ANNUAL REPORT 2016

Improving the quality of life in Belize

Megger

CONTENT

COMPANY PROFILE

Belize Electricity Limited (BEL) is the primary distributor of electricity in Belize, Central America. Aggregate energy sold was approximately 541 gigawatt hours (GWh) in 2016. The Company served a customer base of 90,635 accounts or 71,989 customers, with a peak power demand of approximately 96 megawatts (MW) during the year.

BEL's national electricity grid connects all major municipalities (load centers), except for Caye Caulker, with approximately 1,875 miles of transmission and primary distribution lines. The grid is primarily supplied by local Independent Power Producers (IPP) utilizing hydroelectricity, biomass, petroleum and solar energy sources; and is secured and stabilized by the interconnection with Mexico. BEL also operates a gas turbine plant as a standby plant for energy security and reliability.

The Government of Belize (GOB) is the largest shareholder in BEL, with 36.9% direct ownership interest in the Company. The Social Security Board owns 26.9% interest, so that the public sector interest amounts to 63.8%. Fortis Cayman Inc. owns approximately 33.3%, and over 1,500 small shareholders own the remaining 2.9% interest in ordinary shares.

Utilizing our natural resources for economic development.

OUR AIM: 80% BY 2025

43% Hydro

13% Biomass

>1% Solar

TOTAL RENEWABLES: 56% IN 2016

REPORT TO SHAREHOLDERS

Rodwell Williams S.C.
Chairman

In 2016, BEL's planning and execution of its operation and management of its risk continue to be driven by its commitment to the Company's Mission to provide reliable electricity at the lowest sustainable cost.

After four consecutive years of solid financial performance, the Company continues to garner investor confidence as it is emerging as a Model of Excellence in Belize and the region. The Company outperformed its financial targets in 2016 with net earnings of $27.3 million, and earnings per share of $0.40; a 10% improvement over 2015 despite the impact of Hurricane Earl and a reduction in power demand from industrial customers.

Assured by its financial position and projections, the Company made an extraordinary dividend payment of $0.25 per share or $17.3 million in July 2016. This was in addition to the $0.15 per share or $10.6 million that was declared at the 2015 Annual General Meeting. This extraordinary dividend payment was in keeping with the Company's philosophy to enhance shareholder value while seeking to meet the Public Utilities Commission's (PUC) 50/50 debt to equity ratio, and was made possible by the Company's excellent business performance and the current low interest rates in the domestic financial market. The Company has decided to make a dividend payment of $0.29 per share or $20.3 million in 2017 to shareholders on record as of December 31, 2016.

Electricity rates increased marginally after five consecutive rate reductions, but remain 14% below the average rates for the previous five years. Despite the overall increase in rates in 2016, some relief was offered to an increasing number of senior citizens over the age of 65 years. As BEL's contribution to stimulate national development, the Company made a decision to offer relief to the productive sector in 2017 by helping these businesses restructure their operations to reduce their energy costs, and hence improve their business competitiveness.

Cost of energy represented 70% of BEL's expenses before tax. Therefore, the prudent management of this aspect of the business remains the single most critical element to maintaining low electricity rates. The Company's strategy to employ competitively priced indigenous sources of renewable energy, supported by access to cheap reliable power from Mexico, has proven to be successful and will continue to drive the ongoing negotiations with potential Independent Power Producers (IPP). Negotiations have proven to be very difficult and will extend into 2017. The Company remains hopeful that these negotiations will be fruitful, as it was able to secure an additional 16 MW[1] of energy from biomass when it signed a Power Purchase Agreement (PPA) with a local producer in December 2016.

BEL invested over $38.9 million in improving reliability, customer service, access to power and power quality. However, it was not able to match its record breaking reliability performance in 2015, when customers experienced the lowest number of power interruptions in the history of the Company. The island of San Pedro was hardest hit as this load center remains the most fragile part of the national grid. Plans are in place to address this challenge in 2017. Hurricane Earl also tested the resilience of the transmission and distribution infrastructure, as well as the resolve of BEL's management and staff.

The system improvement projects financed by the Caribbean Development Bank (CDB) and the World Bank (WB), that are currently underway, will strengthen the transmission and distribution system, thereby improving the reliability of service and ensuring that the grid can keep pace with the growth in power demand. A critical component of these improvement projects is the further automation and remote operation of the devices that monitor, control and protect the power system by introducing innovative communication and Geographic Information System (GIS) technologies. While the benefits of these projects are essentially long-term in nature, customers should expect to see improvements by the end of 2017.

[1] *8 of the 16 MW is pending execution, at a date to be determined.*

The intended process improvements to enhance our service delivery to customers were delayed in 2016. More critical is the fact that the Company's performance in key service areas (e.g. time taken to connect new customers and respond to queries) regressed. Plans are in place to address these issues by mid-2017. Two areas where customers have expressed noticeable satisfaction are the ease of paying their electricity bills and the Revitalized System Expansion Program, which resulted in the connection of 52 new communities. The revised Capital Contribution policy was tested in 2016, and early indications are that it will help to increase access to electricity from 92% to 98% of the population by 2020, reduce the number of customers who have to make a significant financial contribution in order to get connected, and reduce by 20%, the time it takes to connect customers who require major infrastructure upgrades.

Jeffrey Locke
Chief Executive Officer

In 2016, after consultation with the Spanish Lookout Community, the Company commenced plans to electrify most of the communities located just outside of Spanish Lookout. BEL is also hopeful that its proposal to reduce electricity rates for residents in Spanish Lookout, whilst addressing particular concerns raised by the community, will be approved by the PUC.

Under the Connecting Homes Improving Lives (CHIL) program, BEL is connecting low income households free of cost. Of the approximately 3,764 new customer accounts, 881 of these were homes that gained access to electricity through the program. To date 1,179 homes have gained access to electricity through CHIL.

The *Cost of Service Study*, commissioned by the PUC to determine the approximate costs of providing power to various end users, is near completion. The PUC plans to use the findings and recommendations of the *Study* to assess and properly allocate the cost to service customers. BEL hopes that the *Study* will also provide information that will allow for a new pricing structure that will simplify the accommodation of distributed generation whilst maintaining parity in the allocation of cost.

The Company's Board and Management, are aware that for the recent improvements in overall company performance to be sustainable, the Company must gain employees' commitment to successfully execute its plans. This commitment was fully demonstrated during the aftermath of Hurricane Earl, when staff at all levels worked hard and long to restore electricity over a short period to all affected areas of the country. Employees were rewarded for this effort. A critical factor influencing employees' morale has been the Company's commitment to their well-being and supporting staff at times of personal crises. Particular attention is being paid to the safety and health program, which is aimed at raising awareness that lifestyle choices can help to reduce accidents and operations-related illnesses as well as chronic diseases such as hypertension, diabetes and cardiovascular issues. As a result, accidents were down by 30%; however, loss time due to employee illness was up by 12% compared to 2015.

In addition to looking after the well-being of our employees, the Company continues to invest in their development. During the year, the Company provided 1,366 man-days of training primarily for our Linemen, Administrative Staff and Managers – an increase of 62% over 2015.

The work-life balance of our staff, especially our Linemen, is a growing concern for Management. In responding to this concern, Management has established a team to identify and analyse the factors contributing to the extraordinary hours being worked by our Linemen and to make recommendations on positive ways for the Company to reduce the current level of demand on the services of these individuals. The ultimate objective is to ensure that our staff can spend more time with their families and enjoy a healthy work-life balance.

As mentioned in the 2015 report, BEL will continue to pursue bold initiatives that will increase access to safe, reliable and affordable electricity, improve quality of service whilst securing a fair and reasonable rate of return for its shareholders.

Rodwell Williams S.C.
Chairman, Board of Directors

Jeffrey Locke
Chief Executive Officer

2016
HIGHLIGHTS

A total of $27.9 million was paid out in dividends to shareholders in 2016.

52 additional communities were connected in 2016.

99.5% of customers regained power within five days after Hurricane Earl.

Net earnings in 2016 were $27.3 million, a 10% improvement over 2015.

Approximately 2,000 LED streetlights were installed in major municipalities countrywide.

Employees received an average 5% increase in salaries and benefits over 2015.

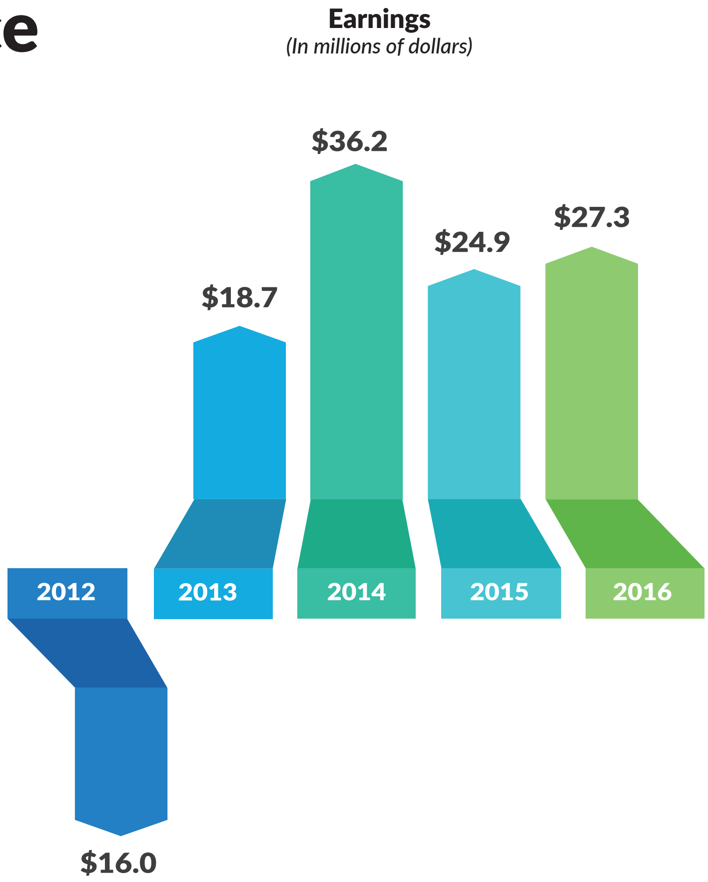
BEL signed a Power Purchase Agreement (PPA) with Santander Sugar Energy Limited for up to 16 MW in additional capacity.

