



2003
ANNUAL REPORT

Conquering Challenges
to Improve Service Reliability



Cover Photo by Raul Villanueva

ABOUT THE COVER

The 22 MW site rated Gas Turbine Unit featured on the cover of this report was completed and installed in July 2003 at the West Lake Generating Plant and Substation at a cost of \$28 million. The unit provides black starting capability and emergency power. It also serves as a peaking unit. This Unit is one of the investments the Company made in 2003 to improve service reliability.

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C O U N T R Y P R O F I L E



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 274,000 people.

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.



C O U N T R Y P R O F I L E

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 the fastest growing industry in Belize. The Belize Tourism Board recorded almost 220,000 visitors in 2003 compared to 200,000 in 2002, with snorkeling, diving, Mayan Site and National Park tours being the more popular vacation activities. Other major attractions in Belize are the cayes (islets), the mysterious atolls located 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 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, which averages 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, shrimp and fish farming are also major contributors 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.



*Left:
The Fort Street Tourism Village,
opened in October 2001, is a
popular shopping destination
for cruise ship tourists.*

*Bottom:
Bananas, shrimp and lobster
exports are three mainstays of the
Belizean Economy.*

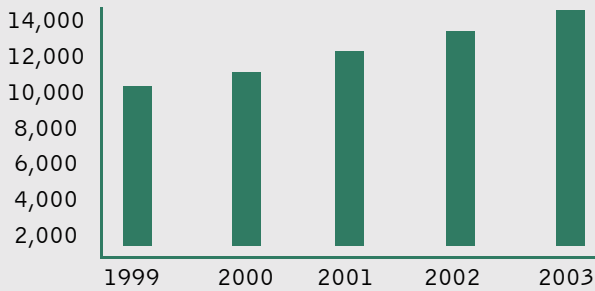


For more information on Belize visit: www.travelbelize.org

F I N A N C I A L H I G H L I G H T S

E A R N I N G S

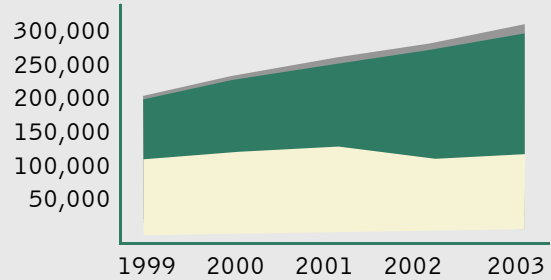
(In Belize thousands of dollars)



YEARS
(Year Ending March 31st, 1999;
Year Ending December 31st all others).

S A L E S

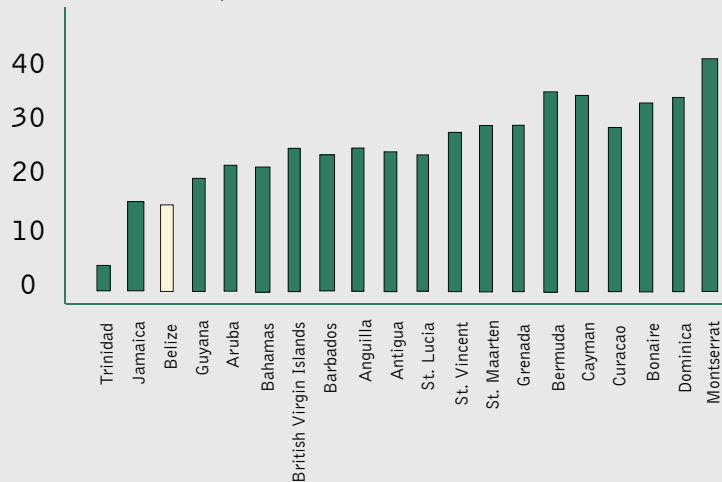
(In Megawatt Hours)



YEARS
(Year Ending March 31st, 1999;
Year Ending December 31st all others).
Street Lighting
Residential
Industrial & Commercial

CARILEC RATE SURVEY 2002 *

(In US dollars per 100 kWh)



*This CARILEC Rate Survey was conducted in 2003 using results from 2002.

C O R P O R A T E P R O F I L E

Belize Electricity (BEL) is the primary distributor of electricity in Belize, Central America. Serving approximately 63,076 customers, the Company meets the country's peak demand of almost 57 MW from multiple sources of energy, which include power purchases from BECOL, from Comision Federal de Electricidad, the Mexican state-owned power Company, and from its own diesel-fired generation. All major load centers are connected to the country's National Electricity System, which is connected to the Mexican electric grid, allowing the utility to optimize its power supply options. Fortis owns a 67 per cent interest in BEL.

ANNUAL COMPARISON (In Belize Thousands of Dollars)	2003	2002
Operating Revenues	101,420	96,017
Earnings applicable to shareholders	14,079	13,045
Total Assets	338,120	297,518
Shareholders' equity	135,375	121,403

R E P O R T T O S H A R E H O L D E R S

The electricity service provided by BEL has seen continuous improvements over the last five years. This is a direct result of the Company's investment in upgrading its facilities and a persistent drive towards excellence as employees methodically strive to find new ways of providing better and more economic service. During the last few years, the Company has faced rising oil prices, weather related setbacks, and significant global economic challenges. But despite these difficulties, the Company has been able to lower rates to consumers, grow earnings and deliver improved services year over year.

Once again in 2003, BEL has had to overcome many hurdles to maintain its record of continuous improvement. By the end of the year, Customer Satisfaction Rating was 85%, the highest recorded since the Company began tracking customer satisfaction in 2000. At the same time earnings per share were improved from \$0.47 in 2002 to \$0.50 in 2003, a 6% improvement.

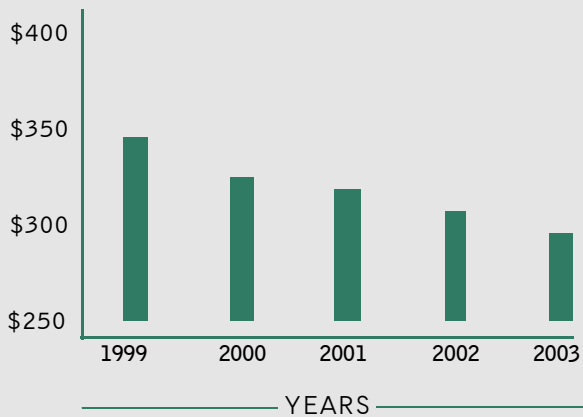
Earnings were negatively affected by the depreciation of the US dollar, resulting in an unrealized loss on foreign exchange of \$1.1 million relating to a Euro denominated loan from the European Investment Bank. This loss was more than compensated for by increased sales, increased productivity, and reduced depreciation. In all, operating cost per MWH decreased from \$306 in 2002 to \$292 in 2003, or a 4.6% decrease, while the ratio of customers to employees continued to increase.

