



2011

Belize Electricity Limited

ANNUAL REPORT

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CORPORATE

PROFILE

Belize Electricity Limited (BEL) is the primary distributor of electricity in Belize, Central America. Serving a customer base of approximately 78,727 accounts, the utility met a peak demand of 79.3 megawatts (MW) in 2011 from multiple sources of energy, including, biomass, hydroelectricity, imported energy and diesel fired generation. All major load centers are connected to the country's national electricity system, except Caye Caulker. Since 1998, our national electricity grid has been interconnected with the Mexican national electricity grid, allowing the Company to optimize its power supply options. BEL has an installed generating capacity of 28.3 MW and owns 1,806.7 miles of transmission and distribution lines. The Government of Belize and the Social Security Board hold a 70.2 per cent and 26.9 per cent interest in BEL, respectively. The remaining shares are owned by just over 1,500 small shareholders.

CHANGE

OF MAJORITY OWNERSHIP

In 2011, Belize Electricity Limited (BEL) faced challenges, which threatened reliable energy supply and as a result the Government of Belize (GOB) passed the Electricity (Amendment) Act No. 4 of 2011 on June 20, 2011. This empowers GOB to take possession of and to assume control over electricity supply for the public interest in order to maintain an uninterrupted and reliable power supply of electricity to the public. Statutory Instrument No. 67 of 2011 was issued by the GOB on June 20, 2011 under the provisions of the amended Act with an Order for the GOB to acquire the shares held cumulatively by the Fortis group in BEL. As per the Order, the then existing Board of Directors ceased to function and a new Board of Directors was appointed and published in the Gazette on June 20, 2011.

On June 21, 2011, the new Board of Directors appointed Mr. Jeffrey Locke as the Company's Chief Executive Officer (CEO), succeeding former President and CEO Mr. Lynn Young. Mr. Locke assumes this position with over 25 years of experience in the energy industry. He has worked with Belize Electricity Board, Shell Belize Limited, Shell Caribbean & Central America in Kingston, Jamaica, Shell Oil Products Latin America in Bridgetown, Barbados and most recently, held the position of CEO at a local refinery. Mr. Locke holds a Master of Science Degree in International Management and a Bachelor of Science Degree in Mechanical Engineering.

Mr. Locke is supported by five Senior Managers, four of whom served formerly under the Executive Management Team, which departed employment from the Company on June 18, 2011. Senior Manager, Mr. Jose Moreno is now responsible for Transmission & Distribution and has over 20 years of experience in the field of electric distribution engineering and operations. Mr. Rolando Santos is Senior Manager with responsibility for System Planning and Engineering and has over 16 years of experience in industrial and power system engineering and automation. Ms. Betty Tam is Senior Manager with responsibility for Finance and Human Resources and is a Certified Public Accountant with over 25 years of career experience. Mr. Sean Fuller is Senior Manager with responsibility for Information Systems and Customer Care and has over 24 years of experience in developing and implementing information and communication technology solutions. Mr. Ernesto Gomez is Senior Manager, with responsibility for materials and energy supply management and has over 25 years of experience in the industrial and electricity sectors.

2011 was a year of major transition for Belize Electricity Limited (BEL). After the Government of Belize acquired controlling interest in BEL and appointed a new Board of Directors, it laid out a simple mandate: **“Keep the lights on.”**

At the close of 2011, your new management is pleased to report that we delivered on this mandate and managed operations to avoid rolling power outages previously projected under the former management, due to cash flow challenges. Prior to June 20, 2011, BEL had requested and received electricity prepayments from the Government of Belize amounting to \$8 million, to help pay for the cost of power from Independent Power Producers.

The Company received its last prepayment of \$6 million from the Government of Belize on July 6, 2011 and thereafter, measures were taken to reduce unnecessary expenditure in relation to materials procurement and contract services. Following the change of company ownership, getting control of the cash flow crisis and meeting payment obligations to power suppliers ranked high on our list of priorities. Low priority capital investment initiatives were put on hold and so for the rest of the year, BEL managed its operations without any further prepayments from the Government. We are getting our financial health back on track.

We are also pleased to report that in 2011, we took steps to improve the Company’s working relationship with the regulator; the Public Utilities Commission (PUC). The Company’s legal challenges in relation to the regulatory disputes had been consuming significant company resources, including high financial costs which are carried by consumers. The Company has established open dialogue with the PUC, so as to effectively represent our position, whilst demonstrating a willingness for the PUC to carry out its duty to regulate. The objective is to reduce the number of legal battles and focus our resources towards meeting our corporate targets.

BEL has made some payments towards overdue license fees to the PUC and so the Commission has abandoned its intention to cancel the Company’s license. The PUC had indicated this intention in a letter to the Company dated June 15, 2011. The PUC has also ceased action in court in relation to pole rental fees levied on cable operators by BEL. The PUC has indicated that it will address this matter in the 2012 Annual Tariff Review Proceeding. In relation to the Company’s appeal of the PUC’s 2008 Final Decision, the Board of Directors has made a decision to lift the injunction that restricted the PUC from making any adjustments to electricity rates. Consequently, On December 1, 2011, the Company submitted an application to reduce electricity rates under the Full Tariff Review Proceeding to return to customers the difference in the actual cost of power and the reference Cost of Power between 2008 - 2011 and on February 1, 2012 the Mean Electricity Rate was reduced from 44.1 cents per kilowatt hour (kWh) to 41.8 cents per kWh. However, the Value Added of Delivery (VAD), net of Cost of Power Rate Stabilization Account (CPRSA) recovery and corrections, increased from \$0.129 to \$0.140, which will result in an increase of \$5 million contribution towards operating income for the 2012 - 2013 review period.

We intend to manage the reduction in the Mean Electricity Rate by cost saving measures and by seeking a reduction in the Business Tax rate. Going forward, our focus is to strike a healthy balance between profitability and delivering reasonable electricity rates to consumers.

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Understandably, of critical concern for Shareholders is the Company's profitability and return on your investment. Since the Company has not been meeting a financial covenant on a Caribbean Development Bank (CDB) loan to earn at least seven per cent Return on Net Fixed Assets, it has been unable to borrow further for its capital investment initiatives. Over the past three years, BEL therefore used most of the cash it generated on its capital works and other operations and this practice has restricted the Company from paying out dividends to Shareholders. We have made a request to the CDB to waive this covenant, especially since it was set in 1999, when BEL's fixed assets were only valued at \$187.7 million, and therefore does not take into consideration the current fixed asset value of \$445.8 million.

In these circumstances, the Board of Directors is not recommending the payment of dividends for the year ending December 31, 2011, however, Shareholders may look forward to dividend payments perhaps by 2013, at which time we expect our financial position to have improved to an acceptable level. In 2011, earnings amounted to \$1.9 million, compared to \$3.4 million in 2010, following extraordinary adjustments of \$3.6 million for write-off provisions and the gross amount paid to the former Executive Management on their exit from the Company. Excluding these adjustments, earnings would have been \$5.5 million, compared to the \$3.4 million in 2010.

Even though operating expenses were reduced in 2011, earnings were also less due to an increase in finance charges by 16 per cent in 2011 compared to 2010. The finance charges relate mainly to the high balance owing to customers in the Rate Stabilization Account.

In 2011, the Company made a decision to book \$3.8 million in its financial statements for dividends declared but suspended in 2008. BEL will make its best efforts to settle payment in 2012. In the meantime, a critical focus for us will be refinancing the \$17 million Series I debentures, which will mature on December 31, 2012. With high market liquidity we are confident that we will be able to secure financing at lower interest rates.

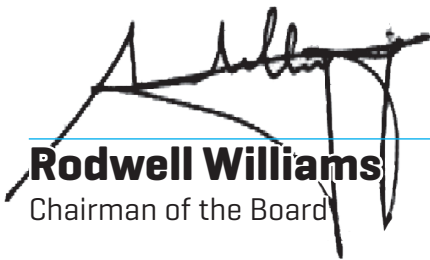
As we enter 2012, we are looking forward to connecting over 30 new communities to the national grid. This is being made possible by a \$5.5 million grant, financed 75 per cent by the European Union and 25 per cent by the Government of Belize. In 2011, we connected a section of the Bella Vista community in the Toledo District, which has provided 117 homes with access to power.

With a growing customer base, ensuring we can meet future energy demand is another current and critical area of focus for us. We expect to conclude negotiations with Belize Atoll Power Company Limited (BAPCOL) for firm capacity and associated energy early in 2012. With this in place, we will be in a better position to maintain power supply in times when we lose the Mexican link. In the medium term, our energy supply capacity projections show an urgent need to increase local generating capacity in the system and so we will also be recommending to the PUC that they release a Request for Proposals from Independent Power Producers in 2012, so we can commence the process of reviewing energy supply options for the near future.

While we continue to place heavy emphasis on initiatives that ensure we keep the lights on in both the short and long terms, we are also paying keen attention to the quality of customer service we provide. We recorded some key accomplishments in 2011, such as the introduction of the convenient E-Service, text message notifications to customers, which provide account and service information and two-way communication with our customers via social media forums. We also managed to reduce the number of days it takes to complete service requests to an average of 3 days compared to 4 days in 2010. We will continue to build on these accomplishments as we strive to improve our general code of practice and enhance our service delivery.