$38.9 million was invested in infrastructure upgrade, a 40% increase in investments over 2015.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Performance

Earnings



Net earnings in 2016 were $27.3 million or $0.40 earnings per share, compared to net earnings of $24.9 million and earnings per share of $0.36 in 2015.

This 9.6% increase in earnings is mainly due to the net impact of the successful execution of the Company's strategy to maximize the benefits of lower energy costs from Comisión Federal de Electricidad (CFE) and reduce electricity rates so as to immediately pass on a significant portion of this saving to customers. In addition, the Company was able to further increase earnings by refinancing a portion of its borrowing at lower interest rates.

The Company's earnings performance remains consistent with the average earnings per share of $0.43 over the last two years.

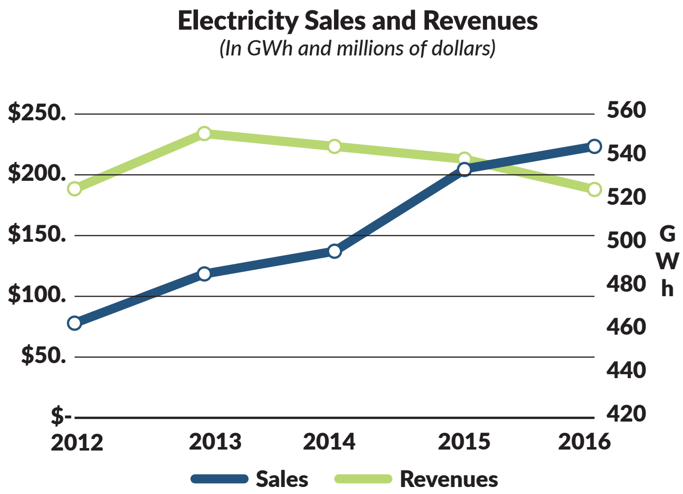
Revenue and Sales

Energy sales grew by 1.4% to 540.9 gigawatt hours (GWh) compared to 2015; and were on target as compared to plan of 541.0 GWh.

When compared to 2015, residential sales increased by 10.1%, commercial sales increased by 2.5%, industrial sales decreased by 35.6% and street light sales increased by 1.5%.

The decrease in industrial sales was attributed mainly to the decline in the aquaculture sector since July 2015.

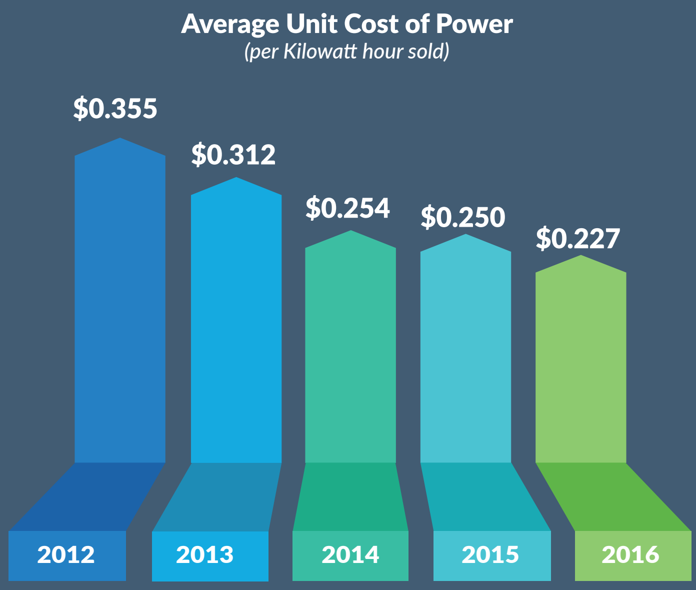
Electricity revenues decreased by 4.4% to $197.0 million, due to a 5.7% decrease in the Mean Electricity Rate (MER) from 2015, offset by the 1.4% increase in electricity sales.



Cost of Power *(Sold)*

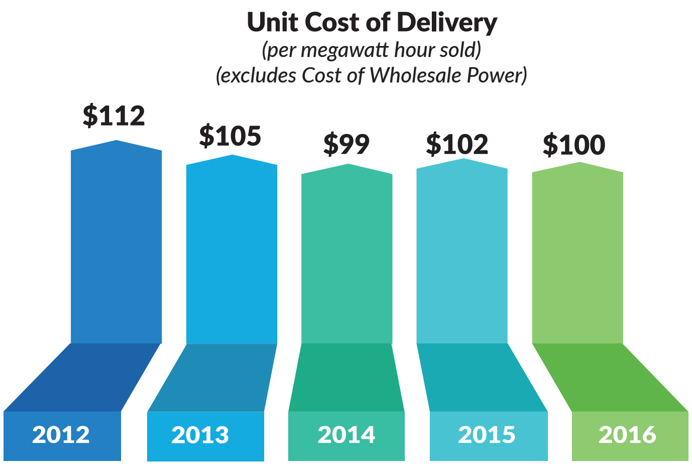
Cost of power decreased by 5.3% to $122.9 million in 2016 compared to 2015. Annual average unit cost of power was 22.7 cents per kilowatt hour (kWh) compared to 25.0 cents per kWh in 2015.

There was a 22.3% reduction in prices from CFE when compared to 2015, fueled by the increase in generation using natural gas, as the average unit cost of power purchased from local power producers remained virtually unchanged.



Operating Expenses

Annual operating expenses were $32.9 million compared to $32.5 million in 2015. This increase, compared to 2015, was due mainly to under-budgeting of Fleet Maintenance and Inventory Write-off. However, with increase in sales, this resulted in a 2% decrease in unit operating cost per megawatt hour (MWh) sold from $102 in 2015 to $100 in 2016.



Depreciation expense increased from $14.5 million in 2015 to $15.3 million in 2016. The increase reflected assets that were commissioned in 2016. Therefore, the actual depreciation in 2016 was as budgeted.

Finance charges for the year amounted to $2.8 million compared to $4.3 million in 2015. This decrease was as a result of the successful refinancing of Series 2 & 4 Debentures at an approximately 40% reduction in interest rates.

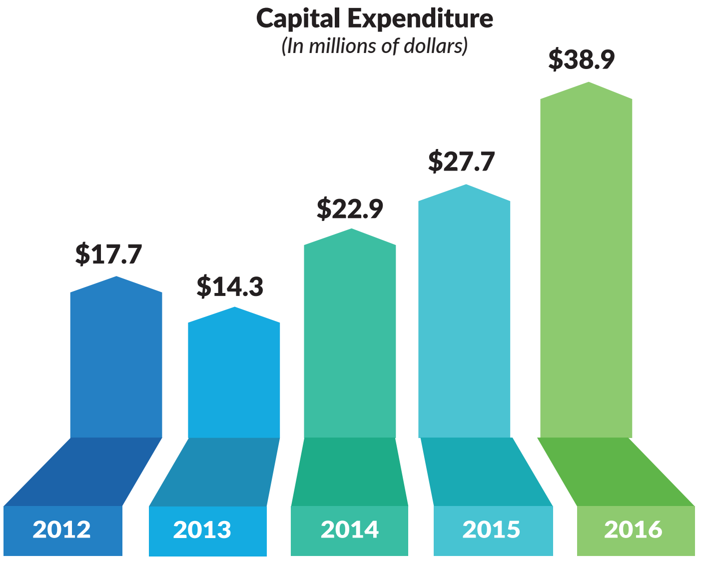
Business tax for 2016 was $3.5 million as compared to $3.7 million in 2015 in direct correlation to the reduction in electricity revenues.

Capital Expenditure

Capital expenditure in 2016 was $38.9 million or an increase of $11.2 million compared to 2015. The Company ramped up its system expansion program consistent with the strategic plan to improve access to electricity countrywide.

System expansion accounted for 44% of the 2016 capital investments, 24% was spent on reducing outages in the future, and 14% on improving standards and safety.

The Company also continued its investment in business continuity, software and vehicle fleet in order to improve productivity and enhance the quality of service to customers.



Financing

The Company continued to finance its operating and capital expenditure programs, as well as repayment of loan commitments and payment of dividends, primarily from cash generated from operations. Other sources of funds included $4.9 million collected from grants and other contributions in aid of construction and a $2.2 million draw-down from the CDB Power VI loan.

Trade payables increased from $21.9 million as at December 31, 2015 to $39.3 in 2016, as a result of outstanding payments primarily to IPPs due to the banking system's inability to satisfy the Company's requests to purchase the required amounts of foreign exchange.

Payment of dividends of $0.15 per share declared for shareholders on record at the end of 2015 was completed in July 2016.

Additionally, an extraordinary dividend of $0.25 per share declared for shareholders on record as of June 30, 2016 was also paid in July 2016. This totaled $27.9 million in dividends paid to shareholders in 2016.