During the year, the Company successfully completed the implementation of the Microsoft Great Plains Financial System. In 2004, this new software will be enhanced by the installation of new Customer Billing, Customer Information and Call Handling software. Complementing these technological improvements is the Company's People Strategy, which was launched in 2003. This initiative aims to put human resources systems in place and deliver strategic training to better prepare the Company's work force and align it with the Company's objectives. Together, the investment in technology and people will leverage existing systems to continue to increase productivity and improve service.

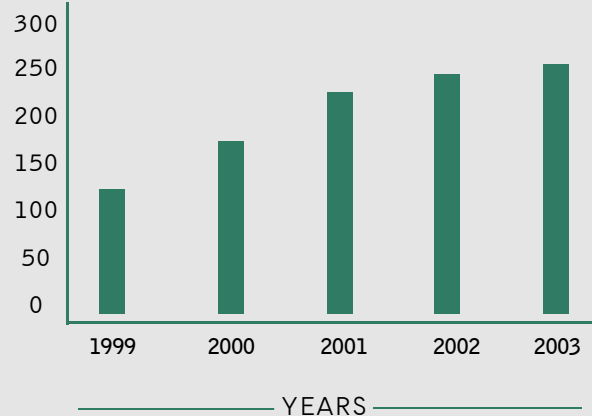
Perhaps, the biggest challenge faced by the Company in 2003 was the outages caused by an extended and very dry season. Numerous and sometimes extended power outages were caused by uncontrollable bush fires, which damaged transmission circuits in areas of the country that were normally swampy. In addition, salt and dust corrosion contributed to disruptions on the distribution lines. The Company has taken note of the lessons learned. The Power V Project, a comprehensive Reliability Improvement Project, has been developed to address the weaknesses exposed in the 2003 dry season as well as to provide additional transmission and substation capacity to meet load growth.

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OPERATING COST PER KWH SOLD



CUSTOMERS PER EMPLOYEE



R E P O R T T O S H A R E H O L D E R S



Linemen outfitting a new pole structure as part of the Reliability Improvement Project (Power V), which was initiated in 2003.

The extended dry season also affected hydro production from the Mollejon hydro plant owned by BECOL. With hydro supply averaging roughly 70% of normal production and Comision Federal de Electricidad of Mexico (CFE) unable to make up the shortfall, BEL had to rent diesel capacity in the early half of the year at significant cost to be able to meet the peak demand of 57MW.

This situation, along with the delays to the Chalillo Project due to the numerous legal challenges brought on by opponents of the project, increased the urgency for BEL to complete the installation of its new 22 MW Gas Turbine. This installation was completed in July at a cost of \$28 million. The Gas Turbine installed at the Westlake Generating Plant and substation at Mile 8 on the Western Highway has already contributed significantly as a peaking and emergency unit as well as providing improved black starting capabilities to the system.

With sales growth continuing in 2003 at a robust 10% rate, the need to expedite the addition of new generation continues to be a priority. The Chalillo Project got underway in mid 2003. Despite delays caused by the actions of project opponents and the resulting extra costs, the dam can still be functional in the third quarter of 2004, with completion of the generating facilities in early 2005.

Meanwhile, the Company executed a Power Purchase Agreement with Hydro Maya Limited to purchase up to 2.8 MW of power from a run-of-river hydro plant that Hydro Maya is planning to construct in southern Belize. Hydro Maya was the lowest cost bidder in response to the Company's invitation for the supply of up to 18 MW of power from Independent Power Producers. The Hydro Maya plant is scheduled for completion in 2006.

Late in the year, BEL finalized price negotiations with BELCOGEN for the supply of 13 MW of power from its proposed co-generation facility at the sugar factory owned by Belize Sugar Industries (BSI). BELCOGEN was the second place bidder in response to the Company's invitation for power supply. A Power Purchase Agreement has been negotiated and should be executed shortly, subject to the Public Utilities Commission's approval. The co-generation facility could also come on stream by 2007.

Considerable progress was made towards completing the Power IV Project in 2003. This \$15 million project, which connects the southern load centers of Independence and Punta Gorda to the national grid, was 96% complete by the end of the year. The Independence load center is already interconnected and receiving power via the new 69 kV transmission line and substation.

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R E P O R T T O S H A R E H O L D E R S

The line to Punta Gorda is almost complete, and the substation is scheduled to be completed in the first quarter of 2004, at which time that load center will also be interconnected. Upon completion, this project will help in lowering power supply costs and improve reliability to the southern areas of the country.

The Company's Safety Program complements the productivity improvements. BEL employees have embraced the new safety culture and strive to make continuous improvements in safe production. The Company met and exceeded all its safety targets for 2003 and in the process, reduced vehicle accidents from 21 in 2002 to 7 in 2003. Safety is indeed a priority and shared vision at BEL and the Company is

dedicated to ensuring that each employee returns home to the safety of their families each day, and that the general public is safe in their use of the services BEL provides.

We take this opportunity to thank all our customers, our employees, contractors, and affiliates for their effort, cooperation and understanding in helping the Company to manage its way through another challenging year. The Company was able to deliver another successful year and this result is especially due to our hard-working staff and the unstinting support and direction from our Board of Directors throughout the year. We thank them all, and look forward to their continued effort and cooperation as we close the year with renewed confidence that BEL can, and will, weather the challenges to deliver sustained and continuous improvements to all its stakeholders.

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L. Young
Lynn Young
President and Chief Executive Officer
Belize Electricity Limited



Robert Usher
Robert Usher
Chairman of the Board
Belize Electricity Limited

MANAGEMENT DISCUSSION & ANALYSIS



A BEL line crew constructing power lines under the rural electrification component of the Power III Project. This project contributed to increased sales growth.

EARNINGS

Earnings for the year increased some 8% to \$14.1 million from \$13.0 million in 2002 while earnings per share increased to \$0.50 from \$0.47. During the year the Company issued some 1.5 million ordinary shares through its Dividend Reinvestment Plan (DRIP) which somewhat diluted earnings per share.

By year's end the Euro had strengthened against the US Dollar by 27%, resulting in an unrealized foreign exchange loss of \$1.1 million, on the Company's Euro denominated loan. Finance charges also increased by 3% as a result of the Company's significant Capital Expenditure Program largely financed by new debt and also as a result of the Company's continuing need to finance deferred costs of power in the Cost of Power Rate Stabilization Account (CPRSA). These expenses were somewhat offset by a 16% reduction in depreciation expense as compared to 2002, mainly as a result of a reduction of the Company's gross fixed assets base. Significant assets no longer in service were written off reducing depreciation expense.