We must also acknowledge the role our employees have and continue to play in helping the Company steer its operations back on track. BEL employees have embraced well the change of June 20, 2011 and have been working hard to deliver on our mandate. In 2011, we ensured that our employees were provided training in both technical and non-technical areas to equip them with the skills to meet our goals and objectives. Over 50 per cent of employees have served the Company for over 10 years and in 2011, two employees in particular reached 40 years of service. We take this opportunity to thank Mr. Avery Ranguy and Mr. Antonio Ramirez for their dedicated and valuable years of service. They are an excellent representation of the commitment our employees have towards serving our customers.

Undoubtedly, there is much work ahead of us in 2012 and beyond. However, we are well positioned to succeed, as we have prepared a clear plan to achieve our targets and are ready to execute and deliver the results our stakeholders expect and deserve.



Rodwell Williams
Chairman of the Board



Jeffrey Locke
Chief Executive Officer

HIGHLIGHTS

OF 2011

The financial statements in this report are based on adjustments to the Cost of Power and Value Added of Delivery components of the electricity tariff structure since 2008.

Annual Comparison

(In Belize thousands of dollars)

	2011	2010
Operating Revenues	191,535	190,526
Earnings applicable to Shareholders	1,882	3,448
Total Assets	490,507	476,903
Shareholders' Equity	286,317	286,763
Return on Net Fixed Assets	3.8%	3.8%

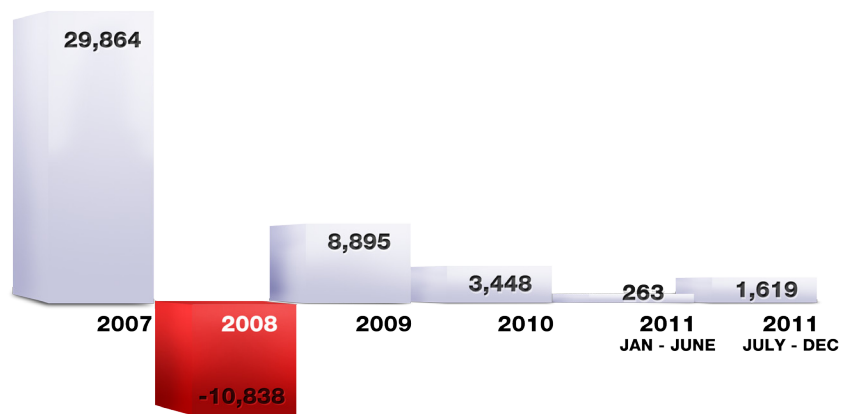
- Earnings in 2011 were \$1.9 million as compared to \$3.4 million in 2010, following extraordinary adjustments of \$3.6 million for write off provisions and the gross amount paid to the former Executive Management on their exit from the Company, in June 2011.
- Excluding these adjustments, earnings would have been \$5.5 million, compared to the \$3.4 million in 2010.
- Energy sales grew by 0.5 per cent to 428.5 gigawatt hours (GWh).
- Cost of power for the year increased by 0.5 per cent to \$133.7 million.[†]
- On June 20, 2011, the Government of Belize (GOB) passed the Electricity (Amendment) Act No. 4 of 2011, which empowers the Government of Belize to acquire property as considered necessary to take possession of and to assume control over electricity supply for the public interest in order to maintain an uninterrupted and reliable power supply of electricity to the public.
- Statutory Instrument No. 67 of 2011 was issued by the GOB on June 20, 2011, under the provisions of the amended Electricity Act with an Order for the GOB to acquire the shares held cumulatively by the Fortis group in BEL.
- As per the Order, the then existing Board of Directors ceased to function and a new Board of Directors was appointed and published in the Gazette on June 20, 2011.
- On June 21, 2011, the Board of Directors appointed Mr. Jeffrey Locke as Chief Executive Officer of BEL.
- BEL received a Customer Satisfaction Rating of 81.1 per cent in 2011.
- Heavy focus continued on improving service reliability, resulting in a reduction in the duration and frequency of power interruptions by 55 per cent and 39 per cent respectively, compared to 2010.

[†]The Cost of Power results are based on the Reference Cost of Power determined by the Public Utilities Commission.

YEAR ENDED **DECEMBER 31, 2011**

Earnings

Earnings for 2011 were \$1.9 million as compared to \$3.4 million in 2010. Earnings per share were \$0.03 in 2011 as compared to \$0.05 for 2010. These results follow extraordinary adjustments of \$3.6 million for write-off provisions and the gross amount paid to the former Executive Management on exit from the Company. Excluding these adjustments, earnings would have been \$5.5 million compared to the \$3.4 million in 2010.



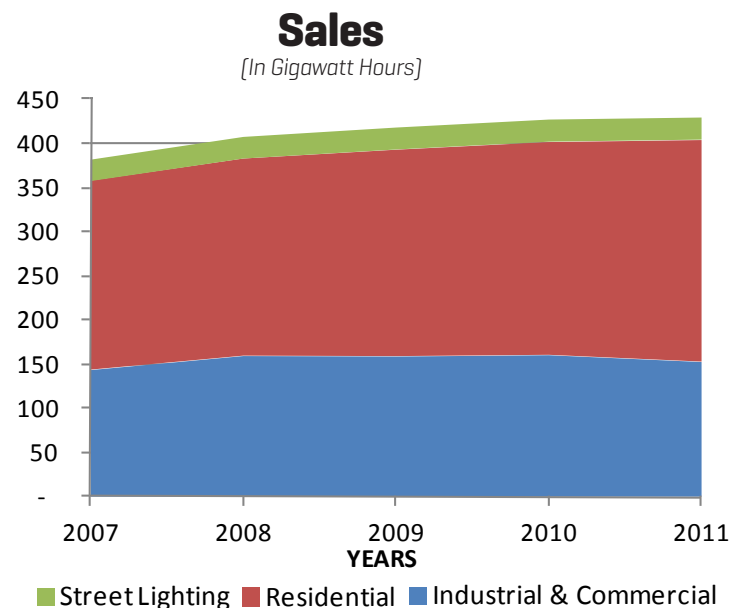
Increases in both finance charges and depreciation, also negatively affected earnings.

The injunction in relation to the 2008 Final Tariff Decision, had prevented BEL from requesting an increase in the Value Added of Delivery (VAD) component of the electricity tariff structure, which had been frozen since 2008. In its Full Tariff Review Proceeding (FTRP) application, submitted on December 1, 2011, after the injunction had been lifted, BEL had asked for an increase in the VAD. The PUC approved an increase in the VAD, net of Cost of Power Rate Stabilization Account (CPRSA) recovery and corrections, from \$0.129 to \$0.140, which will result in an increase of \$5 million contribution towards operating income for the 2012 - 2013 review period.

Given the continuing low earnings level and the fact that the Company did not meet key financial ratio loan covenants during 2011, the Company is restricted from paying dividends and the Board of Directors maintained the suspension of dividends into 2011. The Company is applying for a waiver from the Caribbean Development Bank since the required Return on Net Fixed Assets is no longer appropriate, considering that the Company's fixed assets have increased to \$445.8 million in 2011 from \$187.7 million in 1999, when the covenant was set.

Revenues and Sales

Energy sales grew by 0.53 per cent to 428.5 gigawatt hours (GWh) from 426.2 GWh sold in 2010. Energy sales increase was driven by a 4.1 per cent growth in residential sales. Compared to 2010, commercial sales grew 3.1 per cent and industrial sales decreased by 37.5 per cent, due to a loss of sales from two key industrial customers; Farmers Light Plant Cooperative and Belize Aquaculture Limited. Energy consumption per residential customer grew by 1.9 per cent. Customer accounts grew by 2.8 per cent in 2011 to 78,727.



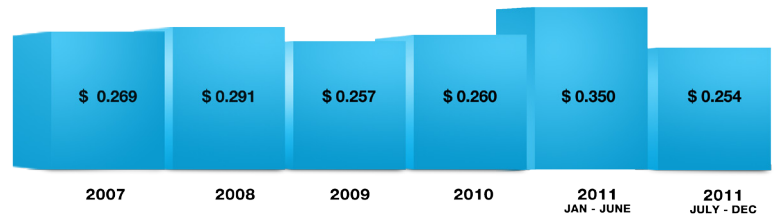
Electricity revenues for the year grew by 0.53 per cent to \$191.5 million from \$190.5 million for 2010. Electricity revenues grew in line with energy sales as the average tariff to consumers did not change during the year.

Cost of Power

Cost of power for the year increased by \$0.7 million or 0.53 per cent to \$133.7 million from \$133.0 million in 2010. This result is calculated based on the Cost of Power which is regulated by the PUC to stabilize rates, as required by the electricity regulations. For the years 2011 and 2010, the reference Cost of Power was \$0.312 per kWh based on the frozen 2008 Final Decision tariff components. Variances between actual and the reference Cost of Power are deferred to the Cost of Power Rate Stabilization Account [CPRSA]. This adjustment is subject to approval by the PUC in the upcoming FTRP.

