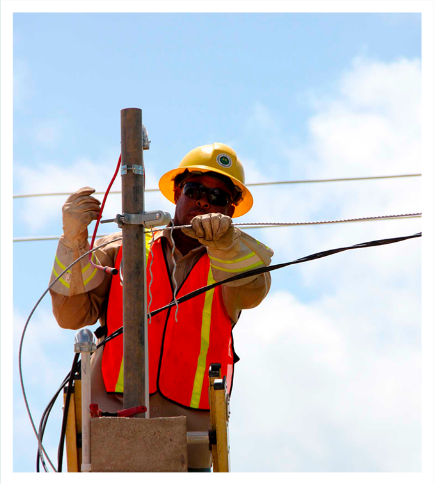
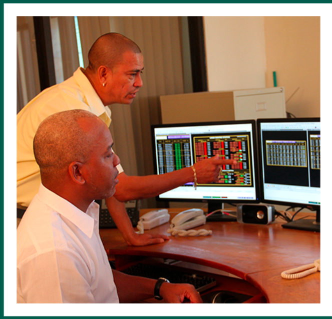
Belize Electricity Limited





Annual Report 2013

Mission

To provide reliable electricity at the lowest sustainable cost, stimulate national development and improve the quality of life in Belize.

Values

Reliability, Integrity, Teamwork, Respect, Passion for Excellence.

Vision

A Model of Excellence.

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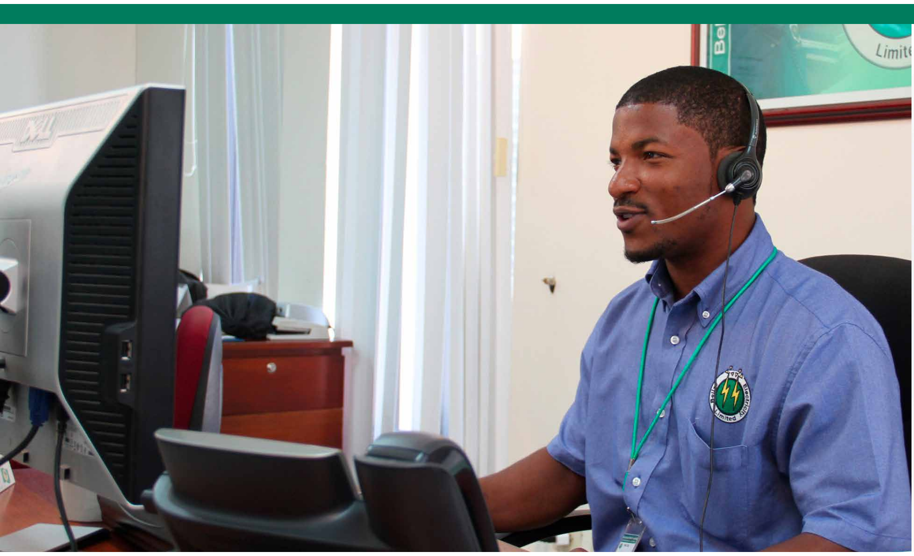
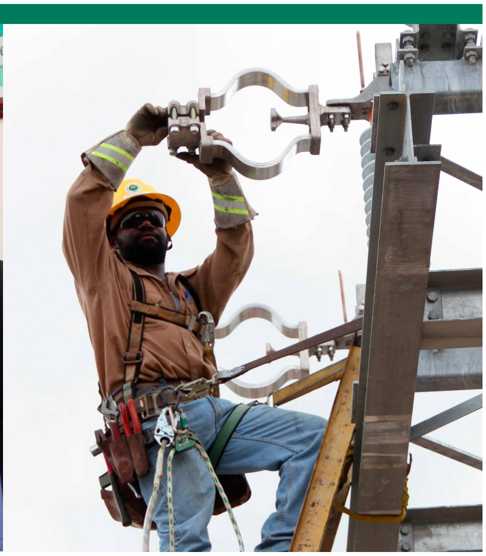




Corporate Profile

Belize Electricity Limited (BEL) is the primary distributor of electricity in Belize, Central America. Aggregate annual energy sold was approximately 484,000 megawatt hours (MWh) in 2013. The Company serves a customer base of approximately 82,400 accounts or 65,067 customers and in 2013 met a peak power demand of approximately 84.3 megawatts (MW) mainly from independent power producers utilizing multiple energy sources. All major municipalities (load centers) are connected to the country's national electricity system, except for Caye Caulker. Since 1998, the national electricity grid has been interconnected with Mexico's national electricity grid, allowing BEL to expand its power supply by 50 MW. BEL has an installed generating capacity of 24 MW and owns approximately 1,820 miles of transmission and distribution lines. The Government of Belize and the Social Security Board currently hold 70.2 per cent and 26.9 per cent, respectively, of the ordinary shares issued by the Company. The remaining ordinary shares are held by just over 1,500 small shareholders.

