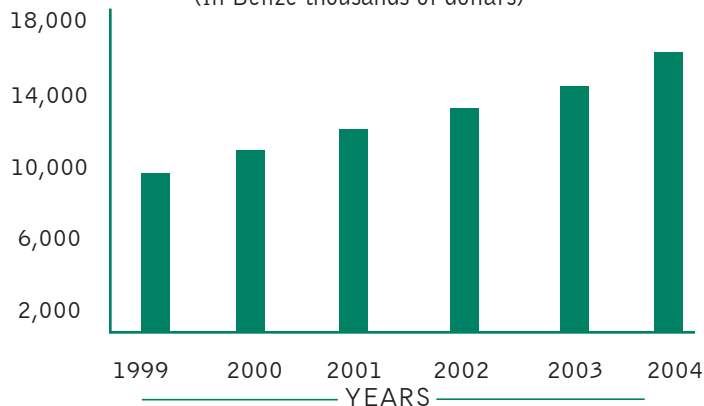
"Since 1999, electricity rates have seen a reduction of 5% on average due to the combination of lower administration and distribution costs and the operation of the Rate Stabilization Account."

Despite all our efforts, increasing oil prices coupled with delays in renewable energy projects such as the Chalillo hydro project and the Cogeneration project pushed the balance in the RSA to unacceptable levels. This in turn strained the Company's cash flows as economic conditions in the country forced a tightening of liquidity in the banking system. To address the situation, the Company applied to the Public Utilities Commission (PUC) for an acceleration in the recovery of the balance in the RSA. The PUC deferred consideration of this request to the next rate hearing, which began in March 2005. Should the PUC grant the request, electricity rates could be increased by 14%, a first in twenty years.

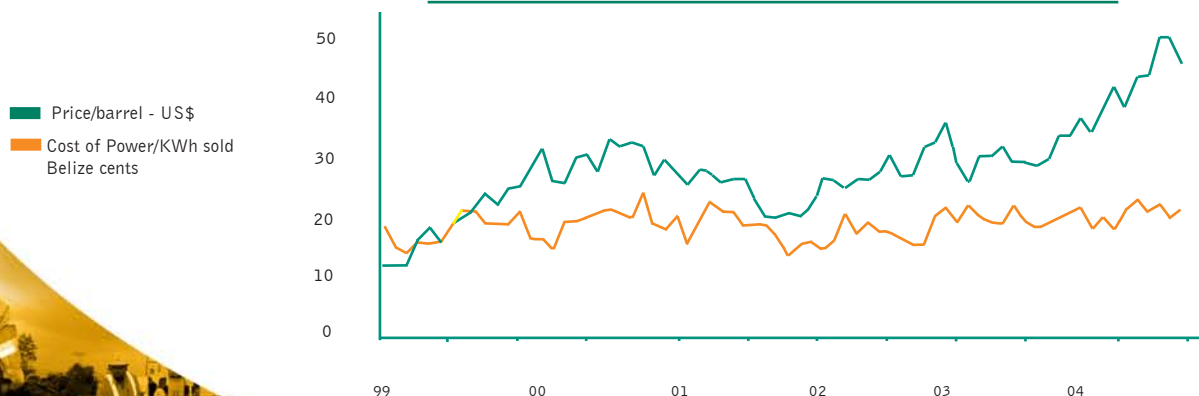
Notwithstanding the significant challenges brought on by high oil prices and tight liquidity, high sales growth and our continued focus on cost control enabled us to increase net earnings by 12.4% over previous year. Earnings were again negatively affected by the slide in the US dollar as the Company registered a loss of almost \$400,000 on our Euro and

EARNINGS

(In Belize thousands of dollars)



Oil Price per barrel in US\$ vs Cost of Power per kWh sold BZ cents



Report to Shareholders

Canadian denominated debt. However, sales growth coupled with flat operating expenses more than compensated for the loss on foreign exchange.

Through the hard work of our employees and continued investment in distribution improvements, we were able to reduce the duration and frequency of outages by 36% and 38% respectively as compared to the previous year. Our capital program continued to focus on distribution expansions and system improvements and top priority was given to initiatives such as the System Reliability Improvement Project. This \$2.6 million project, which included the rebuilding of 23 miles of distribution lines, is aimed at reducing the frequency of outages caused by bush fires and salt and dust contamination during unusually dry seasons.

The highlight of 2004 was the completion of the Power IV Southern Interconnection Project at a total cost of \$24 million. With this project completed, all our load centers are connected to the National Electricity Grid, with the exception of the island of Caye Caulker. The Power IV Project has helped to reduce the cost of power to the Southern load centers of Independence, Placencia, Punta Gorda and surrounding villages as well as increasing the reliability and quality of power supply to those communities.

In 2004, we also launched the Power V Project which is a comprehensive initiative to improve the reliability of our transmission systems, upgrade their power delivery capabilities and upgrade other service delivery components such as Call Center, Service Order Management System and our Customer Billing System. Other service improvement initiatives saw us teaming up with Atlantic Bank to facilitate electricity bill payments via the Internet.

Through these and other efforts designed to improve service and provide more convenience for customers, we are proud to have earned a Customer Satisfaction Rating of 85.5% in 2004. Considering that our Customer Satisfaction Rating System is based on that recommended by the Canadian Electricity Association and that the average rating in Canada is in the order of 70%, we are particularly proud of these results which reflect the commitment of our employees to delivering good service.

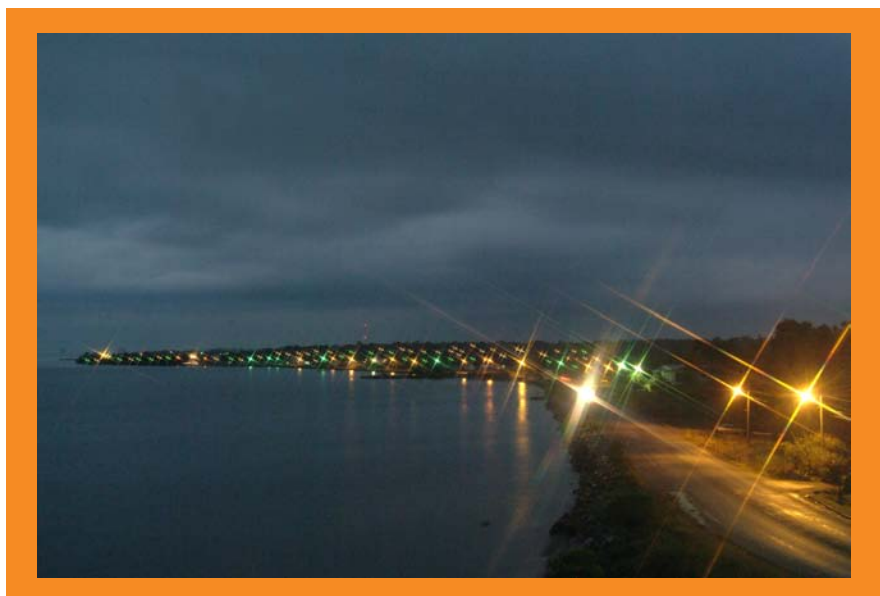
With demand growing at an average rate of 8.4% over the last five years, the pursuit of economic and reliable energy supply continues to be amongst our top priorities. This has become more urgent as we received notice from the Mexican

Electricity Company, Comision Federal de Electricidad (CFE), that it will terminate the existing 25 MW Power Purchase Agreement (PPA) in August 2006. We are presently in negotiations with CFE which has indicated their willingness to enter into a new agreement under amended conditions and at different rates than we presently enjoy.