Average Actual Cost of Power

[per kilowatt hour sold]



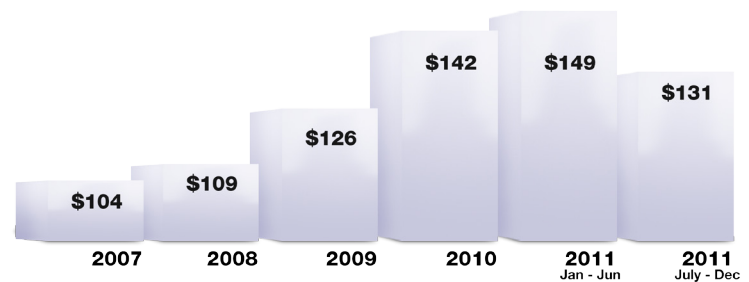
In 2011, actual cost of power was \$5.1 million below the reference Cost of Power, as a result of CFE prices being lower than was projected in the reference Cost of Power. This difference and prior year adjustments, were deferred to the CPRSA resulting in an increase in the balance in the CPRSA as compared to 2010.

Operating Expenses

Our efforts to improve financial performance in 2011 required us to place heavy emphasis on cost saving initiatives. Between July and December 2011, operating cost per megawatt hour [MWh] sold was reduced to \$141, compared to \$149 between January and June 2011. Excluding prior year adjustments for cost of power and provisions made for material write off, operating costs per MWh sold for July to December 2011 was \$131.

Operating Cost

*[per megawatt hour sold/\$]
[exclude CWP]*



Depreciation expense increased by 5.7 per cent, as a result of new assets placed into service over the past year. Finance charges increased by 15.7 per cent, mainly due to interest costs related to regulatory accounts.

On April 1, 2010, the Government of Belize increased the business tax rate on the revenues of the Company from 1.75 per cent to 6.5 per cent. This increase resulted in \$7.5 million in extra business tax expense for 2011. This increase is being deferred, to be recovered from customers when the tariff components are adjusted in accordance with the tariff setting byelaws. BEL has applied to the Government of Belize for a reduction in business tax.

Capital Expenditure

In 2011, BEL invested \$31.5 million in expanding, improving and reinforcing its property, plant and equipment. Transmission line upgrades continued in 2011 as well as regular maintenance; providing a more robust transmission grid. Distribution systems improvement was carried out countrywide in 2011 – Belize, Belmopan, Orange Walk, San Pedro, Dangriga and Independence load centers, were the areas of concentration. Deteriorated poles were replaced and power lines maintained, which will help improve reliability in these areas.

Considerable work was also completed on several substations across the country. These initiatives are helping to reduce outages, minimize system losses, improve voltage quality and meet load growth demand. Customer driven expansions added to capital expenditures include distribution line extensions and new service installations. Works have also commenced to upgrade the Supervisory Control and Data Acquisition [SCADA] system.

Financing

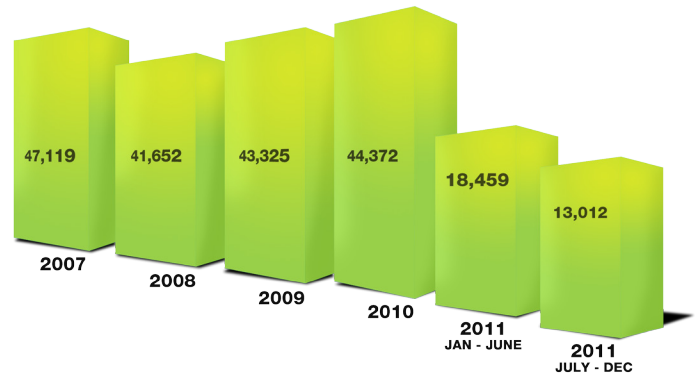
The Company continued to finance its operating and capital expenditure program for 2011 from internally generated cash flows. Savings in cost of power, as well as the decision not to declare dividends, allowed the Company to maintain the positive cash flows needed to achieve this. The Company also used a total of \$14 million in prepayments to finance its operations from May to November 2011.

At the end of 2011, the Company was still not in compliance with a major loan covenant of the Caribbean Development Bank [CDB], as a result of low earnings, and was unable to access the loan market in 2011.

BEL is applying to the CDB for a waiver, since the required covenant is no longer appropriate due to the significant increase in the Company's asset base.

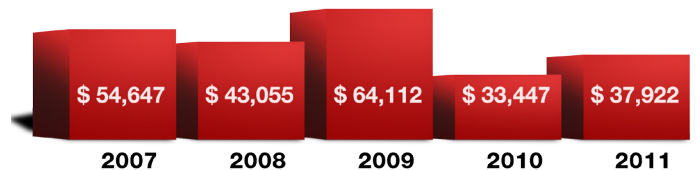
Capital Expenditure

[In Belize thousands of dollars]



Cash from Operations

[In Belize thousands of dollars]



Regulation

The Company is regulated under the amended 1992 Electricity Act, the amended Public Utilities Commission Act of 1999, and the Electricity [Tariffs, Fees and Charges] Byelaws of 2005 [Tariff Byelaws].

The Company's license to generate, transmit, distribute and supply electricity in Belize expires in 2015. Under the terms of the license, the Company has the right of first refusal on any subsequent license grant. The Company notes that there are opportunities to increase sales demand by connecting several other communities to the national grid. However, issues relating to unlicensed electricity operators in some communities will need to be addressed. BEL is prepared to work with all stakeholders involved in efforts to resolve this matter.

Under the Tariff Byelaws, the average electricity tariff is divided into three main components; a fixed component to cover overhead expenses and provide the Company with a reasonable return on investment [Value Added of Delivery], a variable component that reflects the cost of electricity [Cost of Power] and a deferred cost of power recovery or rebate component.

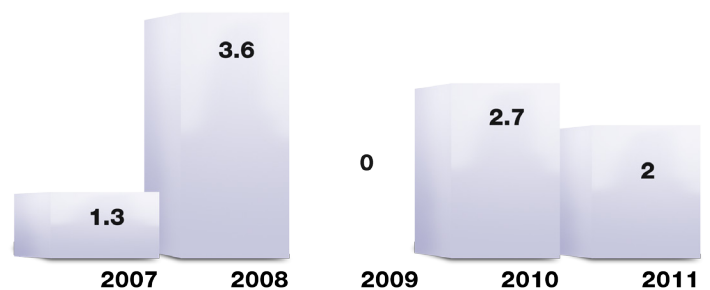
During 2010, a Recoverable Excess Business Tax regulatory account was established for the increase in business tax to be recovered. All these accounts are amalgamated under a general Rate Stabilization Account [RSA] called Cost Receivable from [Payable to] Customers. At December 31, 2011, the balance in this account was \$61.6 million payable to customers subject to approval by the PUC.

On December 1, 2011, the Company filed a Full Tariff Review Proceeding [FTRP] application for the Full Tariff Period July 1, 2012 to June 30, 2016, requesting a reduction in the Mean Electricity Rate; comprising of a decrease in the Cost of Power component of the tariff, a proposed increase in the Value Added of Delivery component, and a recovery/[rebate] component adjustment. The PUC approved a reduction in the rates to 41.8 cents per kWh from 44.1 cents per kWh, effective February 1, 2012. The effective date was set pursuant to Statutory Instrument 21 of 2012.

2012 Outlook

The economy is expected to continue to pull out of recession albeit at a slow pace, driven mainly by expansion in renewable energy as well as marginal increases in tourism and wholesale and retail trade. On the other hand, weak commodity prices for agricultural exports, reduced agricultural output, and flat oil production are contributing to a negative impact on the Belizean economy. Electricity demand in 2012 is therefore forecasted to grow at 3 per cent. Growth in electricity demand hinges mainly on residential and commercial growth. Industrial growth, will depend on the stability of the global market, especially those of our major trading partners.

Real GDP Growth (%)



Customer Service Initiatives

Ensuring we “keep the lights on” was the driving force behind BEL’s operations, following the change of ownership on June 20, 2011. In the latter half of the year, we were able to bring our accounts within acceptable credit limits and accomplished this without the need for any further electricity pre-payments by the Government of Belize, beyond July 6, 2011.

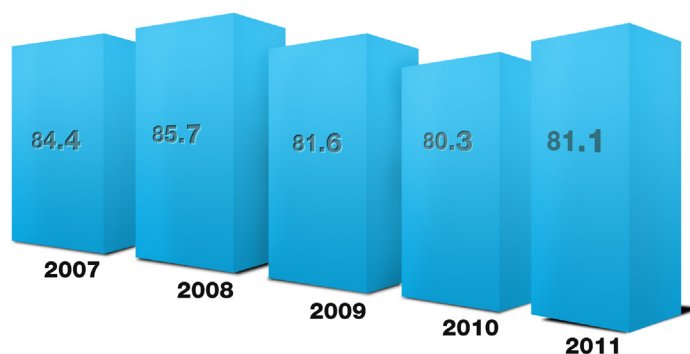
Going forward, we will maintain our focus on keeping the lights on to ensure we maintain high levels of customer satisfaction in our service. In 2011, the Customer Satisfaction Rating was 81.1 per cent. Customers experienced less frequency of power interruptions by 39 per cent in 2011 compared to 2010 and in terms of responding to customer service requests, we averaged 3 days in 2011 compared to 4 days in 2010.

Improving the quality of communication with our customers was also given much attention. During the year, we launched our E-Services online platform, which provides customers with access to their BEL account information. Via E-Service, customers can view multiple BEL accounts, review account transactions, billing and meter reading history, print bills, make online payments and submit service requests. E-Service also allows customers to subscribe to electronic bill notification services sent via email and text messages. Customers have expressed great appreciation for this initiative and going forward, our efforts will focus on obtaining contact information for more customers, so they may benefit from this service.