Regulation

In the second quarter of 2016, the Company secured a favorable decision by the PUC on the average Unit Value Added for Delivery (VAD) of $0.1393 per kWh that it is permitted to earn for the Full Tariff Review Period (FTP) of July 1, 2016 to June 30, 2020. This was a critical component of the PUC's decision to adjust the Mean Electricity Rate (MER) for the FTP to an average of $0.3699 per kWh. This approved tariff is near historic lows and is considered sustainable over the FTP.

The PUC also approved BEL's $174 million capital investment plan, developed to achieve 98% universal access by 2020, reduce outages by 22%, improve operational efficiency by 6% (reduce system losses) and improve service to customers. Once the Company is able to execute its investment plan, manage costs and not incur penalties for defaulting on any of its performance goals, shareholders can expect to continue to earn an attractive rate of return on their investment.

Going forward, the Company will continue dialogue and collaborate with the PUC, the Ministry of Energy and other key stakeholders to build the legal and regulatory framework to support a diversified energy landscape in anticipation of more distributed generation (especially from solar energy) and electric-powered transportation. It will also continue to support the development of regulations and policies to make it easier, quicker and cheaper to connect customers; as well as, minimise the legal and environmental risk associated with expanding the network to better serve communities.

Operating Performance

System Expansion

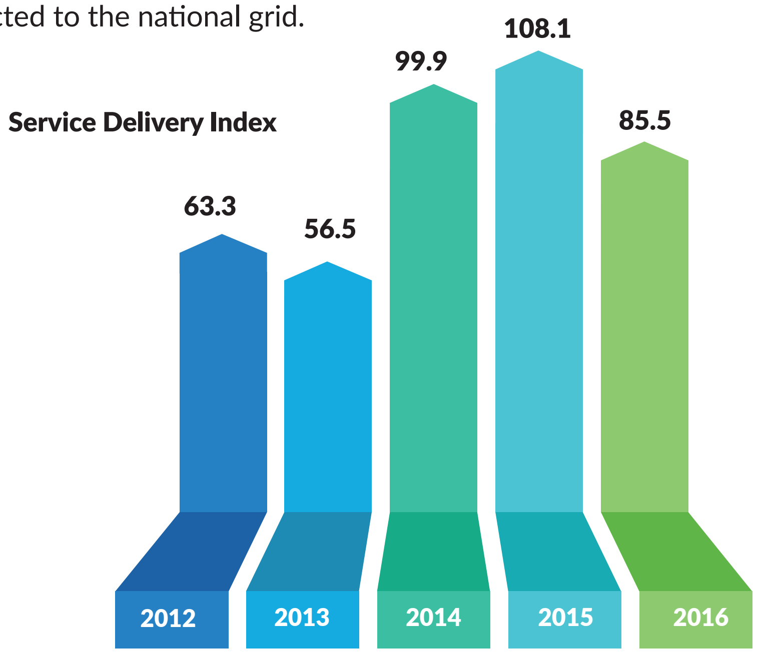
The Company took advantage of the opportunity caused by delays in planned substation expansion works to focus on the Revitalized System Expansion Program which commenced in 2015. The combined effort of the European Union Project Team and the Special Projects Team led to the completion of distribution expansion projects to connect 52 additional communities in 2016. With the completion of these projects, a total of 993 households now have access to safe, reliable and affordable electricity.

In addition, the Company embarked on a survey to identify all remaining communities not yet served by BEL and develop a four-year plan to get them connected to the national grid.

Service Delivery

The 2016 Biennial Customer Satisfaction Survey revealed an uptick in customer satisfaction to 85.9% from 84.7% two years ago.

Scores for the Company's field services rose over 2014, however, customers indicated a desire for the Company to have done more to improve system reliability. This view is consistent with that of Management and plans are in place to implement the solutions developed in late 2016.

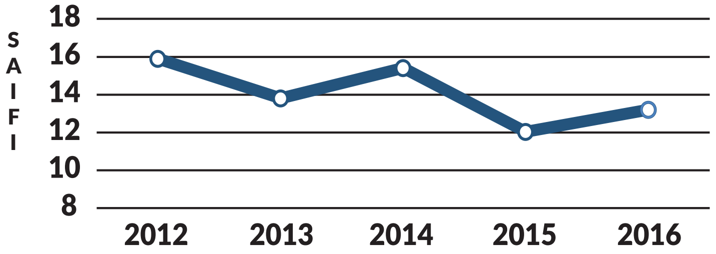


In stark contrast, and by the Company's own measure, the Service Delivery Index fell considerably when compared to 2015. The decline in the performance score for operations related to New Service was due to a change in the measurement and procedures; however, these changes will eventually improve the customer experience in this area. The two categories which registered real declines were Customer Call Handling, and Other Services. In particular, these were related to the number of customer complaints and associated time to process these claims. The deterioration was largely due to lapses in the oversight and controls that were implemented in 2014. In addition to reinstatement of the oversight and controls, full rollout of the revised Capital Contribution Policy and Centralized Dispatching are expected to address these challenges.

Reliability

Customers experienced an overall average power interruption of 19.8 versus 18.9 recorded in 2015. The average interruptions in supply of electricity due to transmission and distribution system failure was 12% higher than 2015. Planned interruptions were 32% below projections as major works were delayed until 2017. Interruptions due to IPPs, Hurricane and Vandalism averaged 6.9 incidents in 2016. The most significant of these major interruptions was caused by Hurricane Earl in August 2016.

BEL System Outage Frequency
(SAIFI)



Excludes power interruptions due to IPP failures, hurricane or vandalism

Hardware replacements and improved planning helped to improve the resilience of the transmission and distribution system. However, more focus will be given to reduce interruptions due to IPPs, improve the protection scheme to reduce failures, and improve response time to equipment failures in San Pedro and Caye Caulker. These islands have been identified as the weakest parts of the system and plans are already in place to address these specific issues commencing in 2017.

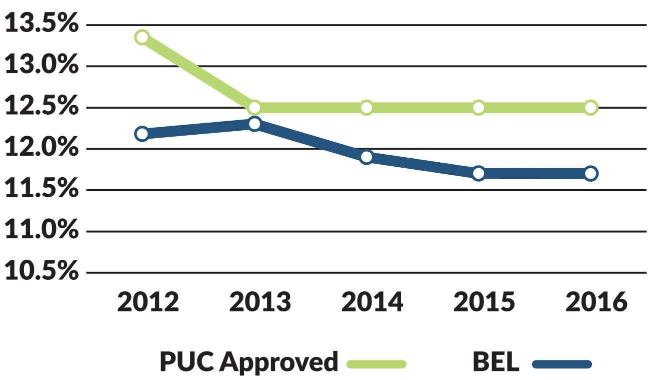
System Losses

Even as the Company increased sales and added approximately 100 miles of primary and secondary distribution lines, total system losses[1] were held at 11.6% in 2016. The dispatching of energy from domestic sources also helped to limit transmission losses.

New investment in capacitors and voltage regulators at targeted locations on the distribution system, as well as the continued Transformer Load Management and Loss Reduction programs helped to offset the normal increase in losses expected with additional sales and lines.

The ramping up of the public safety campaign and increased vigilance will help to deter commercial losses in 2017.

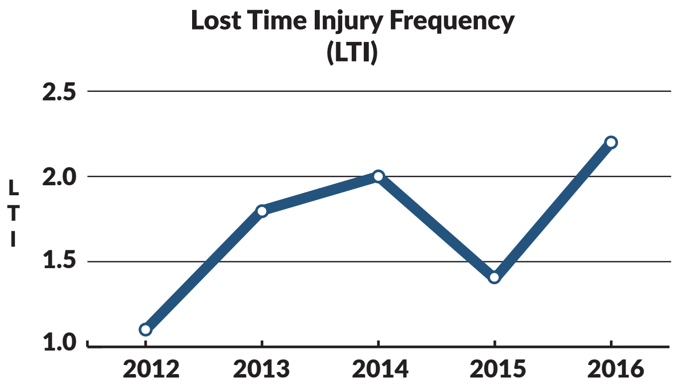
Total System Loss



[1] *Total system losses include technical and non-technical losses.*

Safety, Health and Environment

The Company completed another year without any major on-the-job injury or loss time incident. Also encouraging, was the 25% reduction in recordable vehicle accidents as a result of the positive impact the introduction of the Responsible Driver Program is having on driver attitude and behavior. There was an even greater reduction in loss time injury frequency and for two consecutive years, 92% of the Company's Safety, Health and Environment Action Plan was completed.



In September 2016, the Company's Safety and Health Week was launched with a theme of *"Safety - a commitment to zero incidents, zero injury and zero damage"* which underscored the Company's renewed commitment to accident-free and harm-free (to the environment) operations. Going forward, further enhancements to the Responsible Driver Program, the development of more qualified Works Methods Trainers and execution of the project to improve Work Life Balance will bolster Management's commitment to continue to look after the safety and well-being of employees.

2017 Outlook

The Statistical Institute of Belize reported that Belize's real gross domestic product (GDP) contracted by 0.1% in 2016 largely due to damage caused by Hurricane Earl which compounded an already challenging economic environment[2]. For 2017, the Central Bank of Belize expects that real GDP will rebound to between 3.0% and 3.5% in 2017[3] owing to buoyancy in the tourism sector while major commodity exports (including shrimp) should gradually recover and provide some lift. This is a bit more optimistic than 1.9% growth projected by the International Monetary Fund (IMF) at the conclusion of the 2016 Article IV Consultation in September 2016.