Anticipating the possibility of losing the supply from Mexico, BEL has been working diligently on its generation plan. After a two year delay brought about by the many legal challenges from local and foreign opponents, the Chalillo Hydroelectric Facility which is being developed by sister company, Belize Electric Company Limited (BECOL), is finally scheduled to start providing low-cost, clean energy in the second half of 2005. Meanwhile, BECOL has commenced studies on a third hydro development located near Vaca Falls on the Macal River. This third development is downstream of the Mollejon Hydro Plant and could add another 15 to 20 MW of hydro capacity by 2008.

Another Independent Power Producer, Hydro Maya, is also scheduled to start delivering power by mid 2006 from their proposed 2.8 MW hydro plant that is to be constructed in Southern Belize.

In the last quarter of 2004, we signed an agreement with Belize Cogeneration Energy Limited (BELCOGEN) for the supply of 13.5 MW of power. BELCOGEN is a subsidiary of Belize Sugar Industries and plans to start delivering power from its bagasse-fired plant by late 2007.



A late evening overview of Punta Gorda. This Southern municipality now enjoys more reliable service as it was connected to the National Electricity Grid on November 30, 2004.

Report to Shareholders

An important compliment to our investments in plant and machinery is our investment in our Human Resources. Employee development is an integral component of our strategic initiatives to enhance operational efficiency and improve customer satisfaction. Critical training initiatives conducted in association with sister companies Newfoundland Power and Maritime Electric included training in transmission line design, gas turbine maintenance, information systems' security, system dispatch and safety management.

In 2004, a Job Evaluation and Remuneration Review of Company positions was undertaken to assess their value in the Belizean marketplace, with the goal of positioning the Company as an employer of choice. These initiatives, along with a restructuring of corporate hiring policies and employee benefits, will ensure we continue to attract and retain top talent.

Our focus on safety continued to deliver positive results as the Lost Time Accident Severity Index was reduced by over 50% compared to 2003 and vehicular accidents were reduced by 62% over the past three years.

In 2004, we continued to demonstrate our commitment to running our operations in compliance with the highest environmental standards. Progress continued on our initiative to become ISO14001 compliant. With assistance from Newfoundland Power, a sister company, in the Fortis Group, we enhanced our Environmental Policy and delivered training on Environmental Management System techniques, spill prevention and compliance with government regulations.

After weathering three tropical storms between the years 2000 to 2002, Belize was spared in 2003 and 2004. However, our neighbors in the Caribbean were not as fortunate as the region experienced one of the most intense tropical storm seasons in recent times. Once again, BEL was ready and quickly responded to the call for help. In September, a team of our employees spearheaded the emergency response initiated by Fortis to assist Caribbean Utilities in its service restoration efforts, following the impact of Hurricane Ivan on Grand Cayman.

Another crew was deployed to Grand Bahama as part of a team sent by the Caribbean Association of Electric Utilities after Hurricane Frances devastated that Island's electricity system. Having been the recipient of similar assistance in the past, we were pleased to be able to share our expertise and resources to help with the prompt restoration of electricity service as well as a sense of normalcy to customers in our neighbouring Caribbean islands.

Our employees received several praises in the local media in Grand Bahama and Grand Cayman for their tireless efforts and we are proud of them.

We are an integral part of our community and it is that realization that continues to drive our commitment; a commitment to continuously strive to improve our service and to look after the welfare of our employees and the general public. Employees continued to provide examples of character that make us proud, when they donated from their own pockets to help feed underprivileged families during the Christmas season. BEL supported employees in this initiative by matching the amounts raised. We were again made proud when our Company sponsored softball team, BEL Power Sockets Tours, won the Inter-Office Softball Competition for a record third straight year. As well, the Company sponsored an additional eight students attending the University of Belize, bringing the total number of students sponsored to 32, since establishing the scholarship program in 2001. These were only some of the many activities carried out during the year as we aim to better the communities we serve.

We are thankful for the successes we have achieved amidst the growth opportunities and challenges thrown at us. On behalf of the Board of Directors and employees we take this opportunity to thank former Vice President Derek Davis, for 20 years of valued leadership and counsel he afforded BEL. Mr. Davis retired from the Company in 2004.

As we look forward to 2005 the dedication and capabilities of a strong work force will allow us to continue building on our successes in our ultimate goal of transforming BEL into a premier service provider.



Lynn Young
President and Chief Executive Officer
Belize Electricity Limited

Robert Usher
Chairman of the Board
Belize Electricity Limited

Management Discussion & Analysis

Earnings

Earnings for the year increased by 12.4% to \$15.8 million from \$14.1 million in 2003 while earnings per share increased to \$0.53 from \$0.50. Dividends reinvested by shareholders during the year under the Company's Dividend Reinvestment Plan (DRIP) resulted in the issuance of an additional 2,060,000 ordinary shares diluting the earnings per share. Strong earnings growth is attributable mainly to sales growth and aggressive cost control initiatives.

Debt servicing during 2004 significantly reduced debt levels while higher interest charged to construction as compared to 2003 contributed to a reduction in finance charges. Higher interest charged to construction directly reflected the Power IV and V Projects that were underway during 2004. Unrealized loss on exchange for 2004 amounted to approximately \$400,000 as the Euro strengthened against the US Dollar by 7.4% compared to a loss of \$1.1 million recorded in 2003. Reductions in financing charges were somewhat offset by a \$580,000 increase in depreciation expense as a result of capital additions of past years.

On February 2, 2005 a final 5 cents per share dividend was paid to shareholders bringing the total dividends paid for the year ended December 31, 2004 to 20 cents per share.

Sales and Revenues

Energy revenues for the year increased by 4% to \$105.5 million from \$101.4 million in 2003. Energy sales for the year grew by 7.3% to 330 GWh from 308 GWh in 2003. Energy revenues grew in direct proportion to energy sales less the impact of a decrease of \$0.01/kWh in the true average tariff, which took effect July 1, 2003 and the final decrease of \$0.01/kWh in the true average tariff, which took effect July 1, 2004. Rates have been reduced by \$0.05/kWh since 1999. Decreases in the true average tariff were offset by equivalent recoveries of the Rate Stabilization Accounts (RSA), so that customers saw no net change in rates.

The energy sales increase was mainly driven by a 7.8% growth in residential sales and a 6.4% growth in commercial and industrial sales. Slower economic growth in the country as compared to the economic boom of prior years, led by an increase in the aquaculture, tourism and agricultural processing industries as well as growth derived from past expansion of services to rural areas under the Rural Electrification Project contributed to this sales growth. Energy sales were also positively impacted by growth in the Company's customer base, which grew by approximately 4.8% from 63,076 customers in 2003 to 66,081 customers as at December 2004.



A major line extension was provided to the Pelican Reef Villas in San Pedro Town in 2004. After construction is completed in 2005 the facility will feature 24 luxury suites.