The Company also launched a redesigned corporate website, which features power supply updates, and bill payment options. The website also serves as the gateway to the Company’s growing online and social media networks including Facebook and YouTube.

We established our Facebook page in 2011, which is providing another means of sharing power outage notifications to customers. Power updates are also being provided via BEL’s Integrated Voice Response (IVR) system, which allows customers calling the toll free number (0800-235-2273) to select this option.

Customer Satisfaction Ratings



Reliability Initiatives

BEL recognizes that power supply reliability is critical to supporting the country's economic activities, as well as the overall social wellbeing of our communities. In 2011, we continued with works to upgrade distribution and substation systems across the country aimed at boosting the system's integrity.

A distribution line was reconstructed to provide an alternative power routing option to deliver power to Hattieville, Burrell Boom and Ladyville in the event of system contingencies. A new 14-mile distribution line was constructed between the Punta Gorda Substation and Punta Gorda Town. This line will now serve as a dedicated link to supply the town and as a result will improve reliability of supply. A three-mile distribution line was also built in San Pedro, north of Boca del Rio with the objective of improving the reliability of supply to the northern part of the island.

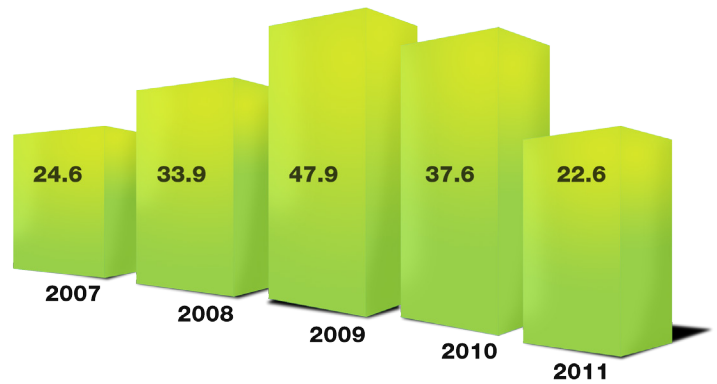
In the Cayo District, reinforcement works were carried out on the distribution line between Cotton Tree Village and Mile 34 along the Western Highway, as well as on sections of the distribution system in Orange Walk, Corozal, Belmopan and Ladyville. These works will also result in improvements in reliability of supply.

Substation works in 2011, included upgrades at the Maskall Substation, which now allow our Control Center to remotely sectionalize the transmission line near this substation in the event of a fault. This is helping with restoring power more quickly. Similar initiatives have been completed at the La Democracia and San Ignacio substations and the Camalote Switching Station.

For the Placencia community, BEL carried out works to repair faults at the Independence Substation, which had affected reliability in the fourth quarter. Following the repairs, power interruptions in Placencia have been significantly reduced.

Average Frequency of Power Outages

[Experienced Per Customer]



Energy Supply

Net generation for the year was 492.8 gigawatt hours (GWhs), or a 2 per cent increase over the value for the same period last year. Recovering from operational challenges experienced in 2010 and early 2011, Belize Cogeneration Energy Limited (Belcogen) increased energy sales to BEL by 46.8 per cent in 2011. This increase helped to meet the shortfall in supply from Belize Electric Company Limited (BECOL), as well as the additional sales demand in 2011.

Due to a late rainy season, power sourced from BECOL decreased by 7 per cent. Energy purchases from Comisión Federal de Electricidad (CFE) increased by 6.7 per cent, which also helped to meet the shortfall in supply from BECOL.

Belize Aquaculture Limited (BAL) remained offline in 2011. However, BEL is currently pursuing a Power Purchase Agreement with Blair Atoll Power Company Limited (BAPCOL) to increase local energy supply capacity.

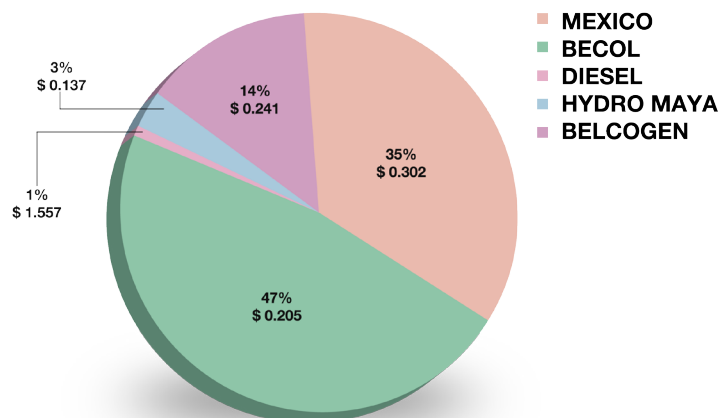
In 2012, Belize's peak demand is forecasted to be at 82 MW. The total generation available, including power supply from CFE, is 147 MW. In the event the country loses the CFE power supply, there is only 97 MW of in-country power available. This includes power generation from the Gas Turbine and full generation from Belcogen. During the sugarcane's off crop, Belcogen can only produce 5 MW compared to the 13.2 MW capacity under the Power Purchase Agreement (PPA). Without full generation from Belcogen, in times when the CFE supply is unavailable, BEL would barely be able to meet the country's peak power demand. Therefore, the Company expects to conclude negotiations with BAPCOL for firm capacity and associated energy. With this in place, BEL would be in a better position to maintain power supply should we lose the Mexican link.

System Expansion

BEL proudly connected the Catacama area of Bella Vista Village in the Toledo District to the national electricity grid in 2011. This initiative is making power available to approximately 117 homes in the area. The remaining sections of the village will be connected in 2012. In 2011, line extensions to serve a large portion of Maya Mopan Village in the Stann Creek District was also completed. This was made possible through funding from the Social Investment Fund (SIF) and is benefiting approximately 70 homes in the area.

A \$5.5 million grant to extend the national electricity grid and provide safe and reliable electricity to 34 communities was signed between the European Union (EU) and BEL in November. The Grant is financed 75 per cent through the African, Caribbean and Pacific Group of Countries (ACP) – European Union Energy Facility II Grant Funds and 25 per cent counterpart contribution from the Government of Belize.

Energy Production by Source



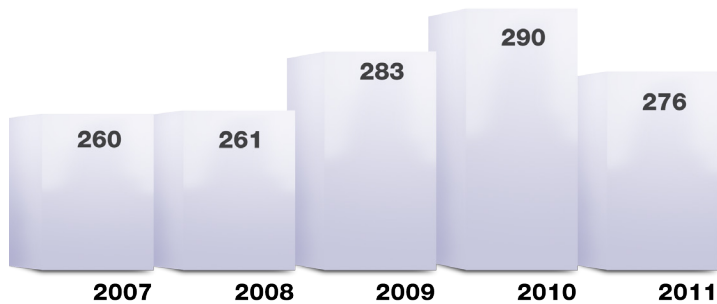
Communities that will benefit from the project include: Steadfast, Belize City’s Belama Phase 4, Belmopan’s Salvapan and Maya Mopan, Dangriga’s Wagirale and Rivas Estate, Independence’s New Site and Noralez Extension, Benque Viejo Town, the villages of Cotton Tree, Valley of Peace, Ontario, Hattieville, Rockstone Pond, Succotz, San Lazaro, Guinea Grass, Paraiso, San Narciso, Patchakan, Carmelita, Libertad, Hope Creek, Sarawee, Hopkins, San Roman Village, Seine Bight and Bella Vista.

To serve the growing community of Caye Caulker, the Company installed a submarine cable across the Split to facilitate construction of a line extension to connect north Caye Caulker to BEL’s distribution system on the island. There are currently several tourist developments in north Caye Caulker and with the availability of power in the area, further development is expected. Works on the line extension are expected to commence in 2012.

Human Resources

Our ability to succeed in fulfilling our corporate goals and objectives, hinges tightly on having a competent, skilled and motivated workforce. In 2011, BEL provided training opportunities to its employees in both technical and non-technical areas. Substation, transmission and distribution repairs and maintenance were the focus of several sessions. Developing employees’ skills in these areas supports our efforts to restore power as quickly as possible following system faults or major storms.

Annual Permanent Staff Employed
2007 - 2011



Interpersonal and leadership skills were the focus of other sessions and following the change of ownership in the Company, managers were exposed to best approaches to managing change and developing and implementing the strategic plans for the Company.

To ensure that employees are versed in the Memorandum of Understanding between BEL and Belize Energy Workers Union (BEWU), Industrial Relations training were conducted for employees.

In 2011, two employees, Mr. Avery Ranguy and Mr. Antonio Ramirez, retired from BEL after serving the Company for 40 years. Both employees were honoured by the Company for their dedicated years of service.

Safety, Health and Environment

The high level of priority BEL places on safety, health and environment awareness is engrained in its operations, employee programs and standards.

Employees continued to participate in electrical safety training sessions, such as the Standard Protection Code (SPC) and Grounding and Bonding. Training in these areas safeguards field workers from electrical hazards, by guaranteeing the status of the electrical and mechanical systems. Opportunity for error is therefore significantly reduced.