Against this backdrop, the Company anticipates that sales growth will decelerate to 2.9% in 2017 and average a nearly identical pace over the medium-term. The somewhat conservative projection is premised on an uncertain economic climate and the likely reduction in consumption by individual households in response to the lowering of the threshold on the General Sales Tax applicable on electricity bills from $200 to $100. Residential and Commercial I (micro-enterprise) customers are likely to grow at a significantly lower rate than in previous years but growth will be steady as the Company continuously connects new customers to the grid under its Capital Contribution and Revitalized System Expansion Program. Commercial II customers (manufacturing and construction) are also expected to reduce consumption in 2017 as taxes increase on fuel and other inputs. An annual growth rate of approximately 9% is being projected for industrial customers, from the dramatic downturn experienced over the last two years, as the shrimp and citrus industries continue its gradual recovery over the medium term.

Where internal operations are concerned, external sector fragilities such as the correspondent banking crisis and shortage of hard currency in the official system will continue to cause delays in the payment of power purchased and materials billed in US dollars. This can potentially impact the Company's capital investment program given the large proportion of imported equipment and materials. To minimize this risk, the Company will seek to contract foreign currency loans at favorable interest rates to sustain its capital investment program.

[2] *Press Release No. 16/424, IMF Executive Board Concludes 2016 Article IV Consultation with Belize, September 26, 2016.*

[3] *Budget Speech for Fiscal Year 2017/2018, Prime Minister and Minister of Finance and Natural Resources, March 13, 2017.*

FINANCIAL & OPERATING STATISTICS

	2016	2015	2014	2013	2012	2011 *	2010 - 2006 Average	2005 - 2001 Average
FINANCIAL STATISTICS								
(Belize thousands of dollars except as noted)								
Energy Revenues	197,001	206,024	221,692	232,233	193,294	190,245	165,371	102,858
Net Profit (Loss)	27,292	24,850	36,239	18,719	(16,000)	3,178	11,491	14,778
Dividends Declared	27,859	11,355	10,353	5,522	3,451	0	7,524	5,194
Net Fixed Assets	450,599	431,596	421,461	430,017	445,012	445,143	394,158	284,007
Capital Expenditures	38,898	27,717	22,893	14,339	17,682	31,471	41,703	34,561
Total Assets	545,811	521,726	514,524	481,361	487,833	489,997	444,624	326,547
Capital Contribution	49,856	46,494	44,514	39,964	36,708	33,190	24,389	14,150
Long Term Debt	2,564	337	174	871	6,518	12,139	36,590	89,823
Debentures	77,500	77,574	77,574	77,363	76,458	69,311	67,100	46,687
Shareholders' Equity (excluding Contributed Capital)	361,663	362,230	353,889	313,172	292,793	308,792	249,864	123,979
Financial Indicators								
Rate of Return on Net Fixed Assets	7.5%	7.6%	10.7%	6.3%	-2.4%	2.2%	5.7%	9.1%
Rate of Return on Investment[5]	20%	18.0%	26.3%	13.6%	-11.6%	2.3%	8.3%	28.5%
Rate of Return on Shareholders' Equity	7.5%	6.9%	10.9%	6.2%	-5.3%	1.1%	5.1%	12.5%
Earnings/Loss ($ per share)	0.40	0.36	0.53	0.27	(0.23)	0.05	0.19	0.51
Dividends Declared for Years Ended ($ per share)	0.40	0.15	0.15	0.08	0.05	-	0.11	0.20
Book Value per Share (BVPS)	5.24	5.25	5.13	4.54	4.24	4.47	3.62	4.77
Gearing Ratio[6]	39%	38%	37%	45%	49%	57%	76%	144%
OPERATING STATISTICS								
Reliability of the Transmission & Distribution System								
Average duration of power outages - SAIDI	19.3	16.1	19.9	20.0	22.8	24.5	35.4	-
Average number of power outages - SAIFI	13.2	12.0	15.4	13.8	15.9	16.2	29.1	-
System Outages due to Hurricane, IPPs & Vandalism								
Average duration of power outages - SAIDI	24.4	3.4	3.9	1.0	1.3	3.5	12.8	-
Average number of power outages - SAIFI	6.6	6.9	5.7	1.7	1.7	6.7	6.1	-
Sales (MWH)								
Commercial	281,892	274,986	262,186	255,346	148,907	132,756	125,107	98,666
Industrial	32,567	50,552 [4]	42,381	43,699	37,597	19,483	25,500	14,371
Residential	199,843	181,455	164,709	159,333	250,884 [2]	251,764	223,738	169,221
Street Lighting	26,619	26,238	26,116	25,516	24,781	24,486	24,044	22,324
Total	540,921	533,230	495,392	483,894	462,169	428,489	398,389	304,583
Mean Electricity Rates (MER) $/kWh	0.3642	0.3864	0.4475	0.4799	0.4182	0.4440	0.4151	0.3377
Customer Accounts (numbers)								
Industrial, Commercial & Street Lighting	18,003	17,629	17,549 [3]	17,463	15,658 [1]	720	711	520
Residential	72,632	69,185	66,835	64,977	64,705 [1]	78,007	73,380	62,418
Total	90,635	86,814	84,384	82,440	80,363	78,727	74,091	62,938
Number of Customer Accounts per Employees	291	287	285	297	295	285	281	259
Net Generation (MWh)								
Net Diesel Generation	14,354	19,141	7,486	7,858	13,377	6,910	20,657	69,630
Purchased Power - BECOL	247,012	225,770	245,259	243,177	199,039	232,081	193,112	74,452
Purchased Power - Hydro Maya	13,491	10,220	10,508	15,454	9,553	12,518	11,230	-
Purchased Power - BAL/BAPCOL	17,497	11,934	2,808	954	3,578	0	26,621	-
Purchased Power - Belcogen	78,886	83,175	66,355	48,859	64,506	70,720	24,753	-
Purchased Power - CFE	243,429	254,858	233,150	234,070	237,864	170,612	211,909	203,530
JICA		422	614	581	255			
Total	614,669	605,520	566,180	550,952	528,172	492,841	488,282	347,612
Other								
Total System Losses	11.6%	11.7%	11.9%	12.3%	12.2%	13.1%	12.5%	12.3%
Peak Demand (MW)	96.0	96.0	87.7	84.3	82.0	79.3	70.8	57.0

* Restated
1 Adjusted to reflect reclassification of Residential to Commercial customers. Numbers presented in 2011 and prior years do not reflect the reclassification done in 2012.
2 Adjusted to reflect reclassification of Residential to Commercial customers. Sales amount presented in 2011 and prior years do not reflect the reclassification done in 2012. Certain comparative figures may have been reclassified to confirm with the current year's presentation.
3 As of 2014, BEL no longer includes "own use" statistics.
4 Includes two months billing in May 2015 for large customers.
5 Return on Investment: Net profit (loss) divided by the total par value of the common shares outstanding.
6 Gearing Ratio: The ratio of debt to equity.

AUDITED FINANCIAL STATEMENTS

CONTENT

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Belize Electricity Limited, (BEL) which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Belize Electricity Limited as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Belize Electricity Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing BEL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BEL or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BEL's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BEL to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

Grant Thornton

Chartered Accountants
Belize City, Belize
February 17, 2017

Partners
Claude Burrell CPA CISA
Giacomo Sanchez CPA

Audit • Tax • Advisory
Member of Grant Thornton International Ltd

STATEMENTS OF
FINANCIAL POSITION

Years Ended December 31, 2016 and 2015
(in thousands of Belize dollars)

	Notes	2016	2015
Assets			
Current assets:			
Cash and cash equivalents	2g	**$ 34,578**	$ 29,151
Short term investments	2h	**20,532**	20,900
Trade receivables	2i,3	**15,403**	15,459
Other receivables	2i	**1,191**	1,426
Staff receivables	2i	**629**	592
Prepayments	2j	**986**	908
Materials and supplies	2k,4	**19,824**	21,150
Total current assets		**93,143**	89,586
Non-current assets:			
Property, plant and equipment	2l, 5	**$ 418,230**	398,151
Work in progress	2l	**32,369**	33,445
Intangible assets	2m, 6	**2,069**	544
Total non-current assets		**452,668**	432,140
Total Assets		**$ 545,811**	$ 521,726
Liabilities and Equity			
Current iabilities:			
Trade payables	2p	**$ 39,313**	$ 21,853
Accrued interest		**78**	70
Dividends payable	2w	**247**	222
Other payable	2p,8	**3,422**	1,960
Current portion of long-term debt	2r, 11	**-**	348
Taxes payable	2q, 9	**1,641**	1,680
Total current liabilities		**44,701**	26,133
Non-current liabilities:			
Capital contributions	16	**49,856**	46,494
Long-term debts	2r, 11	**2,564**	337
Debentures	12	**77,500**	77,574
Consumer deposits	13	**9,527**	8,958
Total non-current liabilities		**139,447**	133,363
Total liabilities		**184,148**	159,496
Equity:			
Ordinary shares	2v, 14	**138,046**	138,046
Additional paid in capital	15	**5,741**	5,741
Insurance reserve	17	**5,000**	5,000
Revaluation reserve	5	**5,112**	5,112
Retained earnings		**207,764**	208,331
Total equity		**361,663**	362,230
Total Liabilities and Equity		**$ 545,811**	$ 521,726

The financial statements on pages 17 to 20 were approved and authorized for issue by the Board of Directors on March 22, 2017 and are signed on its behalf by:

Rodwell Williams S.C.
Chairman, Board of Directors

Jeffrey Locke
Chief Executive Officer

The notes on pages 21 – 48 form an integral part of these financial statements.