Management Discussion & Analysis

Expenses

Cost-of-Power for the year increased by 7.3% to \$58 million from \$54 million in 2003, in line with the increase in energy sales. As required by the electricity regulations, Cost-of-Power expense is directly passed through to customers at \$0.175 per kWh with the difference credited or debited to the Cost-of-Power Rate Stabilization Account (CPRSA). For the year 2004, \$11.3 million in excess cost of power plus \$1.3 million in interest was deferred to this account against an \$11.1 million recovery resulting in a net increase in the CPRSA as compared to the ending balance in 2003. The electricity regulations require the reduction of the CPRSA to zero by the end of a Full Tariff Period, which currently ends June 2005. As a result of the above, the Company applied to the PUC in September 2004 for a \$0.03 increase in tariffs which the PUC opted to review at the Company's First Full Tariff Review Proceeding for the period July 2005 to June 2009 that commenced in March 2005. The Rate Stabilization Accounts (RSA) of the Company also include a Hurricane Cost Rate Stabilization Account (HCRSA) of \$2.1 million as at December 31, 2004.

Power purchased from Comision Federal de Electricidad (CFE), the Mexican state owned power company, accounted for 62% of total energy supply while power purchased from the Mollejon Hydro plant owned by BECOL accounted for 17%. The low hydro production resulted from unusually low rainfall and river water levels in the area. The Company supplied 21% of its energy requirements from its diesel-fired generation including the newly installed 20MW gas turbine.

Operating expenses for the year 2004 remained at the same level of 2003 at approximately \$16.9 million, reflecting the Company's success in its strategic focus on controlling cost and improving operating efficiencies and productivity.

Capital Expenditure

A total of \$25.5 million was spent in 2004 on capital projects. This program included the completion of the Power IV Project, which was commissioned in November 2004 and encompassed the interconnection of Southern Belize to the National Electricity Grid. It also included partial implementation of planned 2004 Power V Project items, including the System Reliability Improvement Subproject; and significant customer and government driven system expansions including the Rural Electrification Project. The Power V Project encompasses the Company's transmission and distribution system expansion and upgrade requirements for the next two to three years as well as the acquisition of a new Customer Information and Billing System, specialized equipment and new vehicle requirements. The Power V Project was significantly delayed during the year due to delays in closing the financing.

Only \$2.7 million in bank financing was raised during 2004 being the completion of draw downs on two previously established loans. In addition, \$3.8 million in Series 3 debenture proceeds, \$5.7 million in dividends reinvested coupled with operating cash flows helped to finance capital expenditures and meet operating cash needs for the year.



BEL Linemen replacing a street light as part of an aggressive effort to identify and correct faulty street lights.

Management Discussion & Analysis

Regulation

Belize Electricity Limited (BEL) is regulated under the amended 1992 Electricity Act, the Public Utilities Commission Act of 1999 and the Electricity Tariffs, Charges and Quality of Service Standards Bye-laws of 2001 (Tariff Bye-laws). The Company's license to generate, transmit, distribute and supply electricity in Belize expires in 2015. Under the terms of the license, the Company has the right of first refusal on any subsequent license grant.

Under the Tariff Bye-laws, the average electricity tariff is separated into three components, a fixed component to cover overhead expenses and provide the Company with a reasonable return on investment, a variable component that reflects the cost of electricity and a deferred cost of power recovery or rebate component. The quality of service standards required under the tariff regulations will be monitored and formalized over a transition period from January 1, 2000 through June 30, 2005 and will become effective July 1, 2005.

Pursuant to the Tariff Bye-laws, the Company established a Cost-of-Power Rate Stabilization Account (CPRSA) effective January 1, 2000, designed to normalize changes in the price of electricity due to fluctuating fuel costs. The CPRSA stabilizes electricity rates for consumers while providing the Company with a mechanism that permits the recovery of its costs of electricity over time. At December 31, 2004, the balance in this account was \$11.7 million, up from \$10.2 million in 2003. Effective July 1, 2002 a Hurricane Cost Rate Stabilization Account (HCRSA) was established pursuant to the Tariff Bye-laws to normalize storm reconstruction costs impact on consumers. At December 31, 2004, the balance in this account was \$2.1 million.

The Company filed its fourth Tariff Application and Quality of Service Standards report with the PUC for the Annual Tariff Period (ATP) of July 1, 2004 to June 30, 2005 in March 2004. Consequently the PUC approved the Company's application to keep the stabilized mean electricity rate at \$0.349/kWh over the tariff period July 1, 2004 to June 30, 2005. This rate is inclusive of a \$0.04/kWh (\$0.02/kWh for 2002/2003, \$0.01/kWh for 2003/2004 and \$0.01/kWh for 2004/2005) reduction in the true mean electricity rate offset by a \$0.029/kWh recovery of amounts deferred in the CPRSA and a \$0.005/kWh recovery of amounts deferred in the HCRSA.

As noted, the Company filed its first Full Tariff Review Application for the period July 2005 to June 2009 in March 2005 and is awaiting the outcome of this application including the application to increase the recovery of the CPRSA to reduce it to zero in line with the regulations.

Outlook

Electricity demand growth for 2005 is expected to be approximately 7% to 8%. Continued normal economic growth in the country in the areas of agricultural processing, aquaculture and tourism coupled with new residential sales derived from past rural electrification expansions is anticipated to drive sales growth.



The second phase of the project to electrify Armenia Village, along the Hummingbird Highway, was completed in 2004, under the Power III Rural Electrification Project.



Processing of papayas for export at Maya Foods. Maya Foods became a new customer of BEL in 2004 as a major line extension was provided to the factory which opened in September, 2004.

Key Events

- BEL and CFE began negotiating terms for a new Power Purchase Agreement (PPA), as CFE gave notice to terminate the existing PPA in 2006.
- In September, two crews of linemen traveled separately to Grand Bahama and Grand Cayman to assist with power restoration, after those countries were devastated by powerful hurricanes.
- BEL successfully negotiated new Pole Rental Agreements with Belize Telecommunications Limited and Cable Operators.
- On November 30, 2004, the transmission line to Punta Gorda was commissioned. This brought to completion the Power IV Southern Interconnection Project, which focused on connecting Southern Belize to the National Electricity Grid.
- On December 1, 2004, BEL and Belize Cogeneration Energy Limited (BELCOGEN) signed a 15-year (PPA). BELCOGEN will supply BEL with 13.5 MW of power, commencing late 2007.



BEL and BELCOGEN signing a Power Purchase Agreement for 13.5 MW on December 1, 2004. Signing on behalf of BEL is President and CEO Lynn Young (left) and on behalf of BELCOGEN, Managing Director Joey Montalvo (center), and Finance Director Alvaro Alpuche (right).

Customer Service and Satisfaction

BEL remained committed to providing customers with service second to none in the country. As the Company's customer base grew by 4.8% to 66,081 customers in 2004, BEL maintained its focus on improving the quality and reliability of electricity service. Works intensified on the System Reliability Improvement Project, which was initiated in November 2003, in the aftermath of power outages, caused by the unusually dry conditions and forest fires, during the 2003 dry season.

Under this project, over 2500 insulators on the Ladyville System were replaced with more resistant ones that can better withstand the salt and dust contamination. The Ladyville System was a priority as it proved to be the most vulnerable during the 2003 dry season. A "Hot Line" washer, designed to wash energized lines was procured and fire retardant paint was applied to poles on the section of the 115 kV transmission line from Westlake Generating Plant to the Northern border with Mexico. Critical reliability projects for San Ignacio and San Pedro load centers were also initiated.