Defensive Driving training sessions were also held in 2011, which addresses another one of the Company's major safety risks; road accidents. In 2011, there were 9 recordable vehicle accidents compared to 15 in 2010. In 2011, the Company observed its Annual Health and Safety Week under the theme "Safety & Health: A Commitment for Life – What's Your Plan?" The week featured presentations on "Alcohol & Drug Abuse" conducted for employees company-wide by the National Drug Abuse Control Council (NDACC).

The Company is also keen on ensuring its contractors perform to high safety standards, and accordingly provided relevant training to enhance their awareness of the Company's standards and requirements.

In the area of environment, the Company practices recycling of paper and in 2011, recycling of plastic and electronic waste was introduced. Promotion of the program resulted in the collection of 3,595 pounds of paper, 738 pounds of plastic and 892 pounds of electronic waste during 2011.

Community Involvement

While financial challenges in 2011 required that we scale back our Community Involvement Program, the Company nonetheless strived to make a positive impact on several initiatives to improve the quality of life in our communities.

BEL made contributions to the Karl Heusner Memorial Hospital to assist with the installation of a Cardiac Catheterization Lab, which is assisting in the diagnosis and treatment of patients with cardiovascular disease.

The Company also lent support to St. John's Junior College in its efforts to construct a science lab.

BEL was again a major sponsor of Belize Band Fest, held for the 6th consecutive year. Thirteen primary schools from across the country participated in the competition which promotes and encourages the development of the students' musical talent.

In December, BEL employees teamed up to provide 46 Christmas hampers filled with food items for deserving families countrywide. On the morning of Christmas, employees and their families served breakfast to homeless persons in Belize City and distributed toys for underprivileged children in the urban area. The Company continues to support and promote these employee driven initiatives.

BEL strives to remain in the public forefront as a safety-conscious entity and continued to educate and sensitize the public on key safety tips relating to power line safety, hurricane and kite flying. Electrical safety presentations were conducted at several primary schools in the Corozal, Belize and Cayo Districts and safety information was also shared with participants of a public meeting in Bella Vista, Toledo and at a Customer Information Day in Placencia.

The Company demonstrated its environmental stewardship by recognizing the annual International Earth Day and consequently employees participated in a clean up along the Western Highway which was organized by the Belize Audubon Society.

Other institutions that benefited from BEL's Community Involvement Program included Lifeline Foundation, King's Children Home, Rotary Club of Belmopan and Excelsior Alumni Association.

Audited Financial Statements

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Partners:

Giacomo Sanchez, CPA
Claude Burrell, CPA CISA

Consultant:

Julian Castillo, CA

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Belize Electricity Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Belize Electricity Limited, which comprise the balance sheets as at December 31, 2011 and 2010, statements of income and retained earnings and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Belize Electricity Limited as at December 31, 2011 and 2010 and of its financial performance and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

February 3, 2012

BALANCE

SHEET

DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

	Notes	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and short term investments		\$ 9,174	\$ 5,340
Accounts receivable	1h & 2	16,440	17,856
Inventories	1g & 4	17,720	6,162
Prepayments and deferred expenses	3	1,315	990
		<u>44,649</u>	<u>30,348</u>
PROPERTY, PLANT AND EQUIPMENT - net	1f & 5	445,143	444,683
INTANGIBLE ASSETS	11g & 6	715	1,872
		<u>445,858</u>	<u>446,555</u>
TOTAL		\$ 490,507	\$ 476,903
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	8	\$ 46,298	\$ 24,664
Cost payable to customers	1b, 1c & 17	61,602	57,484
Current portion of long-term debt	10	6,653	12,347
Current portion of debentures	11	16,948	-
Corporate tax payable	14	814	774
		<u>132,315</u>	<u>95,269</u>
LONG-TERM LIABILITIES			
LONG-TERM DEBT	10	12,139	18,435
DEBENTURES	11	52,363	69,311
		<u>64,502</u>	<u>87,746</u>
CONSUMER DEPOSITS	1n	7,373	7,125
SHAREHOLDERS' EQUITY			
Ordinary shares	12	138,046	138,046
Additional paid in capital		5,741	5,741
Capital contribution	1k & 16	33,190	31,722
Insurance reserve	17	5,000	5,000
Retained earnings		104,340	106,254
		<u>286,317</u>	<u>286,763</u>
TOTAL		\$ 490,507	\$ 476,903

TOTAL


Rodwell Williams

Chairman of the Board


Jeffrey Locke

Chief Executive Officer

The notes on pages 21 - 37 are an integral part of these financial statements.

STATEMENT OF INCOME

& RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
ELECTRICITY REVENUES	1d & 17	\$ 191,535	\$ 190,526
COST OF POWER		(133,689)	(133,577)*
		57,846	56,949
OTHER REVENUE		5,979	5,722
OPERATING EXPENSES		(28,491)	(28,781)*
DEPRECIATION AND AMORTIZATION	5 & 6	(16,926)	(16,014)
FINANCE CHARGES	10	(13,810)	(11,934)
GAIN ON FOREIGN EXCHANGE	1e & 10	19	284
NET EARNINGS BEFORE TAXES		4,617	6,226
CORPORATE TAX	1j & 14	(2,735)	(2,778)
EARNINGS APPLICABLE TO SHAREHOLDERS		\$ 1,882	\$ 3,448
EARNINGS PER SHARE (BASIC & DILUTED)	1i & 15	\$ 0.03	\$ 0.05
RETAINED EARNINGS, BEGINNING OF YEAR		\$ 106,254	\$ 102,806
Net earnings		1,882	3,448
Dividends		(3,796)	-
RETAINED EARNINGS, END OF YEAR		\$ 104,340	\$ 106,254

*Reclassified for comparative purposes.

The notes on pages 21 – 37 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

	<u>2011</u>	<u>2010</u>
CASH FROM OPERATIONS:		
NET EARNINGS	\$ 1,882	\$ 3,448
ITEMS NOT AFFECTING CASH:		
DEPRECIATION AND AMORTIZATION (NET)	16,926	16,014
EXCHANGE GAIN ON LONG-TERM DEBT	(19)	(284)
CHANGE IN WORKING CAPITAL	27,019	14,269
	<u>45,808</u>	<u>33,447</u>
CASH USED IN INVESTING:		
ACQUISITION OF PLANT AND EQUIPMENT	(31,331)	(44,250)
ACQUISITION OF INTANGIBLE ASSETS	(140)	(122)
	<u>(31,471)</u>	<u>(44,372)</u>
CASH USED IN FINANCING:		
PAYMENT OF DEBT	(11,971)	(11,336)
CAPITAL CONTRIBUTION	1,468	2,488
DEBENTURES REDEEMED	-	(161)
	<u>(10,503)</u>	<u>(9,009)</u>
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	3,834	(19,934)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>5,340</u>	<u>25,274</u>
CASH AND SHORT -TERM INVESTMENTS, END OF YEAR	<u>\$ 9,174</u>	<u>\$ 5,340</u>
ITEMS PAID BY CASH:		
Interest	<u>\$ (8,263)</u>	<u>\$ (9,051)</u>
Taxes	<u>\$ (10,213)</u>	<u>\$ (8,022)</u>

The notes on pages 21 – 37 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

1. **Status and Summary of Significant Accounting Policies**

Status

Belize Electricity Limited [the “Company”] is a public company incorporated in Belize on October 5, 1992 to carry on the business of generating and supplying electricity to the public. The Company 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 prescribed under the Electricity [Amendment] Act No. 4 of 2011 of the Substantive Laws of Belize. As at December 31, 2011 the Company’s major shareholders are the Government of Belize and the Belize Social Security Board.

Significant accounting policies / regulations

Accounting policies conform to Canadian generally accepted accounting principles [Canadian GAAP] and to accounting requirements established from time to time by the Public Utilities Commission of Belize [PUC].

- a. **Accounting Standards and Interpretations** - In February 2008, the Canadian Accounting Standards Board [“AcSB”] confirmed that the use of International Financial Reporting Standards [IFRS] will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The AcSB subsequently approved an optional one-year deferral of mandatory IFRS changeover date for entities with rate-regulated activities. The Company has elected to implement IFRS with effect from January 1, 2012. The adoption date of January 1, 2012 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2011 and of the opening balance sheet as at January 1, 2012.
- b. **Regulation** -The Electricity Act, Chapter 221 and Statutory Instrument No. 145 of 2005, Electricity [Tariffs, Charges and Quality of Service] Bye-laws 2005 of the Laws of Belize regulates and makes provision for electricity services in Belize and provides specific powers to the Commission 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 serve as the regulator for the electricity sector 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.

Basic electricity rates of the Company are normally comprised of three components. The first component is Value Added of Delivery [“VAD”], the second is cost of fuel and purchase power [“COP”], including the variable cost of generation, which is a flow through in customer rates and the third is the deferred cost of power recovery/rebate component. The VAD component of the tariff allows the Company to recover its operating expenses, transmission and distribution

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

1. Status and Summary of Significant Accounting Policies (continued)

expenses, taxes and depreciation, and assumes a rate of return on regulated asset base, in the range of 10 per cent to 15 per cent. The Company undergoes annual rate proceedings and full rate proceedings, every four years, to determine Mean Electricity Rate (MER), Tariff and Fees based on estimated VAD and COP components of electricity rates and any rate stabilization account ["RSA"] component. This regulatory account is classified under other assets or liabilities. Threshold Event Review Proceedings can occur when deferrals of cost of power into the RSA exceed a threshold level.