On February 2, 2004, a final dividend of 5 cents per share was paid to shareholders bringing the total dividends paid for the year ended December 31, 2003 to 20 cents per share.

SALES AND REVENUES

Energy revenues for the year increased by some 6% to \$101.4 million from \$96.0 million in 2002. Energy sales for the year grew by a robust 10.3% to 308 GWh from 279 GWh in 2002. Energy revenues grew in direct proportion to energy sales less the impact of a decrease of \$0.02 in the true average tariff, which took effect July 1, 2002 and a further decrease of \$0.01, which took effect July 1, 2003 in accordance with tariff applications approved by the Public Utilities Commission for the years 2002 and 2003. Decreases in the true average tariff were offset by equivalent recoveries of the Rate Stabilization Accounts (RSA).

The energy sales increase was mainly driven by a 15% growth in commercial sales and a 10% growth in residential sales. Economic growth in the commercial sector led by increased agriculture and tourism as well as growth derived from the Rural Electrification Program, contributed to this sales growth. Energy sales was also positively impacted by growth in the Company's customer base, which grew by approximately 5.5% from 59,815 customers in 2002 to 63,076 customers as at December 2003.

M A N A G E M E N T D I S C U S S I O N &
A N A L Y S I S

EXPENSES

Cost of Power for the year increased by 10.3% to \$54 million from \$49 million in 2002, 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 variances credited or debited to the CPRSA. Power purchased from CFE, the Mexican state-owned power company accounted for 54% of total energy supply while power purchased from the Mollejon Hydro plant owned by Belize Electric Company Limited (BECOL) accounted for 18%. BEL supplied 28% of its energy requirements from its diesel-fired generation including the newly installed 22MW Gas Turbine generator, up 111% from 2002.

Operating expenses increase by 5.2% to \$16.9 million from \$16.0 million in 2002. Increased insurance premiums and customer service-related costs exacerbated by reliability problems accounted for the majority of the increase in operating expenses.

“ Some \$54 million was spent in 2003 on Capital Projects. This included the \$15 million Power IV Project and the \$28 million Gas Turbine Unit, both designed to improve reliability and extend service.”



Upgrading its service fleet was one of the significant investments the Company made during the year to improve service to customers.

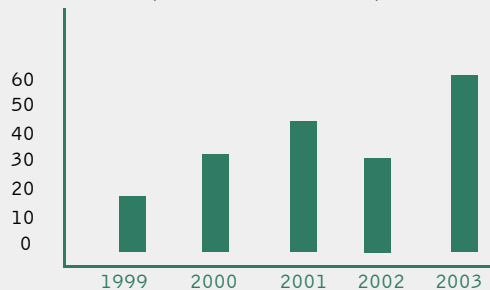
CAPITAL EXPENDITURE

Some \$54 million was spent in 2003 on capital projects. This program included the continuation of the Power IV Project, which encompasses the interconnection of southern Belize to the National Grid scheduled for completion in April 2004; the acquisition, installation and commissioning of the \$28 million Gas Turbine Unit at the Westlake Generating Plant and Substation; and significant customer and government driven system expansions inclusive of the Power III Rural Electrification Project. Other significant capital expenditures for the year included the commencement of a System Reliability Improvement Project; complete replacement of the Company's Financial Information System with Microsoft Great Plains; and continued upgrades of the Company's service fleet.

Over \$51 million in financing proceeds was raised during the year. To finance the Company's Capital Program and help with meeting operating cash flow needs, negatively affected by the high Rate Stabilization Accounts, a new loan of \$10 million was negotiated with First Caribbean International Bank. A US\$14 million RBTT Merchant Bank Limited Gas Turbine Project loan and US\$5.4 million Toronto-Dominion Bank Power IV Project loan were fully drawn down in 2003. The Series 3 debentures provided the Company with \$11 million in additional proceeds during the year after the interest rate was increased to 10% from 9% in response to changing market conditions.

CAPITAL INVESTMENT

(In Belize Millions of Dollars)



YEARS

M A N A G E M E N T D I S C U S S I O N & A N A L Y S I S

REGULATION

Belize Electricity Limited 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 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, 2003, the balance in this account was \$10.2 million, down from \$14.8 million in 2002. Effective July 1, 2002 a Hurricane Cost of Power Rate Stabilization Account (HCRSA) was established pursuant to the Tariff Bye-laws to normalize storm reconstruction costs impacts on the consumer. At December 31, 2003, the balance in this account was \$3.4 million.

The Company filed its third tariff application and Quality of Service Standards report with the PUC for the Annual Tariff Period (ATP) of July 1, 2003 to June 30, 2004 in March 2003. Consequently, the PUC approved the Company's application to keep the stabilized mean electricity rate at \$0.354/KWh over the tariff period July 1, 2003 to June 30, 2004. This rate is inclusive of a \$0.03/KWh (\$0.02 for 2002/2003 and \$0.01 for 2003/2004) reduction in the true

mean electricity rate offset by a \$0.025/KWh recovery of amounts deferred in the CPRSA and a \$0.005/KWh recovery of amounts deferred in the HCRSA.

In April 2003, the Company, at the request of the Government of Belize and the Public Utilities Commission, increased the Social Rate tariff class threshold so that customers using 0-125 KWh per month now qualify for the Social Rate. Previously, only customers using 0-50 KWh per month qualified for the Social Rate of \$0.21 per KWh. This reduction in the Social Rate is part of the mandated reductions in the true tariff as required under the regulations.

“ In April 2003, the Company increased the social rate tariff class threshold so that customers using 0 - 125 kWh per month now qualify for the social rate. ”

OUTLOOK

Electricity demand in 2004 is expected to grow at 8 to 10 per cent. Continued economic growth in the aquaculture and tourism industries coupled with sales derived from past Rural Electrification Expansions and countrywide housing developments is anticipated to drive this growth in demand.

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K E Y E V E N T S

On July 22, 2003, BEL inaugurated the 22 MW Gas Turbine Unit at the West Lake Generating Station at Mile 8 on the Western Highway. This Unit provides the Company with emergency power when there is a loss of supply from any of the main supply sources and consequently improves service reliability. The unit also provides a supply alternative during peak demand.

BEL observed its first-ever Health and Safety Week from June 16 to 20, 2003. Two major events for that week were a fire evacuation drill conducted in conjunction with the National Fire Service at BEL's Corporate Headquarters and a Health and Safety Fair for employees and their families.

On July 16, 2003, the Independence Substation was completed and the transmission line from Dangriga Town to Independence Village energized at 34.5 kV. This project was completed as part of the Power IV Project, which connects Independence to the National Electricity Grid, thereby improving service reliability in that area.