"The duration and frequency of outages were reduced by 36% and 38% respectively compared to last year."

During the third quarter, employees received training on the application of pole treatments and applied their newly acquired skills to the transmission line from Westlake Substation to Mollejon. This will contribute to extending the life of the poles and to improving service reliability.

These efforts yielded improved results as the duration and frequency of outages were reduced by 36% and 38% respectively compared to last year. These figures exclude the impacts of CFE.



Customer Service Representative, stationed in BEL's Call Center, speaking with telephone customer. An average of 260 calls are received from Customers each day.

Operations

To enhance the delivery of service, Customer Service Representatives participated in several training sessions including sessions entitled "Power of Customer Services" and "Treat every caller as a welcome guest."

Newspaper power outage notices entitled "Pardon the Interruption" were introduced to help customers better plan their activities around planned weekend outages. Outage information was also introduced on BEL's corporate website.

These initiatives along with the dedication of employees to the Company's goal to be the leading service provider in Belize, delivered another record Customer Satisfaction Index rating of 85.5%. The Company started to track the index in 2001 and has consistently maintained its ratings above 80%.

System Expansion

The scope of the Power III Rural Electrification Project, an initiative jointly undertaken between BEL and the Government of Belize was broadened in 2004. First time service was extended to numerous communities including Santa Martha and San Antonio villages. Since the project's inception in 1999, first time power has been made available to over 18,600 housing lots.

The Power IV Southern Interconnection Project was successfully completed with the connection of Punta Gorda to the National Electricity Grid. The transmission line to Punta Gorda was officially commissioned in November, 2004, while the line to Independence was commissioned in July 2003. The completion of this project is delivering improved service to over 5,400 customers in the area by providing more reliable and cleaner energy, as well as supporting industrial growth of the booming shrimp farming industry and large-scale tourism operators in the area. The connection is also having a positive impact on operating cost as dependence on expensive diesel power generation has been reduced.

The Power V Project consists of several reliability and expansion initiatives. Major highlights under this project were the completion of the electrical design for the Southern Grid upgrade to 69kV for the Dangriga and Democracia substations and several reliability projects in Ladyville, San Pedro and San Ignacio.

Energy Supply

Electricity demand in 2004 grew by 7% to 61 MW. The Company continued to meet demand with energy purchases from Mexico, hydro energy from BECOL and energy generated in-company. During the year CFE gave BEL notice that it will terminate the current PPA in 2006 and expressed interest in continuing to provide power to BEL under an amended PPA. Consequently, BEL and CFE initiated discussions with a focus to renew the contract.

As growth in electricity demand is expected to continue at the relatively high level of 7% to 8%, the importance of securing



future energy continues to be high on the Company's agenda. Accordingly, BEL and Belize Cogeneration Energy Limited (BELCOGEN) completed negotiations and on December 1, 2004 signed a 15-year Power Purchase Agreement (PPA). BELCOGEN will supply BEL with 13.5 MW of power and associated energy at a cost of approximately US\$0.078 per kWh. This price is subject to adjustments for inflation and oil prices and is projected at US\$0.083 per kWh by the time the plant comes on-line in December 2007. BELCOGEN will construct its cogeneration facility adjacent to the Tower Hill Sugar Factory.

At the end of the year, BECOL reported that construction of the Chalillo Project had progressed significantly in 2004. Almost 62% of the concrete had been poured and completion of the dam is scheduled for June 2005 with commissioning of the powerhouse by September 2005.

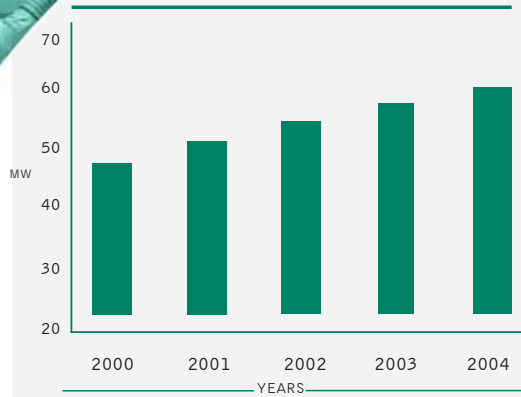


Chalillo Hydroelectric Project under construction. The project is scheduled for completion in June 2005, with commissioning of the Powerhouse in September 2005.

In addition, Hydro Maya indicated that its hydro plant should be ready for commissioning by mid 2006. Hydro Maya will construct a 2.8 MW plant on the Rio Grande River in the Toledo District.

Operations

PEAK DEMAND



Technology

As BEL's customer base continued to grow, developing and applying new Customer Service technologies remained a strategic focus of the Company. BEL teamed up with Atlantic Bank in 2004, to facilitate electricity bill payments via the Internet as another convenient payment option. This service will be officially launched early 2005.

All preliminary works have been completed for implementing an Interactive Voice Recorder System (IVR). This system allows automated responses to customers making inquiries on bills, outages and other routine queries. This system can produce valuable reports on the number of received calls, abandoned calls and duration of calls, which can be analyzed with a focus to improve customer service.

The Company's computer network security system was revamped to improve the protection of data and resources from external and internal threats. An improved virus protection software and a new firewall intrusion detection system were installed.



Employees in the Dispatch Center monitoring the Transmission and Distribution System.

The Company employed the use of a thermoscan technology to assist with locating trouble spots on the substation and distribution system and to take a proactive approach in correcting these problems before they result in unplanned outages.

Environment

In 2004, BEL continued to pursue its goal of making its operations ISO14001 compliant. Through the implementation of its Environmental Management System, its Emergency Response System and continuous training, oil spills were reduced by 54%. As compared to previous year, significant reductions in emissions were also achieved as the Company shifted its diesel burning generation to low emissions combustion turbine. The Company is now in the process of decommissioning and cleaning up two diesel driven generating plants in Independence and Punta Gorda. During the year the Company also introduced a revised Environmental Policy which complies with ISO14001 and focuses on continual improvement and pollution prevention. The policy was made available to the general public as it was posted in BEL's Customer Service lobbies countrywide.

Safety

BEL strives to ensure that each employee returns home safely each day. Accordingly, improving the Company's safety performance remained a priority in 2004. Notable achievements were made including a reduction in vehicular accidents by 62% over the last three years. Success in this regard is attributed to the delivery of intense training on defensive driving.



Employees participating in CPR/First Aid training.

Training was also provided for employees in the areas of fire extinguisher usage, CPR/First Aid, Standard Protection Code, Substation Maintenance and Electrical Safety for Industrial Facilities.

BEL shared its focus on safety with external partners and conducted a series of training sessions with firefighters from the National Fire Service and the National Occupational Health and Safety Committee on electrical safety. As part of its Public Awareness campaign, safety presentations were made to over 20 primary, secondary and tertiary level schools countrywide.

Community Involvement

In 2004, BEL continued to maintain a strong corporate presence in the community. For the academic year 2004 - 2005, the Company sponsored an additional eight students who commenced undergraduate studies pursuing various fields of study. This is the fourth consecutive class of students to have received tuition scholarships from BEL since the program's inception in 2001.