- c. **Rate Setting Mechanism (Annual & Full Tariff Period Corrections)** - The Electricity (Tariffs, Fees and Charges) Bye-laws include a rate stabilization mechanism. The Company's tariffs are approved by the PUC based on certain forecasts and assumptions with respect to cost of service, sales and quality of service. At the completion of annual and full tariff period reviews, the Company's rates are adjusted based on the latest forecasts and assumptions. These rate adjustments also incorporate corrections for differences between the actual results and the last set of assumptions/forecasts laid out in the relevant rate order delivered.

In the absence of this mechanism, these costs would not be deferred but would be recorded in the income statement in the period in which they were incurred.

Rate Stabilization Account/Cost Receivable from (Payable to) Customers - The Company has been deferring excess costs of fuel, power purchases, and diesel operating and maintenance expenses, plus interest on the account balances, to be recovered from or rebated to customers over four years.

An account known as the CPRSA was established to regulate the manner in which these excess costs of power and changes in the CPRSA are passed on to customers.

On July 1 of each year, the rate charged to customers is recalculated to reflect changes in the account from year to year. No changes were made to rates in 2011 and 2010 because of an injunction, which prohibited the PUC from setting any new rates. BEL has since applied for and lifted the injunction in September 2011. [See note 17].

- d. **Sale of electricity** - Sale of electricity is recognized on a twelve-month basis of meter readings taken during the financial year. Revenue in respect of unread consumption of electricity at December 31 is included in income of the subsequent financial year on a consistent basis.

Revenue for 2011 includes \$10.7 million (2010 - \$10.4 million) billed to customers in 2011 for electricity provided for in December of 2010. An estimated \$10.2 million (2010 - \$10.7 million) in electricity sales was provided in December of 2011, but billed and recorded as revenue in 2012.

- e. **Foreign currency translation and exchange gains and losses** - Foreign currency transactions are converted at the rate prevailing on the transaction date. Foreign currency balances at year-end are converted at the rates of exchange at that date with realized and unrealized exchange gains and losses included in net income [See Note 10].

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

1. Status and Summary of Significant Accounting Policies (continued)

- f. **Property, plant and equipment and depreciation** - Property, plant and equipment are carried at cost and, with the exception of land and assets under construction, are depreciated under the straight line basis over their estimated useful lives which, for the major classes of assets, are as follows:

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

Maintenance and repairs are expensed as incurred. Expenditures, which significantly increase value or extend useful asset life, are capitalized. The Company has adopted the composite depreciation policy whereby the cost of plant and equipment retired, less salvage value, is charged to accumulated depreciation.

On construction projects, interest at varying rates is capitalized and included as a cost in the appropriate property accounts [See Note 10].

Capital expenditures include overhead costs attributable to capital assets constructed during the year.

- g. **Inventories** - Inventories include materials, fuel and supplies used in the operations of the Company. Inventories are valued at the lower of cost and net realizable value, cost being determined on the weighted average cost method. Full provision is made against materials specifically identified as damaged or obsolete.
- h. **Provision for doubtful debts** - Full provision is made in respect of disconnected consumer accounts after application of consumer security deposits, and a 3% general provision is made against active accounts net of deposits.
- i. **Earnings per share** - Basic earnings per share is calculated by dividing net income applicable to ordinary shares by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing net income applicable to ordinary shares by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares. As of December 31, 2011 the Company does not have any potential dilutive shares.
- j. **Corporate tax / business tax** - The Company records corporate tax as paid in the year. Deferred income tax does not arise from the recording of corporate tax [See Note 14].
- k. **Capital contributions** - Contributions towards costs of constructing assets are recorded as capital contributions and amortized over the useful life of the related asset [See Note 1q and 16].

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

1. Status and Summary of Significant Accounting Policies (continued)

- l. Intangible assets** – Intangible assets include transmission rights. The transmission rights have a finite life and are accounted for using the cost model. In the application of the cost model, transmission rights are amortized over the 15-year life of the power purchase contract, which commenced in 1998.

Software costs are also included in Intangible Assets. Software costs have a finite life and are accounted for using the cost model. In the application of the cost model, software costs are amortized over the useful life of the software, five to ten years.

Intangibles are tested for impairment annually and more frequently when there are changes in events and or circumstances that may cause an immediate impairment. Impairment test includes comparing the current carrying value to the fair value of the intangible asset at the point of evaluation. Reversals of impairments are not permitted under Canadian GAAP.

- m. Pension costs** – A defined contribution plan is in effect for management and non-management staff. Pension costs are determined based on defined contributions to the plan that are funded by the Company. The scheme is administered by a separate Board of Trustees and the funds are held separately from those of the Company. Pension expense for the scheme amounted to \$893,912 in 2011 [\$829,274 in 2010].
- n. Consumer deposits** – The Company collects a deposit from customers for the provision of electrical services which is held as security against energy consumed.
- o. Use of accounting estimates** – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

2. Accounts Receivable

	<u>2011</u>	<u>2010</u>
Consumers	\$ 15,171	\$ 15,692
Government of Belize [GOB]	2,780	2,135
Other	<u>2,483</u>	<u>2,908</u>
	20,434	20,735
Less: provision for doubtful debts	<u>(3,994)</u>	<u>(2,879)</u>
	<u>\$ 16,440</u>	<u>\$ 17,856</u>

3. Prepayments and Deferred Expenses

	<u>2011</u>	<u>2010</u>
Insurance	\$ 1,091	\$ 556
Other deferred charges	<u>224</u>	<u>434</u>
	<u>\$ 1,315</u>	<u>\$ 990</u>

4. Inventories

	<u>2011</u>	<u>2010</u>
Bulkstores	\$ 18,813	\$ 5,020
Fuel and oil	<u>1,093</u>	<u>1,160</u>
	19,906	6,180
Less: provision for damaged and obsolete spares	<u>(2,186)</u>	<u>(18)</u>
	<u>\$ 17,720</u>	<u>\$ 6,162</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

5. Property, Plant and Equipment

	Land & buildings	Plant, machinery and equipment	Assets under construction	Total
Cost				
January 1, 2011	\$ 18,200	\$ 498,226	\$ 38,588	\$ 555,014
Additions	-	-	31,331	31,331
Transfers	1,773	28,296	[30,069]	-
Disposals	-	[15,649]	-	[15,649]
Reclassifications	-	[5,094]	[6,549]	[11,643]
December 31, 2011	19,973	505,779	33,301	559,053
Accumulated Depreciation				
January 1, 2011	6,120	104,211	-	110,331
Additions	515	18,324	-	18,839
Disposals	-	[15,260]	-	[15,260]
December 31, 2011	6,635	107,275	-	113,910
Net Book Value				
December 31, 2011	\$ 13,338	\$ 398,504	\$ 33,301	\$ 445,143
December 31, 2010	\$ 12,080	\$ 394,015	\$ 38,588	\$ 444,683

Depreciation expense shown in the statement of income for 2011 is reduced by \$1,912,421 [\$2,213,903 – 2010] representing amortization of capital contribution, other depreciation expense recoveries and amortization of intangible assets.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

6. Intangible Assets

	Computer Software	Transmission Rights	Total
Cost			
January 1, 2011	\$ 5,980	\$ 2,757	\$ 8,737
Additions	140	-	140
December 31, 2011	<u>6,120</u>	<u>2,757</u>	<u>8,877</u>
Accumulated Amortization			
January 1, 2011	4,651	2,214	6,865
Additions	1,152	145	1,297
December 31, 2011	<u>5,803</u>	<u>2,359</u>	<u>8,162</u>
Net Book Value			
December 31, 2011	<u>\$ 317</u>	<u>\$ 398</u>	<u>\$ 715</u>
December 31, 2010	<u>\$ 1,329</u>	<u>\$ 543</u>	<u>\$ 1,872</u>

7. Bank Overdraft

The Company has a \$1,000,000 unsecured overdraft facility with the Belize Bank Limited. The facility bears annual interest of 14% and is payable on demand. During 2010, the Company maintained a \$5,000,000 overdraft facility with Scotiabank (Belize) Limited secured by an equitable mortgage over the Company's headquarters on the Northern Highway and Magazine Road real estate. This facility bore annual interest of 15% and was payable on demand.

8. Accounts Payable and Accruals

	<u>2011</u>	<u>2010</u>
Trade Payables	\$ 36,113	\$ 17,946
Accrued interest	180	307
Dividends Payable	3,796	-
Other	6,209	6,411
	<u>\$ 46,298</u>	<u>\$ 24,664</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

9. Related Party Transactions

	<u>2011</u>	<u>2010</u>
Due from Related Parties:		
Government of Belize	<u>\$ 2,780</u>	<u>\$ -</u>
Due to Related Parties:		
Belize Electric Company Limited (BECOL) - Power Purchases	\$ -	\$ 8,688
Fortis Inc.	-	267
	<u>\$ -</u>	<u>\$ 8,955</u>

The following information reflects transactions with related parties for BECOL and Fortis Inc. during the period January 1 to June 20, 2011. These entities ceased to be related parties on June 20, 2011 when the Government of Belize assumed control of the Company. Thereafter, related party transactions are with the Government of Belize starting June 21, 2011.