In September, a team of employees from the Distribution Department traveled to Bermuda to assist with the restoration of electricity service to the island in the aftermath of Hurricane Fabian. The BEL employees displayed a high standard of professionalism and adherence to safety procedures during the three-week period and were publicly acknowledged for their contribution in Bermuda.

OVERSEAS HELP ■ Caribbean power workers proud to be helping Bermudians

Getting by ... with a little help from the Caribbean

BY PATRICK BEAN

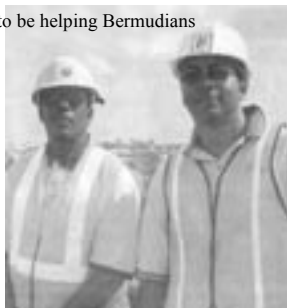
GLAD to be of service! The 36-member crew of overseas linemen recruited by BELCO to aid in the restoration of the local electrical power system are only too happy to be able to help in Bermudais time of need. Catching up with two members of the group that flew in via charter jet courtesy of CARILEC, The

Bermuda Sun, found Anthony Staine of Belize and Cayman Islander Stanton Sheogobind eagerly assisting local crews in the Marsh Folly/St. Monica's Mission areas. "We feel good about being here, knowing that we're here on a mission to assist the Bermudians, we're putting out our best and are making good progress," said Mr. Staine, a line supervisor

who normally oversees a crew of seven and is familiar with the ravages a storm such as Fabian can wreak. "We came expecting the unexpected because from where we come — Belize — hurricanes are something we suffer from as well, we have had two hurricanes hit in the last two years, so we know what it's all about. "When the call came to assist there was no thinking about it, we were ready to move in two days."

Staine stood in admiration of the manner in which the local guys were attacking the myriad of faults brought on through the downing of lines throughout the country, noting a real camaraderie among all concerned. "They're doing a solid job, they're supporting each other well and doing well to get things back together," said Staine.

Mr. Sheogobind, while noting the similarity between Bermuda's overhead system and that of his home country, added how the Island had been spared further crisis due to the fact that BELCO does have a sizeable amount of cabling contained underground. Ironically there have been cries for the utility to embark on a more widespread system of undergrounding in the wake of the damage caused by Fabian.



Helping Hands: Overseas linemen Anthony Staine of Belize and Cayman Islander Stanton Sheogobind have been aiding local BELCO workers in an attempt to restore power to the island's residents

"The system is pretty much similar, although it does differ in some regards," said Mr. Sheogobind, an engineer with Caribbean Utilities Company (CUC). "You have a lot more underground in Bermuda which helps a great deal, as a lot of

back online. "It's been a wonderful experience here, the way people have received us, both those people at BELCO and the ordinary people out on the street," he said. "They've been very appreciative of the efforts that we're making, people are very happy and it's a nice feeling when we get the lights back on in a neighbourhood and people come out and say thank you, so it's been really great. "Yes, we have been working long and hard but it's very fulfilling. We're enjoying being here, we're enjoying the challenge of being here to provide assistance to BELCO with having them put their system back together.... I think the fellas are all up to the challenge."

He estimated it to be another week before all power was restored, at which time he and the rest of the crew would bade farewell to the Island. Linemen were brought in from several islands, including Jamaica, Barbados, Bahamas, Belize, Grand Cayman and Dominica.



Heavy load: BELCO workers use a crane to lift a replacement transformer into position on this pole along Marsh Folly Road ■ Photos by Patrick Bean

“When the call came to assist there was no thinking about it. We were ready to move in two days.”

- Anthony Staine
Line Supervisor on BEL's reponse to request from CARILEC to assist BELCO.
(Extracted from The Bermuda Sun)

The first phase of the Management Information System Replacement Project was completed and successfully implemented on October 1, 2003. The implementation process included process documentation and development, software installation and set-up, data conversion, building interfaces between the old and new systems, and conducting end-user-training.

Line Supervisor Anthony Staine (top left) led a BEL line crew that assisted in the restoration effort in Bermuda after Hurricane Fabian devastated that island in September. The team was publicly acknowledged for its effort in restoring electricity to the island. (Extracted from the Bermuda Sun Newspaper).

OPERATIONS

CUSTOMER SERVICE AND SATISFACTION

2003 was a very challenging year for BEL and its customers. The extended dry season forced numerous and sometimes extended power outages due to dust and salt contamination, bush fires, and inadequate supply from the Mollejon Hydro Plant. But notwithstanding the outages, the Company was also working hard to put certain customer focused initiatives in place to meet increasing demands from customers, who continue to expect more from the utility. The Company achieved its highest Customer Satisfaction Rating ever, at 85%.

Some of the initiatives include :

- In 2003, the San Ignacio Power Station was refurbished, establishing a new Customer Service Center for customers in the Cayo District.
- The Social Rate threshold was expanded for customers with monthly consumption ranging from 0 to 125 kWh qualifying them for the 21 cents per kWh Social Rate. Previously, the threshold was 50 kWh. The present residential average is 31 cents per kWh.
- Emphasis was placed on employee development to improve service reliability and delivery. A core team of linemen participated in a Hot Stick Refresher training, which focused on relocating conductors using three different hot stick methods. The team has successfully completed several pole replacements without causing outages or down time. Customer Service Representatives also participated in seminars on Professional Customer Care Delivery.
- In response to the problems experienced earlier in the year, a comprehensive Reliability Improvement Project was developed to address weaknesses in the distribution system. This project, the Power V Project, commenced at the end of the third quarter, with initial focus on the Belize City/Ladyville system, which experienced the most problems during the year.
- The Company introduced its Electronic Billing System, which allows registered customers to view billing information online and provides users with an electronic copy of their bill via e-mail. The system has additional features such as customer request forms for the various services available.

CUSTOMER SATISFACTION INDEX *



*The Company has consistently maintained a satisfaction index of more than 80%.

SYSTEM EXPANSION

Despite numerous delays caused by inclement weather and right-of-way problems, much was achieved under the Power IV Project. The Independence Load Center was interconnected to the National Grid from Dangriga and the transmission line from Independence to Punta Gorda was almost complete by year's end. Civil work commenced on the substation in Punta Gorda, which will be completed in the first quarter of 2004. When completed, this project will greatly improve quality and reliability of electricity supply in these areas and help reduce the risk of waste oil contamination as the generating plant in Punta Gorda will be placed on standby upon project completion. The plant in Independence was placed on standby in 2003.

All the works scheduled under the Power III Project, a rural electrification initiative jointly undertaken by BEL and the Government of Belize, were completed this year.