During the year, BEL also continued to sponsor the Minorettes Marching Band, which has become a staple of national parades. BEL also sponsored the National Fire Service's 11th Annual Fire Olympiad which brought firefighters together from all over the country to compete in a series of fire fighting events.

During the 2004 Christmas season employees collectively raised monies to purchase Christmas hampers for underprivileged families. The Company showed support for this initiative by matching the monies raised.



BEL employees visited several underprivileged families on Christmas morning to provide them with Christmas hampers and gifts for the children.

Also in December, the Company sponsored the "Light Up The Holidays" house competition, rewarding the most impressively decorated houses in San Pedro Town. This competition has become a well anticipated Christmas season event.

The BEL Rookies, a Company Sponsored male softball team, won the first ever national softball competition and BEL's own employee softball team, Power Sockets Tours, captured the Championship title in the Inter-Office Softball Competition for the third consecutive year. Two employees captured several of the individual awards including the "Most Valuable Player" award.



BEL became the Corporate sponsor for the BEL Minorettes Marching Band in 2003. Over the years the band has become a staple of national parades.



The San Ignacio branch of the National Fire Service won the 11th Annual Fire Olympiad sponsored by BEL.

Community Involvement

Beyond Belize, a BEL team joined crews from other Fortis utilities in Grand Cayman to assist with restoring power to that island in the aftermath of Hurricane Ivan in September. In addition, BEL provided utility poles, trucks and tools to assist with expediting the restoration works. Also in September, another BEL team was deployed to Grand Bahama as part of a team sent by the Caribbean Association of Electric Utilities (CARILEC) after Hurricane Frances devastated that island's electricity system. Hurricane Jeanne also made landfall on that island which interrupted the team's restoration works. Given the extensive damages to the electricity system from both hurricanes, the team's contribution to the restoration efforts was key in promptly restoring service and a sense of normalcy to the islands. BEL received letters from both utilities, attesting to the high safety standards, efficiency and professionalism of our employees both on and off the job.



Two crews of linemen travelled to Grand Cayman and Grand Bahama after those islands were devastated by powerful hurricanes in 2004. Pictured above are the Grand Cayman (left) and the Grand Bahama crews.



Three Peat Champions BEL Power Sockets Tours.



**BELIZE ELECTRICITY LIMITED
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31,**

2004 & 2003

CONTENTS

16	Independent Auditors' Report on Financial Statements December 31, 2004 and 2003
17	Balance Sheet
18	Statement of Income and Retained Earnings
19	Statement of Cash Flows
20	Notes to Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Belize Electricity Limited:

We have audited the accompanying balance sheet of Belize Electricity Limited as of December 31, 2004, and the statement of operations and retained earnings and cash flows for the year then ended. 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. The financial statements of 2003 were audited by another auditor whose report dated January 15, 2004 presented an unqualified opinion.

We conducted our audit in accordance with Canadian generally accepted accounting principles. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Belize Electricity Limited as of December 31, 2004, the results of its operations and retained earnings and its cash flows for the year then ended in conformity with Canadian generally accepted accounting principles.



January 14, 2005

Audit. Tax. Consulting. Corporate Finance.

A member firm of
Deloitte Touche Tohmatsu

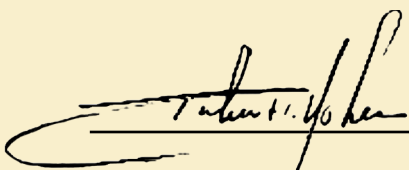
This message (including any attachments) contains confidential information intended for a specific individual and purpose, and is protected by law. If you are not the intended recipient, you should delete this message and are hereby notified that any disclosure, copying, or distribution of this message, or the taking of any action based on it, is strictly prohibited.


BALANCE SHEET

DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

<u>ASSETS</u>	2004	2003
CURRENT ASSETS		
Cash and short term investments	\$ -	\$ 4,137
Accounts receivable (Notes 1d and 2)	11,844	13,746
Inventories (Notes 1c and 4)	8,198	7,739
Prepayments (Note 3)	594	598
	<u>20,636</u>	<u>26,220</u>
PROPERTY, PLANT AND EQUIPMENT - net (Notes 1b and 5)	310,536	296,609
RATE STABILIZATION ACCOUNT (Note 1e)	13,829	13,578
TRANSMISSION RIGHTS (Note 1m)	1,413	1,645
GOODWILL (Note 1g)	58	68
	<u>325,836</u>	<u>311,900</u>
TOTAL	<u>\$ 346,472</u>	<u>\$ 338,120</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft (Note 6)	\$ 4,667	\$ -
Accounts payable and accruals (Note 7)	24,327	19,135
Accrued retirement benefit (Note 1j)	-	159
Current portion of long-term debt (Note 9)	18,215	21,189
Corporate tax payable (Note 13)	121	111
	<u>47,330</u>	<u>40,594</u>
LONG-TERM LIABILITIES		
LONG-TERM DEBT (Note 9)	89,576	107,465
DEBENTURES (Note 10)	53,062	49,346
	<u>142,638</u>	<u>156,811</u>
CONSUMER DEPOSITS	<u>5,742</u>	<u>5,340</u>
SHAREHOLDERS' EQUITY		
Ordinary shares (Note 11)	61,974	57,857
Additional paid in capital (Note 11)	2,634	1,086
Capital contributions (Note 15)	14,666	14,829
Insurance reserve (Note 16)	5,000	4,875
Retained earnings	66,488	56,728
	<u>150,762</u>	<u>135,375</u>
TOTAL	<u>\$ 346,472</u>	<u>\$ 338,120</u>

 Chairman

 President and Chief Executive Officer

See accompanying notes to financial statements.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

	2004	2003
ELECTRICITY REVENUES (Note 1f)	\$ 105,512	\$ 101,420
COST OF WHOLESALE POWER	(57,746)	(53,822)
	47,766	47,598
OTHER REVENUE	4,655	3,851
OPERATING EXPENSES	(16,895)	(16,847)
DEPRECIATION AND AMORTIZATION	(9,670)	(9,089)
FINANCE CHARGES (Note 9)	(8,146)	(8,893)
LOSS ON FOREIGN EXCHANGE (Notes 1a and 9)	(384)	(1,129)
NET EARNINGS BEFORE TAXES	17,326	15,491
CORPORATE TAX (Notes 1k and 13)	(1,504)	(1,412)
EARNINGS APPLICABLE TO SHAREHOLDERS	\$ 15,822	\$ 14,079
EARNINGS PER SHARE (Notes 1h and 14)	\$ 0.53	\$ 0.50
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 56,728	\$ 48,715
Net Income	15,822	14,079
Dividends	(5,937)	(5,566)
Insurance Reserve (Note 16)	(125)	(500)
RETAINED EARNINGS, END OF YEAR	\$ 66,488	\$ 56,728