	<u>Government of Belize</u>	<u>BECOL</u>	<u>Fortis Inc.</u>
Energy Purchases	\$ -	\$ 15,856	\$ -
Miscellaneous reimbursable expenses:			
Intercompany invoicing to BEL	\$ -	\$ -	\$ 814
BEL invoicing to intercompany	\$ 13,973	\$ 99	\$ -

10. Long - Term Debt

1. Government of Belize:

- | | |
|--|---|
| <p>a. <u>Loan No. 3776A/S BEL:</u>
Unsecured loan of US\$11,400,000 from the International Bank for Reconstruction and Development (IBRD) for on lending to the Company, approved as part of the Power II Project. Repayment is by 23 equal semi-annual installments of US\$480,000, which commenced February 15, 2000, and a final installment of US\$460,000 on August 15, 2011. Interest is 0.5% per annum above the Bank's "Cost of Qualified Borrowings" as defined in the loan agreement. Loan has been repaid in full.</p> | <p>\$ -</p> <p>\$ 1,166</p> |
|--|---|

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

10. Long - Term Debt (continued)

2011

2010

1. Government of Belize:

b. Loan No. 7.0971/2:

\$ **2,159** \$ 2,948

Unsecured loan of EURO 3,700,000 from European Investment Bank for on lending to the Company, approved as part of the Power II Project. Repayment is by 15 annual installments, which commenced May 31, 2000. The loan bears interest at 5% per annum.

c. Loan No. 14/OR-BZ:

6,473 8,197

Unsecured loan of 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, which commenced February 5, 2000. At the end of 2008, the entire loan balance was converted to US dollars. Repayment of US\$127,984 and US\$86,812 are made quarterly since December 2008. The loan bears interest at 3.66 % [2010 - 4.50%] per annum.

2. RBTT Merchant Bank Limited:

603 1,723

Loan facility granted on October 1, 2002 for US\$14,031,358 to finance the Gas Turbine Generator Project. The loan is comprised of two tranches - Tranche A for US\$9,003,087 repayable in 14 semi-annual installments commencing October 2003 at 5.75% interest per annum and Tranche B for US\$5,028,271 repayable in 18 semi-annual installments commencing October 2003 at 8.15% per annum. The loan is secured by a debenture over the assets comprising the project. Tranche A of the loan has been repaid in full.

3. The Bank of Nova Scotia (Canada):

9,557 12,748

Loan of US\$10,152,591 guaranteed by the Export-Import Bank of the United States for the upgrade/refurbishment of the existing electrical grid in Belize. Loan was fully drawn down in 2008. Repayment is by 14 equal semi-annual installments commencing February 25, 2008. The loan bears interest at the prevailing six-month LIBOR plus 0.50% margin per annum.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

10. Long - Term Debt (continued)

2011

2010

4. Scotiabank & Trust (Cayman) Limited:

\$ - \$ 4,000

Unsecured, non-revolving term loan of US\$3,000,000 for the financing of other cost related to the upgrade/ refurbishment of the existing electrical grid in Belize. Repayment was by one bullet payment of principal at maturity on December 15, 2010 (subject to refinancing). On December 15, 2010, US\$1,000,000 of principal was repaid and the remaining US\$2,000,000 was refinanced. Loan has been repaid in full.

Total:

18,792

30,782

Less: Current installments

(6,653)

(12,347)

\$ 12,139

\$ 18,435

The loans are repayable as follows:

2012	\$6,653
2013	5,633
2014	5,635
2015	697
2016	174
	<u>\$18,792</u>

Loan No. 7.0971/2 is denominated in Euro. For the year 2011, net \$18,850 in foreign exchange gains [\$284,436 foreign exchange gains - 2010] has been recorded based on periodic revaluations of the loan.

Interest capitalized during the year ended December 31, 2011 relating to capital expansion projects amounted to \$2,167,062 [\$2,378,231 - 2010].

Finance charges

2011

2010

Interest - long-term debt

\$ **912**

\$ 1,605

Interest - other

7,335

7,299

Interest on CPRSA and other interest charges (recoveries)

7,730

5,408

Interest capitalized

(2,167)

(2,378)

\$ 13,810

\$ 11,934

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

11. Debentures

	<u>2011</u>	<u>2010</u>
Series I:	\$ 16,948	\$ 16,948
12,391 unsecured debentures of \$76 each and 160,065 unsecured debentures of \$100 each to mature December 31, 2012 with interest payable quarterly at 12% per annum.		
Series II:	19,372	19,372
193,718 unsecured debentures of \$100 each to mature March 31, 2021 with interest payable quarterly at 9.5% per annum.		
Series III:	24,788	24,788
247,890 unsecured debentures of \$100 each to mature July 31, 2022 with interest payable quarterly at 10% per annum.		
Series IV:	8,203	8,203
82,026 unsecured debentures of \$100 each to mature September 30, 2027 with interest payable quarterly at 10% per annum.		
	<u>69,311</u>	<u>69,311</u>
Less: current maturities	<u>(16,948)</u>	<u>-</u>
	<u>\$ 52,363</u>	<u>\$ 69,311</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

11. **Debentures (continued)**

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

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

The Series III debentures can be called by the Company at any time after August 31, 2009 until maturity by giving holders not more than 60 days or not less than 30 days written notice, and are repayable at the option of the holders at any time on or after August 31, 2009 after giving 12 months written notice to the Company. Redemption by agreement between the Company and the Debenture holder at any time is also allowed.

The Series IV debentures can be 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 are 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.

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.

The issue of Series IV debentures was suspended in June 2008 as a result of the Company not meeting at the time an interest coverage ratio level required for the issuance of new debt. The debenture interest reinvestment plan which allowed debenture holders to reinvest their interest on their debentures in additional debentures was also suspended during the second quarter of 2008. The issue of Series IV debentures remains suspended as a result of being offside a return on asset ratio covenant contained in other loan agreements. [See Note 17].

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

12. Share Capital

	<u>2011</u>	<u>2010</u>
Ordinary shares:		
Authorized 100,000,000 shares of \$2.00 each	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Issued and fully paid 69,023,009 shares of \$2.00 each	<u>\$ 138,046</u>	<u>\$ 138,046</u>
Convertible redeemable preference shares:		
Authorized 12,000,000 shares of \$2.00 each	<u>\$ 24,000</u>	<u>\$ 24,000</u>

13. Special Share

Special rights redeemable preference share:

Authorized, issued and fully paid 1 share of \$1.00.

Rights attached to the Special Share:

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

Voting - the holder of the Special Share is entitled to receive notice of, and to attend and speak at, any general meeting or any meeting of any class of shareholders of the Company, but the Special Share does not carry a right to vote 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

14. Corporate Tax

The Company pays tax under the Income and Business Tax Act of Belize. On April 1, 2010, the tax rate increased from 1.75% to 6.50% of gross revenues. The additional 4.75% was paid and was being deferred to the CPRSA account. Income tax is charged at the rate of 25% but is now capped at a Business Tax rate of 6.50% of gross revenues as of April 1, 2010.

15. Earnings per share (basic and diluted)

	<u>2011</u>	<u>2010</u>
Net earnings applicable to shareholders	\$ <u>1,882</u>	\$ <u>3,448</u>
Shares outstanding [Weighted Average]	<u>69,023,009</u>	<u>69,023,009</u>
Earnings per share [basic and diluted]	\$ <u>0.03</u>	\$ <u>0.05</u>

16. Capital Contributions

Capital contributions are customer contributions towards capital installation costs including Government of Belize contributions towards rural electrification programs.

	<u>2011</u>	<u>2010</u>
Capital contributions brought forward	\$ <u>40,146</u>	\$ 36,794
Additions	<u>2,415</u>	<u>3,352</u>
Capital contributions carried forward	<u>42,561</u>	<u>40,146</u>
Amortization brought forward	<u>8,424</u>	7,560
Additions	<u>947</u>	<u>864</u>
Amortization carried forward	<u>9,371</u>	<u>8,424</u>
Capital contributions - net	\$ <u>33,190</u>	\$ <u>31,722</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

17. **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, 2011, the Company was in compliance with these covenants except for Caribbean Development Bank return on net fixed assets financial loan covenant and Section 6.06 [d] of the CDB loan agreement, which requires CDB's no objection prior to new appointments to key positions in the Company.

Since 2009, the Company had filed injunctions in the Courts prohibiting the PUC from setting any new tariffs. This action prohibited the Company from seeking an increase in the VAD to offset any increase in expenditure, thereby resulting in an erosion of its net income. On the other hand, the Company has more than doubled its net fixed assets since the signing of the CDB Loan in 2000. The financial impact of these actions cause the Company not to meet the financial loan covenant noted above. In September 2011, the Company successfully applied to the Courts to lift the injunction on the PUC and has since applied to the PUC for adjustments in the Tariff that will allow for an increase in VAD. In June 2011, the Company requested a waiver from CDB to which there was no response. In December 2011, the Company again requested a waiver and is awaiting a formal response. It has informally notified the local banks of its intention to reopen discussions about new borrowing once the CDB waiver is granted.

Self-Insurance - The insurance coverage of the Company's transmission and distribution assets was discontinued in 1994 due to a limitation in the availability and a significant increase in the cost of this insurance. In 1995, the Company approved a self-insurance plan for transmission and distribution assets for a total of \$5,000,000 and earmarked \$500,000 of retained earnings per annum to be set aside for this plan. As at December 31, 2004, \$5,000,000 of retained earnings has been appropriated. The Company had established a stand-by secured non-revolving line of credit of \$5,000,000 to cover this self-insurance. However, this facility is no longer in place.