Banana is one of Belize's main agricultural exports. BEL employees visit customers in this sector, as well as in the sugar, citrus, shrimp and fish farming industries, to discuss their energy needs.

O P E R A T I O N S



The Substation connecting Independence Village to the National Grid was completed in July 2003 under the Power IV Project.

Some 25 miles of distribution lines were installed, making electricity service available to 18,209 housing lots. The Company also completed the Burrell-Boom Inter-tie, which connects Feeder #8 to Feeder #11 to improve reliability in those areas and provide for more load growth.

E N E R G Y S U P P L Y

When the extended dry season reduced hydro output and CFE cut back on supplies, BEL had to rent diesel-fired generators in the first half of the year, to meet the country's peak demand of 57MW.

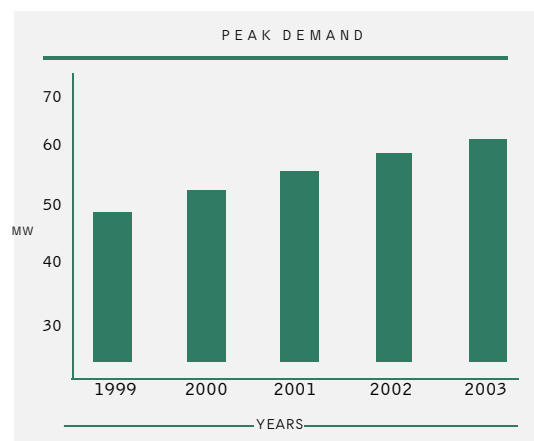
The new Gas Turbine Unit that was strategically installed in July at the center of the National Grid helped BEL meet its peak demand. This unit also served as back up during failure at any of the three main generation sources.

With demand growth of 10% per annum, the addition of new generation remains a priority. Despite a number of setbacks due to court proceedings brought on by opponents, work finally commenced on the Chalillo Project in mid year. The dam is expected to be functional by the third quarter of 2004 and generating facilities completed by early 2005. When completed, this upstream storage and generation facility will increase average hydro energy production from 80 GWh to 160 GWh, thereby increasing

service reliability through a more consistent production of electricity.

The Company signed a Power Purchase Agreement (PPA) with Hydro Maya Limited for the supply of up to 2.8 MW of power. The Hydro Plant is scheduled for completion in 2006.

In the last quarter of 2003, BEL finalized price negotiations with BELCOGEN, another Independent Power Producer. BELCOGEN proposes to supply BEL with 13.5 MW of power from a co-generation facility at the sugar factory owned by the Belize Sugar Industries (BSI). This co-generation facility is scheduled for completion by 2006, subject to environmental and regulatory approvals.



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O P E R A T I O N S

ENVIRONMENT

The primary environment focus in 2003 was on areas where the Company still had generating plants in operation. An Environment Plan was implemented, aimed at making the Company's generation ISO 14001 compliant in three years.

TRAINING AND DEVELOPMENT

To deliver on its vision of being a superior service provider, BEL focused on the development of its core resource, that is its people, to complement its investment in equipment, infrastructure and technology.

Management staff participated in leadership development training designed to foster leadership skills, team building, coaching, and change-management skills. BEL's engineers also participated in engineer training programs on Power Systems Modeling, Design and Analysis, while line crews participated in attachments at sister-company Newfoundland Power in St. John's Newfoundland, Canada. At Newfoundland Power, the BEL employees worked with employees in their respective job classifications, gaining valuable exposure to the workflow between the line group, technicians, and customer service.



SAFETY

The Company continued to make strides in fostering safety awareness, meeting and exceeding all safety targets for 2003.

Staff received training focused on the causes and effects of incidents as well as safe behavior management, and emergency planning preparedness.

“ The thrust of the Safety Program at BEL is to ensure that each employee returns home safely to their families at the end of the workday and that the general public is safe when using the services BEL provides. ”

Key employees also participated in a three-week truck driver training. In the training, the drivers received five hours of hands-on driving as well as instruction on air brakes and a defensive driving refresher.

The thrust of the Safety Program at BEL is to ensure that each employee returns home safely to their families at the end of the workday and that the general public is safe when using the services BEL provides. One notable result of these efforts was the reduction of motor vehicle accidents from 21 in 2002 to 7 in 2003.

Linemen participating in hot stick refresher training in Ladyville. The core team of linemen that participated in the training successfully completed several pole replacements without causing outages.

annual report '03

C O M M U N I T Y I N V O L V E M E N T

BEL is committed to adding value to, and improving the quality of life, in the communities it serves, through charitable donations, sponsorships, and community involvement.

The Company became the corporate sponsor for the Minorettes Marching Band, which has 44 years of parade experience in Belize. With BEL as the corporate sponsor, the band was renamed "BEL Minorettes" and as part of the agreement between the Company and the Band, the Minorettes will host a Band Camp during the Summer for interested youths.

BEL proudly sponsored the National Fire Service's Annual Fire Olympiad held in Benque Viejo Town in July where fire fighters from various fire stations countrywide competed in a number of fire-fighting drills that tested their skill levels, preparedness, and speed.

In August, BEL awarded seven tuition scholarships to students accepted into the Class of 2005 at the University of Belize. These students joined the previous eight award winning students at a number of social service agencies where they completed 60 hours of community service. The first-ever BEL scholarship recipients graduated this year as part of the Class of 2003, with associate and bachelor degrees in electrical and mechanical engineering, business administration, and accounting.

The Company donated and installed lights to help complete the park on the esplanade in the Newton Barracks area of Belize City. This new park provides an alternative recreational area to City residents and tourists alike.

In sports, BEL renewed its sponsorship of the seven-time Belize District Male Amateur Softball Team Champions, the BEL Rookies. The team won the championship and the right to represent Belize at the Confederacion Central America de Softball (CONCASOFT) tournament held in Guatemala City. Meanwhile, for the second consecutive year BEL employees placed first in the Inter-Office Softball Competition.



Above:
 BEL became Corporate sponsor for the BEL Minorettes Marching Band, which has 44 years of parade experience in Belize.
Left:
 Employee Melissa Forman pitched BEL to its second straight inter-office softball championship in as many years.

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

**YEAR ENDED
DECEMBER 31,
2003**

CONTENTS

16	Independent Auditors' Report on Financial Statements December 31, 2003 and 2002
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19	Statement of Cash Flows
20	Notes to Financial Statements



Chartered Accountants

P.O. Box 756
Belize City
Belize
www.kpmgbelize.com

Jasmine Court
35 A Regent Street
Suite 201
Belize City, Belize

Telephone 501-227-6860
501-227-6861
501-227-6629
Fax 501-227-6072
E-mail marwick@btl.net

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, 2003 and 2002 and the statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

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, 2003 and 2002 and the results of its operation and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

January 15, 2004



KPMG, KPMG, A firm established under Belize law is a member of KPMG International, a Swiss non-operating association.