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

	2004	2003
CASH FROM OPERATIONS:		
NET INCOME	\$ 15,822	\$ 14,079
ITEMS NOT AFFECTING CASH:		
DEPRECIATION AND AMORTIZATION (NET)	9,670	9,089
UNREALIZED EXCHANGE LOSS ON LONG-TERM DEBT	384	1,129
CHANGE IN NON-CASH WORKING CAPITAL	8,798	(218)
	<u>34,674</u>	<u>24,079</u>
CASH USED IN INVESTING:		
ACQUISITION OF PLANT AND EQUIPMENT	(25,512)	(53,964)
	<u>(25,512)</u>	<u>(53,964)</u>
CASH (USED IN) FROM FINANCING:		
PROCEEDS FROM (PAYMENT OF) BANK OVERDRAFT	4,667	(1,258)
PROCEEDS FROM NEW LOANS	2,747	38,877
PAYMENT OF LONG-TERM DEBT	(23,994)	(15,492)
PROCEEDS FROM SALE OF COMMON SHARES	5,665	3,992
CAPITAL CONTRIBUTION	(163)	1,466
PROCEEDS FROM SALE OF DEBENTURES	3,785	11,003
DIVIDENDS PAID	(5,937)	(5,566)
DEBENTURES REDEEMED	(69)	(51)
	<u>(13,299)</u>	<u>32,971</u>
NET(DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	(4,137)	3,086
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>4,137</u>	<u>1,051</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ -	\$ 4,137
ITEMS PAID BY CASH:		
Interest	<u>\$ (15,817)</u>	<u>\$ (13,025)</u>
Taxes	<u>\$ (1,495)</u>	<u>\$ (1,416)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(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’s major shareholders are Fortis Inc. and the Belize Social Security Board.

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 and unrealized exchange gains and losses included in net income (See Note 9).

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, machinery and equipment	5 – 40 years

Maintenance and repairs are expensed as incurred. Expenditures, which significantly increase value or extend useful asset life, are capitalized. The Company has adopted the 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.

On 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. 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 that are deferred to a Cost of Power Rate Stabilization Account (CPRSA) and a Hurricane Cost Rate Stabilization Account (HCRSA). The rate of recovery is recalculated on July 1 of each year based on the balance in the CPRSA and HCRSA as of the preceding year- end (See Note 16).

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

Goodwill represents excess of cost over net assets acquired when the Company was privatized in 1993. Permanent impairments in the value of the goodwill are written off against earnings.

h. Earnings per Share

Earnings per share is calculated by dividing net income applicable to ordinary shares by the weighted average number of ordinary shares outstanding during the year.

i. Installation Fees

Installation fees are consistently credited to income in 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 related to an early retirement plan. Benefits are not funded.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

1 STATUS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 13).

l. Capital Contributions

Contributed assets are recorded as capital contributions and amortized over the useful life of the related asset (See Note 15).

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

	2004	2003
Consumers	\$ 7,774	\$ 7,858
Government of Belize (GOB)	3,149	5,148
Other	1,600	1,197
	<u>12,523</u>	<u>14,203</u>
Less: provision for doubtful accounts	(679)	(457)
	<u>\$ 11,844</u>	<u>\$ 13,746</u>

3 PREPAYMENTS

	2004	2003
Insurance	\$ 449	\$ 457
PUC and other deferred charges	145	141
	<u>\$ 594</u>	<u>\$ 598</u>

4 INVENTORIES

	2004	2003
Bulkstores	\$ 6,664	\$ 6,983
Fuel and oil	1,556	778
	<u>8,220</u>	<u>7,761</u>
Less: provision for damaged and obsolete spares	(22)	(22)
	<u>\$ 8,198</u>	<u>\$ 7,739</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

*(In Belize thousands of dollars)***5 PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings	Plant, machinery and Equipment	Assets Under Construction	Total
Cost				
January 1, 2004	\$ 16,208	\$ 277,559	\$ 45,023	\$ 338,790
Additions	196	41,912	25,522	67,630
Disposals/Transfer	-	(8,754)	(42,108)	(50,862)
December 31, 2004	16,404	310,717	28,437	355,558
Accumulated Depreciation				
January 1, 2004	3,210	38,971	-	42,181
Additions	376	11,179	-	11,555
Disposals	-	(8,714)	-	(8,714)
December 31, 2004	3,586	41,436	-	45,022
Net Book Value				
December 31, 2004	\$ 12,818	\$ 269,281	\$ 28,437	\$ 310,536
December 31, 2003	\$ 12,998	\$ 238,588	\$ 45,023	\$ 296,609

Depreciation expense shown in the statement of income for 2004 is reduced by \$2,127,601 (\$930,847 – 2003) representing amortization of capital contribution and other depreciation expense recoveries.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

6 BANK OVERDRAFT

The Company has a \$1,000,000 and a \$5,100,000 overdraft facility with the Belize Bank Limited and the Bank of Nova Scotia, respectively. The overdrafts bear annual interest of 14% and 14.5% respectively, are unsecured, and are payable on demand.

7 ACCOUNTS PAYABLE AND ACCRUALS

	2004	2003
Trade payables	\$ 17,955	\$ 13,031
Government of Belize	1,475	1,480
Accrued interest	1,338	2,231
Other	3,559	2,393
	<u>\$ 24,327</u>	<u>\$ 19,135</u>

8 DUE TO RELATED PARTIES (NET)

	2004	2003
Due from Related Parties:		
Belize Electric Company Limited (BECOL)	\$ -	\$ 9
Fortis Inc.	557	-
	<u>557</u>	<u>9</u>
Due to Related Parties:		
Belize Electric Company Limited		
Transmission Facility Loan	23,322	26,111
Power Purchases	2,894	5,882
Fortis Inc.	626	461
	<u>26,842</u>	<u>32,454</u>
Due to Related Parties (Net)	<u>\$ 26,285</u>	<u>\$ 32,445</u>

During the year ended December 31, 2004 the following transactions were recorded with related parties:

	BECOL	Fortis Inc.
Energy Purchases	\$ 12,690	\$ -
Debt Servicing	2,790	-
Miscellaneous reimbursable Expenses:		
Intercompany invoicing to BEL	-	1,179
BEL invoicing to intercompany	3,951	557

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

9 LONG - TERM DEBT

	2004	2003
(1) Government of Belize:		
a. Loan No. 37/SFR – BZ:	\$ 1,231	\$ 1,744
Unsecured loan of US\$3,067,234 from the Caribbean Development Bank for onlending to the Company, approved as part of a power project. Repayment is by 60 equal quarterly installments, which commenced March 31, 1993. The loan bears interest at 8.5%.		
b. Loan No. 1/SFR – BZ:	-	74
Unsecured 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 made in 2004. Both tranches bear interest at 4% per annum.		
c. Loan No 3776A/S BEL:	13,012	15,547
Unsecured loan of US\$11,400,000 from the International Bank for Reconstruction and Development (IBRD) for onlending to the Company, approved as part of the Power II Project. 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, 2004 is 5.31% (December 31, 2003 – 7.16%) per annum.		
d. Loan No. 7.0971/2:	6,662	6,711
Unsecured loan of EURO 3,700,000 from European Investment Bank for onlending to the Company, approved as part of the Power II Project. Repayment is by 15 annual installments, which commenced May 31, 2000. The loan bears interest at 5% per annum.		
e. Loan No 14/OR-BZ :	18,215	19,756
Unsecured loan of US\$12,706,210 from the Caribbean Development Bank for onlending to the Company, approved as part of the Power II Project. Repayment is by 60 quarterly installments of US\$193,935 and CDN\$39,318, which commenced February 5, 2000. The loan bears interest at 5.50% per annum.		