STATEMENTS OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Years Ended December 31, 2016 and 2015
(in thousands of Belize dollars)

	Notes	2016	2015
Revenues	2s, 18	**$ 197,001**	$ 206,024
Cost of power	2t, 19	**(122,880)**	(133,253)
Gross profit		**74,121**	72,771
Other income	20	**7,197**	6,644
Operating expenses	2u, 21	**(32,889)**	(32,479)
Depreciation and amortization	5, 6	**(15,322)**	(14,461)
Profit before interest income, interest expenses and taxes		**33,107**	32,475
Interest income	2s	**441**	361
Interest expense	2u	**(2,751)**	(4,327)
Net interest expense		**(2,310)**	(3,966)
Profit before corporate tax		**30,797**	28,509
Corporate tax	2q, 22	**(3,505)**	(3,659)
Profit for the year from continuing operations		**$ 27,292**	$ 24,850
		-	-
Total comprehensive income for the year		**$27,292**	$ 24,850
Earnings per share (expressed in $ per share)	23		
Profit for the year attributable to ordinary equity holders:			
Basic		**$ 0.40**	$ 0.36
Diluted		**$ 0.40**	$ 0.36

The notes on pages 21 – 48 form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY

Years Ended December 31, 2016 and 2015
(in thousands of Belize dollars)

	Ordinary shares	Preference shares	Additional paid-in capital	Insurance reserve	Revaluation reserve	Retained earnings	Total
Balance, January 1, 2015	**138,046**	**10,000**	**5,741**	**5,000**	**5,112**	**194,836**	**358,735**
Comprehensive income:							-
Profit for the year	-	-	-	-	-	**24,850**	**24,850**
Total comprehensive income for the year	-	-	-	-	-	**24,850**	**24,850**
Transactions with owners of the Company recognized directly in equity:							
Shares redeemed (Notes 10 and 14)	-	**(10,000)**	-	-	-	-	**(10,000)**
Dividends declared and paid (Note 2w)	-	-	-	-	-	**(11,355)**	**(11,355)**
Total transactions with owners	-	**(10,000)**	-	-	-	**(11,355)**	**(21,355)**
Balance, December 31, 2015	**$138,046**	**$-**	**$5,741**	**$5,000**	**$5,112**	**$208,331**	**$362,230**
Balance, January 1, 2016	**138,046**	-	**5,741**	**5,000**	**5,112**	**208,331**	**362,230**
Comprehensive income:							-
Profit for the year	-	-	-	-	-	**27,292**	**27,292**
Total comprehensive income for the year	-	-	-	-	-	**27,292**	**27,292**
Transactions with owners of the Company recognized directly in equity:							
Dividends declared and paid (Note 2w)	-	-	-	-	-	**(27,859)**	**(27,859)**
Total transactions with owners	-	-	-	-	-	**(27,859)**	**(27,859)**
Balance, December 31, 2016	**$138,046**	**$-**	**$5,741**	**$5,000**	**$5,112**	**$207,764**	**$361,663**

The notes on pages 21 – 48 form an integral part of these financial statements.

STATEMENTS OF
CASH FLOWS

Years Ended December 31, 2016 and 2015
(in thousands of Belize dollars)

		2016		2015
Cash flow provided by				
Operating activities				
Profit for the year	**$**	**27,292**	$	24,850
Adjustments for:				
Amortization of intangible assets		**132**		111
Depreciation		**15,190**		14,349
Loss on disposal of assets		**599**		823
Bad debt expense		**(444)**		(191)
Obsolescense expense		**745**		574
Amortization of capital contribution		**(1,553)**		(1,389)
Corporate tax		**3,505**		3,659
Interest expense		**2,751**		4,113
Changes in items of working capital:				
Decrease in trade and other receivables		**621**		1,085
Decrease (Increase) in materials and supplies		**580**		(5,519)
Increase in trade and other payables		**24,235**		6,047
		73,653		48,512
Corporate tax paid		**(3,496)**		(3,685)
Net cash generated from operating activities		**70,157**		44,827
Investing activities				
Purchase of property, plant and equipment		**(38,898)**		(27,717)
Proceeds from sale of property plant and equipment		**67**		26
Net cash used in investing activities		**(38,831)**		(27,691)
Financing activities				
Proceeds/(Purchase) of term deposit - net		**367**		(226)
Repayment of long-term debts		**(348)**		(953)
Proceeds from long term debt		**2,227**		337
Proceeds from issuance of debentures		**27,500**		-
Debentures Redeemed		**(27,574)**		-
Interest paid		**(5,696)**		(5,955)
Dividends paid		**(27,859)**		(11,355)
Consumer deposits		**569**		509
Capital contributions		**4,915**		3,369
Preference Shares Redeemed		**-**		(10,000)
Net cash used in financing activities		**(25,899)**		(24,274)
Net increase (decrease) in cash and cash equivalents		**5,427**		(7,138)
Cash and cash equivalents , beginning of the year		**29,151**		36,289
Cash and cash equivalents , end of the year	**$**	**34,578**	$	29,151

The notes on pages 21 – 48 form an integral part of these financial statements.

1. GENERAL INFORMATION

Belize Electricity Limited (the 'Company') generates and supplies electricity to consumers throughout the country of Belize. The Company is a public limited liability company incorporated and domiciled in Belize. The address of its registered office is 2.5 miles Philip Goldson Highway, Belize City.

The Company was a majority-owned subsidiary of Fortis Inc. of Canada until June 20, 2011 when the Government of Belize acquired the majority shares from Fortis Inc. via Statutory Instrument No. 67 of 2011 as provided by the Electricity (Amendment) Act No. 4 of 2011 of the Substantive Laws of Belize. There are also some 1,500 minority shareholders. In September 2015 as part of the settlement, the Government of Belize and Fortis Inc. by way of Statutory Instrument No. 12 of 2015 settled in part with shares totaling to 33.3% shareholding in the Company, making Fortis Inc. one of the major shareholders. After the settlement, Government of Belize and the Belize Social Security Board combined to retain majority shares totaling to 63.8% shareholding in the Company.

Regulation

The Electricity Act, Chapter 221 and Statutory Instrument No. 145 of 2005, Electricity (Tariffs, Fees and Charges) Byelaws 2005 of the Laws of Belize regulates and makes provision for electricity services in Belize and provides specific powers to the Public Utilities Commission (PUC) to enforce specific regulations in respect to tariffs, charges, and quality of service standards. The Statutory Instrument governs the tariffs, rates, charges and fees for the transmission and supply of electricity and for existing and new services to be charged by the Company to consumers in Belize and the mechanisms, formulas, and procedures whereby such tariffs, rates, charges and fees are calculated and determined. The PUC is authorized under the Public Utilities Commission Act to act as the regulator of utilities in Belize. The primary duty of the PUC is to ensure that the services rendered by the Company are satisfactory and that the charges imposed in respect of those services are fair and reasonable. The PUC has the power to set the rates that may be charged in respect of utility services and the standards that must be maintained in relation to such services. In addition, the PUC is responsible for the award of licenses and for monitoring and enforcing compliance with license conditions. The Company's 15-year license expired in 2015 and was automatically renewed for another 10 years.

The Company undergoes Full Tariff Review Proceedings, every four years, as well as Annual Tariff Review Proceedings. These tariff review proceedings are aimed at determining the Mean Electricity Rate (MER), Tariff and Fees based on three cost components; The first component of the electricity cost is Value Added of Delivery (''VAD''), the second is cost of fuel and purchase cost of power ("COP") which includes the variable cost of generation, and the cost of power based on the latest forecasts and assumptions at the time of review. The third is rate adjustments based on corrections for differences between the actual cost of power results and the most recent assumptions/forecasts as determined in the Final Decision of the previous tariff review proceeding.

A material difference between the actual and reference cost of power may also trigger a rate review proceeding. The difference between the two is recoverable or refundable under the regulations at subsequent ARPs.

The VAD component of the tariff allows the Company to recover its operating expenses, transmission and distribution expenses, taxes and depreciation, and assumes a rate of return on regulated asset base in the range of 9 percent to 12 percent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

b. Basis of presentation

The financial statements have been prepared under the historical cost convention, except for intangibles (measured at fair value) and Property and Plant (measured at revalued amounts). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the ‘functional currency’). The Company’s functional and presentation currency is Belize dollars. The official exchange rate for the Belize dollar is fixed at BZ$2.00 to US$1.00.

(ii) Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognized in the statement of comprehensive income in “(Loss) / Gain on foreign exchange (net)”.

Foreign currency balances at year-end are translated into Belize dollars at the closing rates at the date of the statement of financial position.

d. Significant accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, 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 reported period. Actual results could differ materially from those estimates. (See Note 26)

e. Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the Company has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Company. Some, however, give rise to additional disclosures or changes to the presentation of the financial statements.

(in thousands of Belize dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (Continued)

The following standards, amendments and interpretations are now effective and have been adopted.

Standards/ Amendments	Pronouncement	When effective	Response
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.	January 1, 2016	The amendment was adopted, but has no current impact on the financial statements.
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16 and to clarify that produce growing on bearer plants remains within the scope of IAS 41.	January 1, 2016	The amendment was adopted, but has no current impact on the financial statements.
Disclosure Initiative (Amendments to IAS 1)	Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.	January 1, 2016	The amendment was adopted, but has no current impact on the financial statements.

(in thousands of Belize dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (Continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below.

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 9	IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (Continued)

Disclosure Initiative (Amendments to IAS 7)	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017	The amendment is not expected to have an impact on the financial statements.
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; and - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; - the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: - The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	January 1, 2018	The interpretation will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Annual Improvements 2014-2016 Cycle - Makes amendments to the following standards:		**When effective**	**Response**
IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose		January 1, 2018	The amendment is not expected to have an impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments

Financial assets and the financial liabilities are recognized when an entity becomes a party to the contractual provision of the instrument.