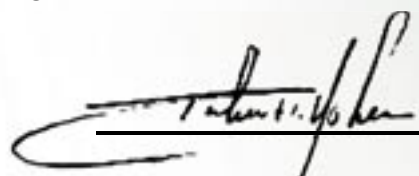
SJP Ermeav FCA
Fellow of the Institute of
Chartered Accountants in
England and Wales

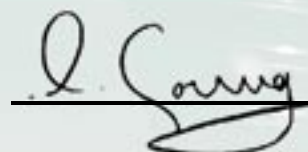
BALANCE SHEET

DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

	DECEMBER 2003	DECEMBER 2002
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (Notes 1b and 5)	\$ 296,609	\$ 252,658
RATE STABILIZATION ACCOUNT (Note 1e)	13,578	18,585
TRANSMISSION RIGHTS (Note 1m)	1,645	1,907
GOODWILL (Note 1g)	68	79
Total long-term assets	<u>311,900</u>	<u>273,229</u>
CURRENT ASSETS		
CASH AND SHORT TERM INVESTMENTS	4,137	1,051
ACCOUNTS RECEIVABLE (Notes 1d and 2)	13,746	14,066
INVENTORIES (Notes 1c and 4)	7,739	8,832
PREPAYMENTS (Note 3)	598	340
Total current assets	<u>26,220</u>	<u>24,289</u>
TOTAL	<u>\$ 338,120</u>	<u>\$ 297,518</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
ORDINARY SHARES (Note 11)	\$ 57,857	\$ 54,950
ADDITIONAL PAID IN CAPITAL (Note 11)	1,086	-
CAPITAL CONTRIBUTIONS (Note 15)	14,829	13,363
INSURANCE RESERVE (Note 16)	4,875	4,375
RETAINED EARNINGS	56,728	48,715
Total shareholders' equity	<u>135,375</u>	<u>121,403</u>
LONG-TERM LIABILITIES		
LONG-TERM DEBT (Note 9)	107,465	88,394
DEBENTURES (Note 10)	49,346	38,394
Total long-term liabilities	<u>156,811</u>	<u>126,788</u>
CONSUMER DEPOSITS	<u>5,340</u>	<u>5,988</u>
CURRENT LIABILITIES		
BANK OVERDRAFT (Note 6)	-	1,258
ACCOUNTS PAYABLE AND ACCRUALS (Note 7)	19,135	25,960
ACCRUED RETIREMENT BENEFITS (Note 1j)	159	260
CURRENT PORTION OF LONG-TERM DEBT (Note 9)	21,189	13,746
OTHER SHORT-TERM DEBT (Note 6)	-	2,000
CORPORATE TAX PAYABLE (Note 13)	111	115
Total current liabilities	<u>40,594</u>	<u>43,339</u>
TOTAL	<u>\$ 338,120</u>	<u>\$ 297,518</u>

 Chairman

 President and Chief Executive Officer

See accompanying notes to financial statements.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

	DECEMBER 2003	DECEMBER 2002
ELECTRICITY REVENUES (Note 1f)	\$ 101,420	\$ 96,017
COST OF WHOLESALE POWER	(53,822)	(48,816)
	47,598	47,201
OTHER REVENUE	3,851	3,031
OPERATING EXPENSES	(16,847)	(16,020)
DEPRECIATION AND AMORTIZATION	(9,089)	(10,876)
FINANCE CHARGES (Note 9)	(8,893)	(8,374)
LOSS ON FOREIGN EXCHANGE (Notes 1a and 9)	(1,129)	(638)
NET EARNINGS BEFORE TAXES	15,491	14,324
CORPORATE TAX (Notes 1k and 13)	(1,412)	(1,279)
EARNINGS APPLICABLE TO SHAREHOLDERS	\$ 14,079	\$ 13,045
EARNINGS PER SHARE (Notes 1h and 14)	\$ 0.50	\$ 0.47
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 48,715	\$ 41,665
Net Income	14,079	13,045
Dividends	(5,566)	(5,495)
Insurance Reserve (Note 16)	(500)	(500)
RETAINED EARNINGS, END OF YEAR	\$ 56,728	\$ 48,715

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

	DECEMBER 2003	DECEMBER 2002
CASH FROM OPERATIONS:		
NET INCOME	\$ 14,079	\$ 13,045
ITEMS NOT AFFECTING CASH:		
DEPRECIATION AND AMORTIZATION (NET)	9,089	10,876
UNREALIZED EXCHANGE LOSS ON LONG-TERM DEBT	1,129	638
CHANGE IN NON-CASH WORKING CAPITAL	(218)	(111)
	24,079	24,448
CASH USED IN INVESTING:		
ACQUISITION OF PLANT AND EQUIPMENT	(53,964)	(29,095)
	(53,964)	(29,095)
CASH FROM FINANCING:		
(PAYMENT OF) PROCEEDS FROM BANK OVERDRAFT	(1,258)	1,258
PROCEEDS FROM NEW LOANS	38,877	21,255
PAYMENT OF LONG-TERM DEBT	(15,492)	(18,616)
PROCEEDS FROM SALE OF COMMON SHARES	3,992	-
CAPITAL CONTRIBUTION	1,446	4,281
PROCEEDS FROM SALE OF DEBENTURES	11,003	1,804
DIVIDENDS PAID	(5,566)	(5,495)
CONVERTIBLE DEBENTURES REDEEMED	(51)	(25)
	32,971	4,462
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	3,086	(185)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	1,051	1,236
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 4,137	\$ 1,051

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(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 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. Implementation of the composite depreciation method with respect to all categories of fixed assets is in progress.

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 includes 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 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 13).