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

9 LONG - TERM DEBT (CONTINUED)

	2004	2003
(2) Caribbean Development Bank (44/SFR –BZE): Unsecured loan of US\$42,000 approved as part of the Power II Project. Repayment is by 31 consecutive quarterly installments of US\$1,313, which commenced September 30, 1996, and ended on June 30, 2004. The loan bears interest at 2% per annum.	\$ -	\$ 8
(3) Bank of Nova Scotia: Standby unsecured non-revolving loan of US\$2,500,000 for payment of uninsured hurricane related expenses. Principal is repayable by quarterly payments beginning December 31, 2001 and ending September 30, 2006. The loan bears interest at 6.75% per annum.	2,012	2,762
(4) Caterpillar Financial Services Corporation: 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 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.	57	593
(5) M & T Bank (formerly Allfirst Bank): 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 4.95% per annum.	3,884	5,830
(6) Belize Electric Company Limited (BECOL): Unsecured loan of US\$14,896,212 granted April 1, 2001 for the 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 and bears interest at 10% per annum.	23,322	26,111
(7) Belize Bank Limited: Unsecured demand loan of BZ\$5,000,000 granted on September 25, 2002. The loan was repaid in full in 2004. Interest rate was 13% per annum.	-	3,000

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

9 LONG - TERM DEBT (CONTINUED)

	2004	2003
(8) RBTT Merchant Bank Limited:	\$ 22,605	\$ 28,192
Loan facility granted on October 1, 2002 for US\$14,031,358 to finance the Gas Turbine Generator Project. The loan is comprised of two tranches – Tranche A for US\$9,003,087 repayable in 14 semi-annually installments commencing October 2003 at 5.75% interest per annum and Tranche B for US\$5,028,271 repayable in 18 semi-annually installments commencing October 2003 at 8.15% per annum. The loan is secured by a debenture over the assets comprising the project.		
(9) Toronto-Dominion Bank:	9,791	9,226
Loan of US\$5,435,671 guaranteed by the Export-Import Bank of the United States for the purchase of electricity distribution, substation and transmission equipment. The loan is repayable in 10 semi-annual installments commencing October 20, 2004. Interest is payable at 5.75% per annum.		
(10) First Caribbean International Bank:	7,000	9,100
Secured loan of BZ\$10,000,000 granted on March 26, 2003. Repayment is by 10 equal semi-annual installments with the final installment due February 28, 2008. The loan bears interest at 11.5% per annum. The loan is secured by an equitable mortgage on two of the Company's Freehold properties in Belize City.		
	\$ 107,791	\$ 128,654
	(18,215)	(21,189)
Less: Current installments	\$ 89,576	\$ 107,465

The loans are repayable as follows:

2005	18,215
2006	18,383
2007	15,753
2008	14,672
2009	12,921
Subsequently	27,847
	<u>\$107,791</u>

Loan No. 7.0971/2 is denominated in Euro Dollars and a portion of CDB Loan No. 14/OR-BZ is denominated in Canadian Dollars. For the year 2004, \$383,893 (\$1,129,064 - 2003) in unrealized foreign exchange losses has been recorded based on periodic revaluations of the loans.

Interest and related charges on loans capitalized during the year ended December 31, 2004 relating to capital expansion projects amounted to BZ\$ 3,413,147 (\$2,829,585 - 2003).

Finance Charges

	2004	2003
Interest - long term debt	\$ 9,206	\$ 9,440
Interest - other	6,033	5,259
Interest on CPRSA and HCRSA and other interest recoveries	(3,680)	(2,976)
Interest capitalized	(3,413)	(2,830)
	\$ 8,146	\$ 8,893

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

10 DEBENTURES

	2004	2003
Series I:		
12,963 unsecured debentures of \$76 each and 160,551 unsecured debentures of \$100 each (12,963 of \$76 and 160,551 of \$100 -2003) to mature December 31, 2012 with interest payable quarterly at 12% per annum.	\$ 17,015	\$ 17,040
Series II:		
194,784 unsecured debentures of \$100 each (195,034 - 2003) to mature March 31, 2021 with interest payable quarterly at 9.5% per annum.	19,478	19,503
Series III:		
165,692 unsecured debentures of \$100 each (128,021 - 2003) to mature July 31, 2022 with interest payable quarterly at 10% per annum.	16,569	12,803
	\$ 53,062	\$ 49,346

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.

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 after 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 Series III debentures can be called by the Company at any time after August 31, 2009 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 August 31, 2009 after 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.

Effective September 30, 2003, a debenture interest reinvestment plan was introduced allowing debenture holders to reinvest their interest on their debentures in additional debentures.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

*(In Belize thousands of dollars)***11 SHARE CAPITAL**

	2004	2003
Ordinary shares:		
Authorized 38,000,000 shares of \$2.00 each	\$ 76,000	\$ 76,000
Issued and fully paid 30,986,929 (28,928,466 – 2003) shares of \$2.00 each	\$ 61,974	\$ 57,857

In March 2003, the Company implemented a dividend reinvestment program allowing shareholders to reinvest their dividends into additional ordinary shares of the Company at \$2.75 per share. The excess of \$0.75 per share over par value is recorded as Additional paid in capital.

Convertible redeemable preference shares:

Authorized 12,000,000 shares of \$2.00 each	\$ 24,000	\$ 24,000
---	-----------	-----------

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 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.

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 the Company 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 to 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Belize thousands of dollars)

13 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.

14 EARNINGS PER SHARE

	2004	2003
Net income applicable to shareholders	\$ 15,822	\$ 14,079
Shares outstanding (Weighted Average)	30,029,393	28,068,135
Earnings per share	\$ 0.53	\$ 0.50

15 CAPITAL CONTRIBUTIONS

Capital contributions account includes Government of Belize contributions towards rural electrification programs and other similar contributions.

	2004	2003
Capital contributions brought forward	\$ 19,098	\$ 17,269
Additions	226	1,829
Capital contributions carried forward	19,324	19,098
Amortization brought forward	4,269	3,906
Additions	389	363
Amortization carried forward	4,658	4,269
Capital contributions – net	\$ 14,666	\$ 14,829

16 COMMITMENTS AND CONTINGENCIES

Compliance with Covenants - The Indenture to the Debentures and other loan agreements contain numerous covenants that must be complied with by the Company. During the year ended December 31, 2004, the Company was in compliance with these covenants except for (1) deposits to the electricity special fund account covenant for Caribbean Development Bank Loan No. 37/SFR-BZ; and (2) IBRD and Caribbean Development Bank debt service coverage ratio loan covenant. Discussions with the above lenders are ongoing with a view to cure and or amend the covenants. The company's management does not believe these expose the Company to any undue increase in credit risk.

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 of retained earnings per annum to be set aside for this plan. As at December 31, 2004, BZ\$5,000,000 of retained earnings has been appropriated. The last draw down from a stand-by unsecured non-revolving line of credit of US\$2,500,000 forming part of this self-insurance plan was made on January 2002 for Hurricane Iris rehabilitation purposes. Commencement of quarterly repayment began on December 31, 2001 and a total of US\$1,500,000 has been repaid. The Company is currently negotiating with the Bank to reestablish the line of credit.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

*(In Belize thousands of dollars)***16 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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, 2004 to December 31, 2004 amounted to \$12,620,540, while \$11,057,189 was recovered during the same period as allowed by the PUC.