Initial recognition and measurement
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of the financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables.' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

BEL's financial assets are classified as detailed in Note 26.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Loans and receivables
Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

BEL's financial assets classified as loans and receivable are cash and cash equivalents, short term investments and accounts receivables. Refer to Note 26.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:
- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probably that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the BEL's past experience of collections, an increase in number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If BEL neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, BEL recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If BEL retains substantially all the risks and rewards of ownership of a transferred financial asset, BEL continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in the other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when BEL retains an option to repurchase part of the transferred asset), BEL allocates the previous carrying amount of the financial asset between the part it continues to recognize under the continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (Continued)

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at amortized cost'. BEL classifies its financial liabilities as other financial liabilities at amortized cost.

Other financial liabilities at amortized cost
Interest-bearing loans and borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument, and are subsequently recognized at amortized costs. Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost using the effective interest method.

BEL's other financial liabilities include trade and other payables, accrued expenses, current and long term debt. Refer to Note 26.

Derecognition of financial liabilities
BEL derecognizes financial liabilities when and only when, BEL's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognized in profit or loss.

g. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

h. Short term investments

Short term investments represent term deposits held at the bank with maturity dates of 3 months to 1 year from the date of acquisition.

i. Trade and other receivables

Trade and other receivables represent amounts outstanding from customers for electricity charges, service and other fees and outstanding balances from non-routine transactions. Staff receivables include loans and advances made to BEL's employees. Receivables are measured at amortized cost.

j. Prepayments

Prepayments represent insurance, license, property tax and other costs paid in advance of their intended use or coverage. Prepayments are expensed in the period the service is delivered.

k. Materials and supplies

Materials and supplies are stated at the lower of cost and net realizable value.

Cost of materials and supplies is determined on the First-in-First-out (FIFO) method during the current fiscal period.

The cost of materials and supplies comprise acquisition cost, insurance, freight, duties and all other costs incurred in placing the materials and supplies in the warehouse, ready for use. Net realizable value is the estimated selling price less applicable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

Land and assets under construction are not depreciated and are carried at cost or revalued amounts.

The major categories of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives which, for the major classes of assets, are as follows:

Buildings	20 - 40 years
Plant and equipment	5 - 40 years

The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of assets are reviewed annually and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals of property, plant and equipment are determined by comparing sales proceeds with the carrying amount of assets and are recognized in the statement of comprehensive income.

During the construction or development stage of assets under construction, overhead costs and interest on loans specifically sourced to finance long-term construction and expansion projects are capitalized and included in the cost of the appropriate asset.

m. Intangible assets

The Company's intangible assets are stated at cost less accumulated amortization and include acquired computer software with finite useful lives and transmission rights. These assets are capitalized and amortized on a straight-line basis in the statement of profit or loss over the period of their expected useful lives as follows:

Software costs are amortized over the estimated useful life of the software, five to ten years.

n. Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee benefits

(i) Post-employment benefits obligations:

Employees of the Company included in these financial statements have entitlements under the Company's defined contribution pension plan. The pension plan is financially separate from the Company, is managed by a Board of Trustees and is funded by contributions from both employees and the Company.

The cost of defined contribution pension plans is charged to expense as the contributions become payable.

While in pensionable service, each participant pays contributions at the rate of 4% per annum of his pensionable salary with the option to increase his/her contributions to a maximum of 10%, in increments of 1%. The Company matches the participant's contributions at the regular rate of 4% or at such higher rate as the member may have opted for, up to a maximum of 8%. The Trust Deed was amended, effective 17th January 2012, to require that the Company match senior managers' contributions up to a maximum of 10% per annum.

(ii) Termination benefits

The Company recognizes termination benefits in accordance with the labour laws of Belize, union agreements and Company policy. Employees with at least three years or more of continuous employment are entitled to a minimum of one week's pay for each year of service.

p. Trade and other payables

Trade payables represent amounts outstanding to vendors for goods and services obtained. Other payables include payroll liabilities, outstanding refunds and other short term obligations incurred by the Company. Payables are measured at amortized cost.

q. Corporate tax

The tax expense for the period comprises current tax. The tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date. Management evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

Taxes are based on monthly gross revenues and are payable within the following month.

r. Long-term debt

Long-term debts are recognized initially at the transaction price, that is, the present value of cash payable to the lender. Long-term debt is subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

Interest expenses incurred on long-term debt to finance long-term construction or development projects are capitalized during the developmental phase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of electricity in the ordinary course of the Company's activities. Revenue is shown net of any tax, rebates and discounts.

The company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities, as follow:

(i) Sales of electricity

The Company produces for sale and purchases for resale electricity to consumers throughout the country of Belize. Sales are recognized when the significant risks and rewards of ownership have been transferred to the customer, the sales price and costs can be measured reliably, and it is probable that economic benefits will flow to the Company. These criteria are generally met at the time the Company provides the electricity to customers.

Revenue is measured based on the price per KWH determined and authorized by the PUC in its rate-setting exercise.

(ii) Interest income

Interest income is recognized using the effective interest method.

t. Cost of power

Cost of power includes the cost of power purchased from the Company's suppliers of power, principally Comisión Federal De Electricidad (CFE from Mexico) and from the hydroelectric power plants, principally Belize Electric Company Limited (BECOL), a Fortis Inc. owned Company, and biomass electric power plants, principally Belize Co-Generation Energy Limited (Belcogen) in Belize, and power generated from the Company's own diesel generated power plant facilities.

u. Interest and operating expenses

Interest and operating expenses are recognized in the period incurred. Interest expenses are netted against capitalized interest.

v. Share capital

Ordinary shares and convertible redeemable preference shares are classified as equity.

Equity instruments are measured at the nominal value of the share and any excess of the fair value of the cash or other resources received or receivable over the nominal value is recognized as equity in a share premium or additional paid-in capital account.

w. Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared by the Company's Board of Directors.

Notes to

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015
(in thousands of Belize dollars)

3. TRADE RECEIVABLES

		2016		2015
Consumers	$	19,272	$	19,085
Less: provision for doubtful debts		(3,869)		(3,626)
		15,403		15,459
Provision for doubtful debts is comprised as follows:				
Balance, January 1		3,626		3,440
Additional provision		444		190
Write off		(201)		(4)
Balance, December 31	$	3,869	$	3,626

4. MATERIALS AND SUPPLIES

		2016		2015
Bulkstores	$	21,848	$	23,772
Fuel and oil		864		266
		22,712		24,038
Less: provision for damaged and obsolete spares		(2,888)		(2,888)
		19,824		21,150
Provision for damaged and obsolete spares				
Balance, January 1		2,888		2,373
Additional provision		745		574
Write off		(745)		(59)
Balance, December 31	$	2,888	$	2,888

Prior to 1 January 2016, the cost of inventories was determined on the weighted average basis. The Board of Directors endorsed Management's recommendations for the change to FIFO as this method gives a fairer presentation of the results and the financial position of the Company. Management has therefore conducted a comprehensive assessment of this change in accounting policy and concluded the need for retrospective application. The relevant effect of this change was negligible on the financial statements of BEL for the years 2015 and prior; therefore, the results of operations and financial position of BEL at December 31, 2016 accurately reflects the effects of this change.

(in thousands of Belize dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2015

Cost	Land and buildings	Plant, machinery and equipment	Total
January 1, 2015	$20,587	$520,013	$540,600
Additions	-	-	-
Transfers	187	25,171	25,358
Disposals	-	(2,394)	(2,394)
December 31, 2015	20,774	542,790	563,564
Accumulated Depreciation			
January 1, 2015	8,061	142,204	150,265
Additions	473	16,221	16,694
Disposals		(1,545)	(1,545)
December 31, 2015	8,534	156,880	165,414
Net Book Value December 31, 2015	**$12,240**	**$385,910**	**$398,150**

Depreciation charge of $2,345 thousand was allocated to cost of power.

Year ended December 31, 2016

Cost	Land and buildings	Plant, machinery and equipment	Total
January 1, 2016	$20,774	$542,790	$563,564
Additions	890	37,427	38,317
Transfers		(2,015)	(2,015)
Disposals			
December 31, 2016	21,664	578,202	599,866
Accumulated Depreciation			
January 1, 2016	8,534	156,880	165,414
Additions	478	17,093	17,571
Disposals		(1,349)	(1,349)
December 31, 2016	9,012	172,624	181,636
Net Book Value December 31, 2016	**$12,652**	**$405,578**	**$418,230**

Depreciation charge of $2,382 thousand was allocated to cost of power.

The property, plant and equipment audit conducted in 2013 and 2014 by independent consultants resulted in a revaluation gain of $5.1 million and a cumulative impairment loss of $34.7 million.

(in thousands of Belize dollars)

6. INTANGIBLE ASSETS

Year ended December 31, 2015

		Computer software		Transmission rights		Total
Cost						
January 1, 2015	$	6,741	$	2,757	$	9,498
Additions		39		-		39
December 31, 2015		6,780		2,757		9,537
Accumulated Amortization						
January 1, 2015		6,124		2,757		8,881
Additions		112		-		112
December 31, 2015		6,236		2,757		8,993
Net Book Value						
December 31, 2015	**$**	**544**	**$**	**-**	**$**	**544**

Transfer total of ($39) thousand represents cost in asset under construction that was transferred to intangible assets.

Year ended December 31, 2016

		Computer software		Transmission rights		Total
Cost						
January 1, 2016	$	6,780	$	2,757	$	9,537
Additions		1,657		-		1,657
December 31, 2016		8,437		2,757		11,194
Accumulated Amortization						
January 1, 2016		6,236		2,757		8,993
Additions		132		-		132
December 31, 2016		6,368		2,757		9,125
Net Book Value						
December 31, 2016	**$**	**2,069**	**$**	**-**	**$**	**2,069**

Transfer total of ($1,657) thousand represents cost in asset under construction that was transferred to intangible assets.