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

1 STATUS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	DECEMBER 2003	DECEMBER 2002
Consumers	\$ 7,858	\$ 9,335
Government of Belize (GOB)	4,468	2,734
Other	1,877	3,481
	<u>14,203</u>	<u>15,550</u>
Less: provision for doubtful accounts	(457)	(1,484)
	<u>\$ 13,746</u>	<u>\$ 14,066</u>

3 PREPAYMENTS

	DECEMBER 2003	DECEMBER 2002
Insurance	\$ 457	\$ 229
PUC and other deferred charges	141	111
	<u>\$ 598</u>	<u>\$ 340</u>

4 INVENTORIES

	DECEMBER 2003	DECEMBER 2002
Bulkstores	\$ 6,983	\$ 8,295
Fuel and oil	778	559
	<u>7,761</u>	<u>8,854</u>
Less: provision for damaged and obsolete spares	(22)	(22)
	<u>\$ 7,739</u>	<u>\$ 8,832</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

5 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant, machinery and Equipment	Assets Under Construction	Total
Cost				
January 1, 2003	\$ 16,678	\$ 283,009	\$ 48,073	\$ 347,760
Additions	832	56,133	34,327	91,292
Disposals/Transfer	(1,302)	(61,583)	(37,377)	(100,262)
December 31, 2003	16,208	277,559	45,023	338,790
Accumulated Depreciation				
January 1, 2003	4,157	90,945	-	95,102
Additions	289	9,731	-	10,020
Disposals	(1,236)	(61,705)	-	(62,941)
December 31, 2003	3,210	38,971	-	42,181
Net Book Value				
December 31, 2003	\$ 12,998	\$ 238,588	\$ 45,023	\$ 296,609
December 31, 2002	\$ 12,521	\$ 192,064	\$ 48,073	\$ 252,658

An internal fixed asset verification exercise was completed in 2003 in conjunction with the continued application of the composite depreciation policy. This exercise resulted in the retirement of \$63 million of assets no longer in service with a corresponding reduction in the accumulated depreciation account as at January 1, 2003 in accordance with the composite depreciation policy.

Depreciation expense shown in the statement of income for 2003 is reduced by \$930,847 representing amortization of capital contribution and other depreciation expense recoveries.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

6 BANK OVERDRAFT / OTHER SHORT-TERM DEBT

The Company has a \$1,000,000 and a \$2,600,000 overdraft facility with the Belize Bank Limited and the Bank of Nova Scotia, respectively. The overdrafts bear annual interest of 14%, are unsecured, and are payable on demand.

On May 7, 2002, the Company borrowed \$2,000,000 from the Belize Bank Limited with an interest rate of 13% per annum payable monthly. The loan was repaid in full in November 2003.

7 ACCOUNTS PAYABLE AND ACCRUALS

	DECEMBER 2003	DECEMBER 2002
Trade payables	\$ 13,492	\$ 19,406
Government of Belize	1,480	1,370
Dividends declared	-	1,859
Accrued interest	4,107	2,547
Other	56	778
	<u>\$ 19,135</u>	<u>\$ 25,960</u>

8 DUE TO RELATED PARTIES (NET)

	DECEMBER 2003	DECEMBER 2002
Due from Related Parties:		
Belize Electric Company Limited (BECOL)	\$ 9	\$ 1,440
Fortis Inc.	-	715
	<u>9</u>	<u>2,155</u>
Due to Related Parties:		
Belize Electric Company Limited		
Transmission Facility Loan	26,111	27,632
Power Purchases	5,882	10,131
Fortis Inc.	461	3,629
	<u>32,454</u>	<u>41,392</u>
Due to Related Parties (Net)	<u>\$ 32,445</u>	<u>\$ 39,237</u>

During the year ended December 31, 2003 the following transactions were recorded with related parties:

	BECOL	Fortis Inc.
Energy Purchases	\$ 12,234	\$ -
Debt Servicing	4,438	-
Miscellaneous reimbursable Expenses:		
Intercompany invoicing to BEL	90	1,089
BEL invoicing to intercompany	2,146	84

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(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 (IBRD) for onlending to the Company, approved as part of a power project. 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, 2003 is 7.16% (December 31, 2002 - 7.96%) per annum.

	DECEMBER 2003	DECEMBER 2002
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\$	-	\$ 1,076
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b. Loan No. 37/SFR – BZ:

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%.

	1,744	2,154
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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.

	74	148
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d. Loan No 3776A/S BEL:

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, 2003 is 7.16% (December 31, 2002 – 7.96%) per annum.

	15,547	17,260
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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. Repayment is by 15 annual installments, which commenced May 31, 2000. The loan bears interest at 5% per annum.

	6,711	6,007
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f. Loan No 14/OR-BZ:

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.

	19,756	21,463
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

9 LONG - TERM DEBT (CONTINUED)

	DECEMBER 2003	DECEMBER 2002
(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 ends on June 30, 2004. The loan bears interest at 2% per annum.	\$ 8	\$ 18
(3) Banco Nacional de Comercio Exterior, S.N.C. (Bancomext): Unsecured loan of US\$1,310,900 approved as part of the Power II Project. 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. The loan was fully repaid in January 2003.	-	242
(4) 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.	2,762	3,762
(5) 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.	593	1,229
(6) M & T Bank (formerly Allfirst Bank USA): 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.	5,830	7,806
(7) Belize Electric Company Limited (BECOL): 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.	26,111	27,632
(8) Belize Bank Limited: Unsecured demand loan of BZ\$5,000,000 granted on September 25, 2002. The loan is due in full on March 25, 2004 and bears interest at 13% per annum.	3,000	5,000

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

9 LONG - TERM DEBT (CONTINUED)

(9) **RBTT Merchant Bank Limited:**

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.

	DECEMBER 2003	DECEMBER 2002
	\$ 28,192	\$ 3,242

(10) **Toronto-Dominion Bank:**

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.

9,226 5,101

(11) **First Caribbean International Bank:**

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 10.5% per annum.

9,100 -

	\$ 128,654	\$ 102,140
	(21,189)	(13,746)
	<u>\$ 107,465</u>	<u>\$ 88,394</u>

Less: Current installments

The loans are repayable as follows:	2004	21,189
	2005	18,204
	2006	18,112
	2007	15,753
	2008	13,704
	Subsequently	41,692
		<u>\$128,654</u>

Loan No. 7.0971/2 is denominated in EURO Dollars. For the year 2003, \$1,129,064 (\$637,965 - 2002) in unrealized foreign exchange losses has been recorded based on periodic revaluations of the loan.

Interest and related charges on loans capitalized during the year ended December 31, 2003 relating to capital expansion projects amounted to BZ\$ 2,829,585 (\$2,952,280 - 2002).