Effective July 1, 2002, the PUC also approved a Hurricane Cost Rate Stabilization Account (HCRSA) to regulate the manner in which hurricane costs are passed on to the customers. During 2004, \$325,858 was deferred to this account for interest. During the period January 1, 2004 to December 31, 2004, a total of \$1,637,796 was recovered as allowed by the PUC.

Recovery of the balance in the CPRSA and the HCRSA which is regulated by the PUC continues during the period January 1, 2005 to June 30, 2005 and will be re-addressed in the Company's first full tariff review submission for the period July 1, 2005 to June 30, 2009, and is dependent on future operational circumstances that cannot be determined at this time.

Summary of Contractual Obligations:

Contractual Obligations	Total	2005	2006 - 2009
Long-term debt	80.1	18.2	61.9
Operating leases (rent)	0.6	0.1	0.5
Purchase obligations – energy only (BECOL)	132.9	21.7	111.2
Interest obligations on LTD and Capital leases	20.3	6.2	14.1
Total Obligations	233.9	46.2	187.7

17 FINANCIAL INSTRUMENTS

Fair Value: 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 were contracted at market terms. Due to the unavailability of a long term market in the country current fair values of long term obligations are not determinable.

Credit Risk: The Company has a large and diversified customer base, which minimizes the concentration of this risk. The Company's credit risk is concentrated as follows:

Government of Belize	17%
Residential customers	54%
Commercial customers	26%
Industrial customers	3%

BELIZE ELECTRICITY LIMITED

FINANCIAL AND OPERATING STATISTICS

	Calendar Years Ended December 31						Fiscal Years Ended March 31			
	2004	2003	2002	2001	2000	1999	1999/2000	1998/1999	1997/1998	1996/1997
FINANCIAL STATISTICS										
(Financial Figures in Belize thousands of dollars)										
Energy Revenues	105,512	101,420	96,017	90,799	81,451	78,073	73,796	66,807	61,999	59,906
Net Profit	15,822	14,079	13,045	12,061	10,728	10,012	10,045	8,054	3,203	3,165
Net Fixed Assets	310,536	296,609	252,658	238,070	208,822	191,194	193,916	184,878	153,362	124,179
Capital Expenditures	25,512	53,964	29,095	39,029	29,754	n/a	16,703	37,700	32,594	10,475
Total Assets Employed	346,472	338,120	297,518	276,954	244,428	222,630	224,327	210,805	179,891	150,577
Long Term Debt	89,576	107,465	88,394	88,406	56,463	60,578	56,273	60,278	44,377	30,046
Shareholders' Equity (excluding Contributed Capital)	136,096	120,546	108,040	100,490	93,055	87,509	90,367	66,252	60,010	56,807
Debentures	53,062	49,346	38,394	36,615	17,100	17,218	17,160	26,810	12,766	12,766
Performance Indicators										
Rate of Return on Net Fixed Assets in Operation	9.51%	10.74%	11.14%	11.28%	10.48%	14.67%	14.56%	15.31%	8.57%	8.70%
Rate of Return on Shareholders' Equity	12.33%	12.32%	12.51%	12.46%	11.88%	11.44%	12.83%	12.76%	5.48%	5.73%
Earnings per share (\$)	0.53	0.50	0.47	0.44	0.39	0.49	0.45	0.44	0.18	0.17
OPERATING STATISTICS										
Sales (MWH)										
Industrial & Commercial	116,075	109,075	98,509	117,828	110,193	101,098	110,973	92,926	82,070	76,578
Residential	189,498	175,817	159,229 ¹	119,144	102,832	83,403	84,010	80,779	77,672	70,916
Street Lighting	24,404	22,661	21,208	19,743	16,327	14,298	13,547	13,026	12,525	12,044
Total	329,977	307,553	278,946	256,715	229,352	198,799	208,530	186,731	172,267	159,538
Customers (numbers)										
Industrial & Commercial	536	531	452	483	518 ¹	6,089	7,855	6,093	5,611	5,159
Residential	65,544	62,544	59,362	56,599	52,632	44,745	43,892	42,735	40,553	38,553
Street Lighting	1	1	1	1	1	1	1	1	1	1
Total	66,081	63,076	59,815	57,083	53,151	50,835	51,748	48,829	46,165	43,713
Net Generation (MWh)										
Net Diesel Generation	78,850	97,889	46,491	43,367	41,171	53,955	60,134	103,381	96,916	88,108
Purchased Power - Mollejon	63,215	61,154	88,243	91,374	93,615	75,529	67,809	67,985	72,028	62,375
Purchase Power - CFE	235,796	188,714	180,510	158,634	126,807	100,347	107,039	41,560	28,791	25,988
Total	377,861	347,757	315,244	293,375	261,593	229,831	234,982	212,926	197,735	176,471
Other										
Losses	12.7%	11.5%	11.5%	12.5%	12.3%	13.5%	11.3%	12.3%	12.9%	9.6%
Peak Demand(MW)	61.1	57.4	53.7	49.3	44.5	42.8	42.8	38.0	36.6	31.3
Installed Capacity (Diesel Plant)(MW)	43.6	49.3	27	27	26.3	30.8	30.8	31.3	37.8	38.8
Employees (number)	248	242	237	244	296	374	379	357	358	426

¹ Adjusted to reflect reclassification of certain Commercial Customers to Residential.

Certain comparative figures have been reclassified to confirm with the current year's presentation.

DIRECTORS

Robert Usher (Chairman)
H. Stanley Marshall (Vice Chairman)
Fernando Coye
James Lea
Karl H. Menzies
Lynn Young
Philip Hughes
Richard Hew
Yasin Shoman

OFFICERS

Lynn Young, President and CEO
Rene Blanco, Vice President, Finance and CFO
Felix Murrin, Vice President, Operations
Joseph Sukhmandan, Vice President, Engineering and Energy Supply
Juliet Estell, Company Secretary

CORPORATE ADDRESS

Belize Electricity Limited
2 ½ Miles Northern Highway
P.O. Box 327
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
P.O. Box 327
Belize City, Belize
Central America
Tel: 501-227-0954 (Ext. 118)
E-mail: Corporate@bel.com.bz

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 2004



Robert Usher
Chairman



H. Stanley Marshall
Vice Chairman



Fernando Coyo
Director



Philip G. Hughes
Director



James Lea
Director



Karl H. Menzies
Director



Yasin Shoman
Director



Richard Hew
Director



Lynn Young
Director

EXECUTIVE MANAGEMENT

As of December 2004



Lynn Young
President and CEO



Rene Blanco
Vice President Finance and CFO



Felix Murrin
Vice President Operations



Joseph Sukhnandan
Vice President
Engineering and Energy Supply



Juliet Estell
Company Secretary



Pictured above is the scenic entrance to Punta Gorda Town. This Southern municipality was connected to the National Grid in 2004, completing the Power IV Southern Interconnection Project.



A PUBLIC COMPANY

BELIZE ELECTRICITY LIMITED, 2 1/2 MILES NORTHERN HIGHWAY, BELIZE CITY, BELIZE, CENTRAL AMERICA
CORPORATE TEL: (501) 227-0954, CORPORATE FAX: (501) 223-0891
E-MAIL: CORPORATE@BEL.COM.BZ
WEBSITE: WWW.BEL.COM.BZ