7. BANK OVERDRAFT

The Company has a $1.0 million 8.5% unsecured overdraft facility with Heritage Bank Limited that is reviewed annually on September 30.

(in thousands of Belize dollars)

8. OTHER PAYABLES

	2016	2015
Payroll liabilities	**$ 579**	$ 519
Refunds and other costs	**991**	(208)
Stale dated checks	**1,014**	811
EIB training fund	**838**	838
	$ 3,422	$ 1,960

9. TAXES PAYABLE

	2016	2015
Business tax	**$ 279**	$ 271
General sales tax	**1,362**	1,409
	$ 1,641	$ 1,680

10. RELATED PARTY LOAN

On November 27, 2012, the Social Security Board (SSB) subscribed for $10 million in Preference Shares in the Company. SSB stipulated that until the preference shares were issued, the proceeds were to be treated as a loan with interest at 5% per annum paid quarterly.

SSB held a lien over two of the Company's properties as collateral up until the preference shares were issued on June 30, 2014.

On December 31, 2015, the Company redeemed all outstanding preference shares from SSB and simultaneously cancelling the lien that the SSB held.

(in thousands of Belize dollars)

11. LONG - TERM DEBTS

	2016	2015
1. Government of Belize		
a. **Loan No. 14/OR-BZ**	**$ -**	$ 348
Unsecured loan no. 14/OR-BZ to Government of Belize amounting to US$12,706,210 from the Caribbean Development Bank for on-lending 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, commencing February 5, 2000. At end of 2008, the entire loan balance was converted to US dollars. Repayment of US$127,984 and US$86,812 are done quarterly since December 2008. The loan bears interest at 2.97% April 2016 (2015 – 3.43%) per annum.		
b. **Loan No. 21/OR-BZ**	**2,564**	337
Loan of US$ 11,231,000 to be drawn down over three years from the Caribbean Development Bank for on-lending to the Company, approved as part of the Power VI Project. Repayment is by 48 equal quarterly instalments The loan bears interest at 1.00 % per annum commitment fee on the undrawn balance and 2.97% (2015 - 3.43%) interest on the loan amount.		
	2,564	685
Less Current portion (repayable in 12 months)	**-**	**(348)**
	$ 2,564	$ 337

The loans are repayable as follows:

2017	**-**
2018	**214**
2019	**214**
2020	**214**
2021	**214**
Subsequently	**1,708**
	$ 2,564

(in thousands of Belize dollars)

12. DEBENTURES AND DEBENTURE SUBSCRIPTIONS

	2016	2015
Series 2: 193,718 unsecured debentures of $100 each to mature March 31, 2021 with interest payable quarterly at 9.5% per annum. Series was called by the Company in 2016	**-**	19,372
Series 4: 82,026 unsecured debentures of $100 each to mature September 30, 2027 with interest payable quarterly at 10% per annum. Series was called by the company in 2016	**-**	8,203
Series 5: 250,000 unsecured debentures of $100 each to mature December 31, 2024 with interest payable quarterly at 7% per annum.	**25,000**	25,000
Series 6: 250,000 unsecured debentures of $100 each to mature December 31, 2030 with interest payable quarterly at 6.5% per annum.	**25,000**	25,000
Series 7: 275,000 unsecured debentures of $100 each to mature March 31, 2028 with interest payable quarterly at 6.0% per annum.	**27,500**	-
	$ 77,500	$ 77,575

The Series 2 debentures could have been 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 was 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 4 debentures could have been called by the Company at any time after September 30, 2014 until maturity by giving holders not more than 60 days or not less than 30 days written notice, and was repayable at the option of the holders at any time on or after September 30, 2014 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.

On February 16, 2016, the Company exercised its call option on the $19.4 million 9.5% Series 2 Debentures and $8.2 million 10.0% Series 4 Debentures giving 45 days' notice. The Company also offered a $27.5 million 6.0% Series 7 Debentures on April 1, 2016. The proceeds were used to refinance the Series 2 and 4 Debentures, and or to redeem other existing debentures held by debenture holders who choose not to invest in the new offering.

The Series 5 debentures can be called by the Company at any time after December 31, 2016 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 December 31, 2018 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 6 debentures can be called by the Company at any time after December 31, 2020 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 December 31, 2022 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 7 debentures can be called by the Company at any time after March 31, 2022 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 March 31, 2022 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.

(in thousands of Belize dollars)

12. DEBENTURES AND DEBENTURE SUBSCRIPTIONS *(Continued)*

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.

13. CONSUMER DEPOSITS

The Company has a policy whereby consumers are required to make a security deposit when they first request that the Company provides them with electricity. The deposit is refundable on discontinuance of services.

14. SHARE CAPITAL

	2016	2015
Ordinary shares:		
Authorized 100,000,000 shares of $2.00 each	**$ 200,000**	$ 200,000
Issued and fully paid 69,023,009 shares of $2.00 each	**138,046**	138,046
Convertible redeemable preference shares:		
Authorized 12,000,000 shares of $2.00 each	**24,000**	24,000
Issued and fully paid 5,000,000 shares of $2.00 each	**$ -**	$ -
Special share:		
Authorized, issued and fully paid 1 share of $1.		

The rights attached to Convertible Redeemable Preference Shares are as follows:

There are no Convertible Redeemable Preference Shares outstanding at the end of 2016. Shares outstanding during 2015 were redeemed on December 31, 2015. Rights attached to these shares below are only applicable when shares are issued and fully paid.

Dividends - the holders of the Convertible Redeemable Preference Shares is entitled to a guaranteed annual dividend of five (5%) per cent on the nominal preferred share value. In the event that dividends declared for Ordinary shares at an annual rate exceeds the rate payable on Convertible Redeemable Preference Shares, the dividends payable on such Preference Shares shall be equal to the rate payable on Ordinary Shares.

Redemption - Unless previously converted all outstanding Convertible Redeemable Preference Shares shall be redeemed by the Company on the December 31, 2015 at their nominal value of $2.00 per share.

14. SHARE CAPITAL *(Continued)*

Voting - the Convertible Redeemable Preference Shares shall not confer unto the holders any voting rights save in accordance with the Articles of Association.

Conversion – Holder(s) of the Convertible Redeemable Preference Shares shall have the right, with the consent of the Company, at any time prior to the redemption of its shares to request that the Company convert any portion of the shares held by such holder(s) to Ordinary Shares provided that (a) the holder(s) shall serve a written notice of request to the Company at least 60 days prior to the intended conversion and (b) the conversion shall take effect on the date next after the expiry of the fiscal year in which the written request for conversion is delivered to the Company.

Return of Capital - The Convertible Redeemable Preference Shares confer on the holders 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 holder of the Special share as defined in the Articles of Association and the holders of any other preference shares of the Company from time to time, of the amounts paid up on the Convertible Redeemable Preference Shares held by them.

Further Rights, Privileges and Obligations - The Convertible Redeemable Preference Shares Company shall confer upon the holders thereof all other rights, preferences, privileges and restrictions, attaching to the class of shares to which the Shares belong, as set forth in the Articles of Association.

The rights attached to the Special Share are as follows:

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 or 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.

(in thousands of Belize dollars)

15. ADDITIONAL PAID-IN CAPITAL

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 $0.75 per share over par value is recorded as additional paid in capital. The Dividend Reinvestment Program was closed on August 2, 2006.

16. CAPITAL CONTRIBUTIONS

Capital contributions are contributions by customers towards capital installation costs. They include Government of Belize's and European Union's contributions towards rural electrification programs. Capital contributions are amortized over the useful life of the relevant asset.

	2016	2015
Capital contributions brought forward	**$ 60,685**	$ 57,316
Additions	**4,915**	3,369
Capital contributions carried forward	**65,600**	60,685
Amortization brought forward	**14,191**	12,802
Additions	**1,553**	1,389
Amortization carried forward	**15,744**	14,191
Capital contributions – net	**$ 49,856**	$ 46,494

17 . INSURANCE RESERVE

The insurance coverage of the Company's transmission and distribution assets was discontinued in 1994 due to the limited availability of coverage and a significant increase in the cost of this insurance. In 1995, the Board of Directors approved a self-insurance plan for transmission and distribution assets for a total of BZ$5 million and resolved to set aside BZ$0.5 million per annum from retained earnings. On June 26, 2014, the Company set aside this amount in a 2.5% one-year term deposit.

18. REVENUES

On January 2, 2015, the PUC reduced the MER by $0.0218/kWh from $0.4347/kWh to $0.4129/kWh. – In April 2015, the Company submitted its application for the 2015-2016 ATP and in June 2015, the PUC issued its final decision for the 2015 ATP further reducing the MER from $0.4129/kWh to $0.3500/kWh. The approved MER $0.3500/kWh remained in place until June 30, 2016.

In December 2015, the PUC ruled to maintain the MER at $0.35/kWh for the entire 2015|2016 Annual Tariff Period. On January 22, 2016, the Company submitted in its Full Tariff Review Application, a new request for an increase in the MER to an average of $0.3904/kWh for the period July, 2016 to June 2020. This request was based on pending adjustments to the projected cost of the Company and the annual correction balance. On June 26, 2016, the PUC issued its final decision for the Full Tariff Review Period July, 2016 to June 2020. In this decision, the PUC approved a MER of $0.3699/kWh for the period July 1, 2016 to June 30, 2020.