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.

Cost payable to customers - The PUC regulates the recovery of the balance in the CPRSA and related accounts. The reference Cost of Power component \$/kWh was \$0.312 in 2011. The accounts were adjusted to reflect this as per the table located on page 36. The Company has applied to the PUC requesting information on the approved balance as of December 2011 on this account. An official response is expected in early 2012. The PUC's final decision regarding this account may have material effect on the Company's financial position or results of operations.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

(In Belize thousands of dollars)

17. Commitments and Contingencies (continued)

Summary of Cost Receivable from [Payable to] Customers:

(In Belize thousands of dollars)

	Excess COP Account	Excess Revenues Due to Customers	CPRSA	Recoverable Excess Business Tax	TOTAL
Balance, January 1, 2010	\$ (43,634)	\$ 17,030	\$ (11,032)	\$ -	\$ (37,636)
Amount Deferred	(22,303)	-	-	5,805	(16,498)
Interest Earned	(6,574)	4,243	(3,381)	-	(5,712)
Amount Refunded [Recovered]	-	36,656	(34,294)	-	2,362
Balance, December 31, 2010	\$ (72,511)	\$ 57,929	\$ (48,707)	\$ 5,805	\$ (57,484)
Amount Deferred	(5,102)	-	-	7,518	2,416
Interest Earned	(9,008)	9,162	(7,978)	-	(7,824)
Amount Refunded [Recovered]	-	36,850	(35,560)	-	1,290
Balance, December 31, 2011	\$ (86,621)	\$ 103,941	\$ (92,245)	\$ 13,323	\$ (61,602)

The 2008 tariff decision included a \$36.2 million negative correction to tariffs.

The Company challenged the PUC 2008 tariff decision and the Rate Setting Methodology it was based on in the Supreme Court of Belize. In 2011, the Court ruled in favor of the PUC, and BEL appealed the Supreme Court Decision. This matter is still pending.

Summary of Contractual Obligations:

(In Belize millions of dollars)

	TOTAL	2012	2013 - 2016
Long-term debt	88.1	23.6	64.5
Purchase obligation - energy [BECOL]	241.0	46.6	194.4
Purchase obligation - energy [Belcogen]	84.9	15.7	69.2
Purchase obligation - energy [Hydro Maya]	15.9	1.6	14.3
Interest obligations on LTD. and Debentures	66.3	7.5	58.8
Total Obligations	496.2	95.0	401.2

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 | 2010

[In Belize thousands of dollars]

18. Financial Instruments

Fair value: The carrying amounts of cash, receivables, trade, other payables and short-term debt at the balance sheet date represent best estimates of fair values because of the relative short-term maturities of these assets and liabilities. Long-term obligations were contracted at market terms. Due to the unavailability of a long term market in the country current fair values of long term obligations are not determinable.

19. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

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	14%
Residential customers	52%
Commercial customers	30%
Industrial customers	4%

Management mitigates this type of risk by regularly enforcing a customer deposit policy based on the level of risk exposure.

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.

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. The Company is subject to numerous factors including result of operations, change in rate setting regulations and conditions in bank and credit markets and general economic conditions.

To mitigate Liquidity risk, the Company is legally challenging adverse regulatory decisions and has not acquired any new debt.

20. Subsequent Events

On January 12, 2012, the PUC issued its initial tariff decision for the Full Tariff Period (FTP) July 1, 2009 to June 30, 2016. This decision results in a new average tariff effective February 1, 2012 which reduces the mean electricity rate from \$0.441 to \$0.418 [See also note 17].

The Company has engaged in a fixed assets audit, both for the entire transmission and distribution system and other PP&E. This audit is expected to be completed in late 2012. The outcome of this audit may have material effect on the Company's financial position or results of operations.

YEARS ENDED DECEMBER 31

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
FINANCIAL STATISTICS											
[Belize thousands of dollars except as noted]											
Energy Revenues	191,535	190,526	186,566	140,577	159,607	149,577	120,540	105,512	101,420	96,017	90,799
Net Profit [Loss]	1,882	3,448	8,895	[10,838]	29,864	26,084	18,883	15,822	14,079	13,045	12,061
Net Fixed Assets	445,143	444,683	418,704	393,831	372,834	340,737	322,163	310,536	296,609	252,658	238,070
Capital Expenditures	24,923	44,372	43,325	41,652	47,119	32,046	25,203	25,512	53,964	29,095	39,029
Total Assets	490,507	476,903	472,267	435,257	429,738	408,953	373,673	346,472	338,120	297,518	276,954
Long Term Debt	12,139	18,435	26,521	44,155	44,245	49,593	75,276	89,576	107,465	88,394	88,406
Debentures	69,311	69,311	69,473	69,570	66,829	60,317	56,016	53,062	49,346	38,394	36,615
Shareholders' Equity (excluding Contributed Capital)	253,127	255,041	251,593	242,698	257,333	242,654	154,721	136,096	120,546	108,040	100,490
Performance Indicators											
Rate of Return on Net Fixed Assets	3.8%	3.8%	4.9%	-1.1%	10.3%	10.5%	9.6%	8.3%	8.8%	9.1%	9.5%
Rate of Return on Shareholders' Equity	0.7%	1.4%	3.6%	-4.3%	11.9%	13.1%	13.0%	12.3%	12.3%	12.5%	12.5%
Earnings [Loss] per share (\$)	0.03	0.05	0.13	[0.16]	0.43	0.48	0.59	0.53	0.50	0.47	0.44
OPERATING STATISTICS											
Sales (MWh)											
Industrial & Commercial	152,239	159,921	158,452	158,992	143,118	132,553	123,701	116,075	109,075	98,509	117,828
Residential	251,764	241,777	234,596	224,030	214,925	203,361	202,419	189,498	175,817	159,229 ¹	119,144
Street Lighting	24,486	24,535	24,326	23,963	23,716	23,679	23,606	24,404	22,661	21,208	19,743
Total	428,490	426,233	417,374	406,985	381,759	359,593	349,726	329,977	307,553	278,946	256,715
Customer Accounts (numbers)											
Industrial, Commercial & Street Lighting	720	730	724	725	699	678	594	537	532	453	484
Residential	78,007	76,316	74,819	73,492	71,992	70,279	68,041	65,544	62,544	59,362	56,599
Total	78,727	77,046	75,543	74,217	72,691	70,957	68,635	66,081	63,076	59,815	57,083
Net Generation (MWh)											
Net Diesel Generation	6,910	7,608	18,760	10,704	36,078	30,136	81,553	78,850	97,889	46,491	43,367
Purchased Power - BECOL	232,081	249,564	179,949	191,589	166,727	177,733	68,275	63,215	61,154	88,243	91,374
Purchased Power - HydroMaya	12,518	13,586	7,760	12,898	10,676	-	-	-	-	-	-
Purchased Power - BAL	-	4,461	48,781	-	-	-	-	-	-	-	-
Purchased Power - Belcogen	70,720	48,175	1,330	-	-	-	-	-	-	-	-
Purchase Power - CFE	170,612	159,876	216,233	248,396	225,227	209,814	253,995	235,796	188,714	180,510	158,634
Total	492,841	483,270	472,813	463,587	438,708	417,683	403,823	377,861	347,757	315,244	293,375
Other											
Losses	13.1%	11.8%	11.7%	12.2%	13.0%	13.9%	13.4%	12.7%	11.5%	11.5%	12.5%
Peak Demand [MW]	79.3	80.6	76.2	74.3	70.0	66.6	63.5	61.1	57.4	53.7	49.3
Installed Capacity [Diesel Plant] [MW]	28.3	32.3	33.7	37.0	36.2	36.9	43.5	43.6	49.3	27.0	27.0
Employees [number]	276	290	283	261	260	243	244	248	242	237	244
¹ Adjusted to reflect reclassification of certain Commercial Customers to Residential. Certain comparative figures may have been reclassified to confirm with the current year's presentation.											

CORPORATE DIRECTORY

INVESTOR INFORMATION

BOARD OF DIRECTORS

Rodwell Williams Chairman
Dr. Carla Barnett
Santiago Castillo
Anuar Flores
Dennis Jones
Jeffrey Locke
Louis Lue
John Mencias
Anthony Michael
Juan Polanco
Dylan Reneau

SENIOR MANAGERS

Sean Fuller Senior Manager, Information Systems and Customer Care
Ernesto Gomez Senior Manager, Energy & Materials Supply
Jose Moreno Senior Manager, Transmission & Distribution
Rolando Santos Senior Manager, System Planning & Engineering
Betty Tam Senior Manager, Finance & Human Resources

COMPANY SECRETARY

Dawn Sampson Nuñez

CORPORATE ADDRESS

Belize Electricity Limited
2 ½ Miles Northern Highway
P.O. Box 327
Belize City, Belize
Central America

FISCAL AGENT

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

SHAREHOLDER SERVICES

For general information, shareholder publications and other requests, please contact:
Manager, Corporate Services and Company Secretary
Belize Electricity Limited
2 ½ Miles Northern Highway
P.O. Box 327
Belize City, Belize
Central America

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.