Finance Charges

	DECEMBER 2003	DECEMBER 2002
Interest	\$ 14,699	\$ 13,132
Interest on CPRSA and HCRSA and other interest recoveries	(2,976)	(1,806)
Interest capitalized	(2,830)	(2,952)
	<u>\$ 8,893</u>	<u>\$ 8,374</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

10 DEBENTURES

	<u>DECEMBER 2003</u>	<u>DECEMBER 2002</u>
Series I:		
12,963 unsecured debentures of \$76 each and 160,551 unsecured debentures of \$100 each (13,169 of \$76 and 160,666 of \$100 at December 31, 2002) to mature December 31, 2012 with interest payable quarterly at 12% per annum.	\$ 17,040	\$ 17,067
Series II:		
195,034 unsecured debentures of \$100 each (195,240 at December 31, 2002) to mature March 31, 2021 with interest payable quarterly at 9.5% per annum.	19,503	19,524
Series III:		
128,021 (18,028 - 2002) unsecured debentures of \$100 each to mature July 31, 2022 with interest payable quarterly at 10% per annum.	12,802	1,803
	<u>\$ 49,346</u>	<u>\$ 38,394</u>

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, 2003 AND 2002

(In Belize thousands of dollars)

11 SHARE CAPITAL

	DECEMBER 2003	DECEMBER 2002
Ordinary shares:		
Authorized 38,000,000 shares of \$2.00 each	\$ 76,000	\$ 76,000
Issued and fully paid 28,928,466 (27,475,106 - 2002) shares of \$2.00 each	\$ 57,857	\$ 54,950
Convertible redeemable preference shares:		
Authorized 12,000,000 shares of \$2.00 each	\$ 24,000	\$ 24,000

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.

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, 2003 AND 2002

(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

	DECEMBER 2003	DECEMBER 2002
Net income applicable to shareholders	\$ 14,079	\$ 13,045
Shares outstanding (Weighted Average)	28,068,135	27,475,106
Earnings per share	\$ 0.50	\$ 0.47

15 CAPITAL CONTRIBUTIONS

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

	DECEMBER 2003	DECEMBER 2002
Capital contributions brought forward	\$ 17,269	\$ 12,761
Additions	1,829	4,508
Capital contributions carried forward	19,098	17,269
Amortization brought forward	3,906	3,679
Additions	363	227
Amortization carried forward	4,269	3,906
Capital contributions – net	\$ 14,829	\$ 13,363

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Belize thousands of dollars)

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, 2003, 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, Caribbean Development Bank and Bank of Nova Scotia debt service 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. 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, 2003, BZ\$4,875,000 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\$1,125,000 has been repaid. The Company is currently renegotiating with the Bank to reestablish the line of credit.

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, 2003 to December 31, 2003 amounted to \$13,804,491 of which \$8,076,941 was recovered during the same period as allowed by the PUC. A further \$10,344,119 was recovered during 2003 as a result of an amendment to the power purchase contract with Comision Federal de Electricidad.

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 2003, \$431,100 was deferred to this account mostly for interest. During the period January 1, 2003 to December 31, 2003, a total of \$821,553 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, 2004 to June 30, 2004 and will be re-addressed in the Company's next annual tariff review submission for the period July 1, 2004 to June 30, 2005, and is dependent on future operational circumstances that cannot be determined at this time.

17 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.

BELIZE ELECTRICITY LIMITED

FINANCIAL AND OPERATING STATISTICS

	Calendar Years Ended December 31					Fiscal Years Ended March 31			
	2003	2002	2001	2000	1999	1999/ 2000	1998/ 1999	1997/ 1998	1996/ 1997
FINANCIAL STATISTICS									
(Financial Figures in Belize thousands of dollars)									
Energy Revenues	101,420	96,017	90,799	81,451	78,073	73,796	66,807	61,999	59,906
Net Profit	14,079	13,045	12,061	10,728	10,012	10,045	8,054	3,203	3,165
Net Fixed Assets	296,609	252,658	238,070	208,822	191,194	193,916	184,878	153,362	124,179
Capital Expenditures	53,964	29,095	39,029	29,754	n/a	16,703	37,700	32,594	10,475
Total Assets Employed	338,120	297,518	276,954	244,428	222,630	224,327	210,805	179,891	150,577
Long Term Debt	107,465	88,394	88,406	56,463	60,578	56,273	60,278	44,377	30,046
Shareholders' Equity (excluding Contributed Capital)	120,546	108,040	100,490	93,055	87,509	90,367	66,252	60,010	56,807
Convertible Debentures	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	10.75%	11.14%	11.28%	10.48%	14.67%	14.56%	15.31%	8.57%	8.70%
Rate of Return on Shareholders' Equity	12.32%	12.51%	12.46%	11.88%	11.44%	12.83%	12.76%	5.48%	5.73%
Earnings per share (\$)	0.50	0.47	0.44	0.39	0.49	0.45	0.44	0.18	0.17
OPERATING STATISTICS									
Sales (MWH)									
Industrial & Commercial	109,075	98,509	117,828	110,193	101,098	110,973	92,926	82,070	76,578
Residential	175,817	159,229 ¹	119,144	102,832	83,403	84,010	80,779	77,672	70,916
Street Lighting	22,661	21,208	19,743	16,327	14,298	13,547	13,026	12,525	12,044
Total	307,553	278,946	256,715	229,352	198,799	208,530	186,731	172,267	159,538
Customers (numbers)									
Industrial & Commercial	531	452	483	518 ¹	6,089	7,855	6,093	5,611	5,159
Residential	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
Total	63,076	59,815	57,083	53,151	50,835	51,748	48,829	46,165	43,713
Net Generation (MWh)									
Net Diesel Generation	97,889	46,491	43,367	41,171	53,955	60,134	103,381	96,916	88,108
Purchased Power - Mollejon	61,154	88,243	91,374	93,615	75,529	67,809	67,985	72,028	62,375
Purchase Power - CFE	188,714	180,510	158,634	126,807	100,347	107,039	41,560	28,791	25,988
Total	347,757	315,244	293,375	261,593	229,831	234,982	212,926	197,735	176,471
Other									
Losses	11.5%	11.5%	12.5%	12.3%	13.5%	11.3%	12.3%	12.9%	9.6%
Peak Demand(MW)	57.4	53.7	49.3	44.5	42.8	42.8	38.0	36.6	31.3
Installed Capacity (Diesel Plant)(MW)	49.3	27	27	26.3	30.8	30.8	31.3	37.8	38.8
Employees (number)	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.

BELIZE ELECTRICITY LIMITED

CORPORATE DIRECTORY / INVESTOR INFORMATION

DIRECTORS

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

OFFICERS

Lynn Young, President and CEO
Rene Blanco, Vice President, Finance and CFO
Derek Davis, Vice President, Energy Supply, Planning and Engineering
Felix Murrin, Vice President, Operations
Joseph Sukhnandan, Vice President, Special Projects and Generation
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 2003



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



Karl Smith
Director



Lynn Young
Director

EXECUTIVE MANAGEMENT

As of December 2003



Lynn Young
President and CEO



Rene Blanco
Vice President Finance and CFO



Derek Davis
Vice President, Energy Supply,
Planning and Engineering



Felix Murrin
Vice President Operations



Joseph Sukhnandan
Vice President Special
Projects and Generation



Juliet Estell
Company Secretary



BELIZE ELECTRICITY LIMITED, 2 ½ 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