(in thousands of Belize dollars)

19. COST OF POWER

		2016		2015
Power purchased	**$**	**111,298**	$	118,681
Power generation costs:				
Fuel		**5,671**		8,366
Operations and maintenance		**3,528**		3,861
Depreciation (Note 5)		**2,382**		2,345
	$	**122,879**	$	133,253

20. OTHER INCOME

		2016		2015
Service installations	**$**	**141**	$	30
Rent income		**1,736**		1,735
Capacity charges		**2,661**		2,903
Amortization of capital contributions		**1,553**		1,389
Sundry income		**1,705**		1,410
Loss on disposal of fixed assets		**(599)**		(823)
	$	**7,197**	$	6,644

Notes to
FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015
(in thousands of Belize dollars)

21. OPERATING EXPENSES

		2016		2015
Bad debt expense	**$**	**444**	$	191
Company taxes and fees		**1,308**		1,403
Computer hardware and software Support		**1,063**		1,046
Contract labour		**5,056**		5,187
Corporate insurance		**927**		1,105
Donations & customer claims		**251**		217
Employee electricity discount		**292**		285
Employee service facility		**398**		458
Employer medical, life and social security expenses		**923**		821
Employer pension expense		**955**		910
Fortis expense		**-**		184
Inventory expense		**745**		574
Maintenance of office equipment		**10**		66
Maintenance of grounds and buildings		**692**		729
Materials		**1,103**		941
Notification and advertisments		**239**		189
Payroll expenses - labour & wages		**13,437**		12,958
Professional fees		**248**		305
Stationery & office supplies and postage and subscription		**265**		377
Telephone & communications		**1,022**		1,140
Training & certfication		**482**		445
Travel expenses		**433**		505
Uniform & safety gear		**475**		434
Vegetation management		**1,002**		1,047
Vehicle maintenance		**1,119**		962
	$	**32,889**	$	32,479

22. CORPORATE TAX

As provided by the Income and Business Tax Act of Belize, the Company is charged a tax rate of 1.75% on its gross revenues.

(in thousands of Belize dollars)

23. EARNINGS PER SHARE

	2016	2015
Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.	**$ 0.40**	$ 0.36
Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for its dilutive potential.	**$ 0.40**	$ 0.36

The following reflects the income and share capital data used in the basic and diluted earnings per share computations.

	2016	2015
Net profit attributable to ordinary shareholders for basic and diluted earnings	**$ 27,292**	$ 24,850
Weighted average number of ordinary shares for basic earnings per share	**69,023,009**	69,023,009
Effect of dilution:		
Weighted average number of ordinary shares adjusted for the effect of dilution	**69,023,009**	69,023,009
Basic earnings per ordinary share	**0.40**	0.36
Diluted earnings per ordinary share	**$ 0.40**	$ 0.36

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

(in thousands of Belize dollars)

24. RELATED PARTY TRANSACTIONS

The Company is controlled by the Government of Belize who owns 36.9% of the shares. A statutory board of the Government of Belize, the Social Security Board owns 26.9%, Fortis Inc owns 33.3% and about 1,500 other shareholders own 2.9%.

The following transactions were carried out with related parties:

		2016		2015
(a) Sale of power				
Government of Belize	**$**	**23,675**	$	24,913
Belize Social Security Board		**441**		471
(b) Purchases of goods and services				
Belize Social Security contribution payments		**424**		414
Belize Social Security interest Payments		**431**		431
Belize Social Security dividend payments		**7,432**		3,789
Belize Electric Company Limited power purchase		**56,173**		15,942
Government of Belize dividend payments		**10,196**		7,271
(c) Key managment compensation				
Key management includes directors, members of the Executive, the Company Secretary and the Head of Internal Audit. The compensation paid to key management for services is shown below:				
Salaries and other short-term benefits	**$**	**607**	$	606
(d) Year-end balances				
Receivable from related parties:				
Government of Belize	**$**	**-**	$	-
Social Security Board		**37**		8
Belize Electric Company Limited		**-**		-
Entities controlled by key management personnel		**NIL**		NIL
Payable to related parties:				
Government of Belize		**680**		502
Social Security Board		**33**		32
Belize Electric Company Limited		**22,916**		5,906
Entities controlled by key management personnel		**NIL**		NIL
The receivable from and payable to related parties are due one month after date of sale or purchase. The receivables are unsecured and bear no interest. No provisions are held against receivables from related parties (2011 - NIL).				
(e) Loans to related parties		**NIL**		NIL

25. 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. As at December 31, 2015, the Company was in compliance with these covenants

Legal issues - The Company is subject to various legal proceedings and claims that arise in the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the Company's financial position or results of operations. However, these legal matters continue to require keen attention and consultation with the Company's attorneys in order to minimize exposure.

Other Contingencies – At December 31, 2016 there were six Right of Way claims submitted to arbitration under Section 36 of the Electricity Act. The Company has assessed its exposure at approximately $165,000 in relation to three of these claims. Due to the uncertainty of the outcome of these claims, no provisions have been made for the respective known claims.

The Company and BECOL are engaged in mediation to resolve a dispute regarding spill charges levied unilaterally by BECOL and the application of adjustments to the invoices based on the annual escalator to the cost of energy purchased from BECOL. The settlement of this dispute may require "approval" by the PUC so as to minimize the risk of penalties by the PUC if it deems that the settlement is not consistent with its interpretation of the VACA PPA.

(in thousands of Belize dollars)

26. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

In accordance with IFRS 7, an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.

Financial Assets	Loans and Receivables	
	2016	2015
Cash and cash equivalents	**$ 34,578**	$ 29,151
Term deposit	**20,532**	20,900
Trade receivables	**15,403**	15,459
Other receivables	**1,191**	1,426
Staff receivables	**629**	592
Total Financial Assets	**$ 72,333**	$ 67,528

Financial Liabilities	Other Financial Liabilities at Amortized Cost	
	2016	2015
Trade payables	**$ 39,313**	$ 21,853
Accrued interest	**78**	70
Dividends payable	**247**	222
Other payable	**3,422**	1,960
Taxes Payable	**1,641**	1,680
Long-term debt	**2,564**	685
Debentures	**77,500**	77,574
Total Financial Liabilities	**$ 124,765**	$ 104,044

27. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. Risk management is carried out by management under the supervision of the Board of Directors. The Company's overall risk management objective is to minimize potential adverse effects on the Company's financial performance.

(a) Foreign exchange risk
Foreign exchange risk arises when future recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

This risk is mitigated by the fact that the Belize dollar is tied to the US dollar at BZ$2 to US$1. However, where the rate of exchange of the US dollar fluctuates against other currencies, for example, the Euro, the Company is susceptible to foreign exchange risks.

(in thousands of Belize dollars)

27. FINANCIAL RISK MANAGEMENT *(Continued)*

Foreign exchange risk is minimized when the Company's transactions with foreign entities are denominated in US dollars. At December 31, 2016 and 2015, the Company had no material liability denominated in a foreign currency other than the US dollar. See Note 11.

(b) 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	13%
Residential customers	41%
Commercial customers	41%
Industrial customers	5%

Management mitigates this type of risk by regularly enforcing a customer deposit policy based on the level of risk exposure and is generally guaranteed by being the sole electricity distributor nationwide.

(c) Interest Rate Risk

The Company is exposed to interest rate risk associated with short-term borrowings and floating-rate debt. The Company mitigates these risks by continuously monitoring the interest rates and ensuring that the optimum interest rates are received at all times.

(d) Liquidity Risk

The Company's financial position could be adversely affected if it fails to arrange sufficient financing to fund its capital expenditures and repayment of maturing debt. To mitigate liquidity risk, cash flow forecasting is performed which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing plans and compliance with balance sheet.

The table below analyzes liabilities of the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Total
	$	$	$	$
Trade payables	39,313	-	-	39,313
Accrued interest	78	-	-	78
Dividends payable	247	-	-	247
Other payables	3,422			3,422
Long-term debt	-		2,564	2,564
	$43,060	-	$2,564	$45,624

28. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or debentures or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long-term debts and debentures including current and non-current portions as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

CORPORATE DIRECTORY

Board of Directors


Rodwell Williams
Chairman

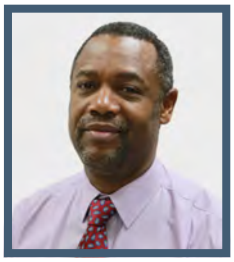

Alan Slusher
Deputy Chairman

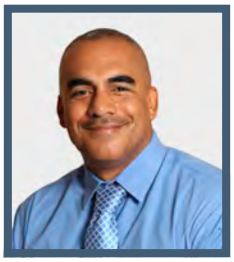

Anuar Flores
Director


Louis Lue
Director


James Laurito
Director


Kay Menzies
Director


Lynn Young
Director


John Mencias
Director


Ariel Mitchell
Director


Juliet Thimbriel
Director


Anthony Michael
Director


Dawn Nuñez
Company Secretary

Top Management


Jeffrey Locke
Chief Executive Officer


Derek Davis
Senior Manager
System Planning &
Engineering


Ernesto Gomez
Senior Manager
Energy & Material
Supply


Sean Fuller
Senior Manager
Information & Communication
Systems and Customer Care


Jose Moreno
Senior Manager
Transmission &
Distribution


Betty Tam
Senior Manager Finance
& Human Resources

Investor Information

SHAREHOLDER SERVICES

For general information, shareholder publications and other requests, please contact:
Company Secretary & Manager, Executive Services

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.

CORPORATE ADDRESS

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Central America

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FISCAL AGENT

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106 Princess Margaret Drive
P.O. Box 1988/1867
Belize City, Belize
Central America

On the cover:
Ms. Rosa Velasquez, of St. Margaret's Village in the Cayo District, is a new customer connected in June 2016 under BEL's Revitalized System Expansion Program. "I am happy to have electricity. Now my children can do their homework at home," says Ms. Velasquez.

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