Board of Directors

Report
to Shareholders

Over the past three years, Belize Electricity Limited's (BEL) primary challenge has been to dramatically improve its cash position and pay its bills in order to ensure sustainability. In the face of this daunting challenge, the Company also changed course and embraced a new mission which focuses on spurring national development and improving the quality of life in Belize. Key to achieving this mission is the commitment of the Company's employees to provide reliable electricity at the lowest sustainable cost.

In 2013, the Company was able to recover from extremely high cost of power and continued to deliver the lowest incidence of power interruptions on record for two consecutive years, whilst netting a significant increase in return on shareholders' investment.

At the close of 2013, the Company recorded earnings of $18.7 million compared to a loss of $16.0 million in 2012. Consequently, the Company's Board of Directors has approved $5.5 million in dividend payment to Shareholders on record as of December 31, 2013. This represents a 60 per cent increase in dividend payment compared to 2012.

In 2013, there was a significant reduction in the cost of energy purchased from Mexico, partially due to an abnormal increase in rainfall levels, resulting in a 4 cents per kilowatt-hour (kWh) reduction in the average cost of power during the year compared to 2012. This reduction in cost of power, along with the 16 per cent increase in electricity rates and an increase in sales, were the main contributors to the extraordinary increase in the Company's earnings.

One immediate beneficiary of lower cost of power must always be customers; therefore on December 10, 2013, BEL applied for a reduction in electricity rates and the Public Utilities Commission (PUC) approved a 4.2 per cent reduction in the Mean Electricity Rate (MER) to 44.6 cents per kilowatt hour (kWh), effective January 1, 2014.

Earnings in 2013 were impacted negatively by adjustments made to the financial reports as a result of the comprehensive Fixed Asset Audit Exercise which commenced in 2011. The impact of these adjustments was an $18.8 million reduction in net earnings.

In addition to recording earnings above target and recording low power interruptions, 2013 was a very productive year for the Company as numerous initiatives were rolled out in various areas of operations in support of the newly established mission, vision and values. During the year, the Company enhanced its service delivery, improved staff competencies and ensured a heightened presence in the community through outreach activities aimed at alleviating poverty and crime. In fact, staff participation in community service was at a record high in 2013.

In support of service improvement, the Company invested over $16 million in system expansion, system reliability, business continuity, loss reduction, and improving safety and technical standards. However this represents only 50 per cent of the 2013 investment plan. A major initiative under the Company's capital investment plan is the Power VI Project, which focuses on expansion of the systems, business continuity primarily for substations and reduction of system losses. Phase 1 of the Power VI Project has been deferred to 2014 until the Company's loan application to the Caribbean Development Bank (CDB) is approved. This decision accounted for a large portion of the unspent capital budget in 2013.

In 2013, the Company connected an additional 2,077 new customers to the national grid. Approximately 30 new communities were connected to the national grid under the European Union and Government of Belize funded initiative to connect urban and peri-urban communities across the country. However, it is estimated that approximately seven thousand households are still without electricity. BEL endeavours to systematically address this issue over the next five years.

The Service Delivery Committee was able to improve service to customers by 14 per cent, particularly in *complaint handling* and *new service connections*. In addition, joint partnership arrangements with sister utilities Belize Telemedia Limited (BTL) and Belize Water Services Limited (BWSL) were also established in 2013. These partnerships are expected to provide customers with convenience and ease of doing business with the utility companies.

Maintaining the Company's power systems and implementing new technologies and systems in delivering service to customers require properly trained and competent staff. The Company provided over 1,400 man-hours in training in order to improve both technical and non-technical skills of staff. BEL readily invests in staff, as their growth and development yields favourable performance results.

BEL continues to be one of the best paying companies in the country. Over the last three years, average staff salary increased by approximately 15 per cent. However, the Company recognizes that training and remuneration have to be supported by other initiatives to foster high employee satisfaction. Studies in this area were conducted in 2013 and new programs are being developed to improve employee satisfaction.

BEL continues to stress the importance of adhering to occupational safety and health standards. In 2013, employees were encouraged to take advantage of the Company's offer of free health screening. The Company was able to accomplish over 95 per cent completion of it's safety, health and environment programs and activities.

Much work remains ahead to achieve the Company's vision of being a Model of Excellence in all areas of operations. However, with high momentum and enthusiasm going into 2014, BEL is well positioned to deliver on its promise to its stakeholders.

"The Board approved a 60 per cent increase in dividend payment to Shareholders."

Rodwell Williams
Chairman of the Board

Jeffrey Locke
Chief Executive Officer

HIGHLIGHTS of 2013

01 The Company recorded earnings of $18.7 million. However, earnings before fixed asset and regulatory adjustments were $37.5 million compared to a plan of $15.6 million.

02 The Board of Directors has approved $5.5 million in dividend payment to Shareholders on record as of December 31, 2013. This represents a 60 per cent increase compared to 2012.

03 Cost of Power for the year decreased by 8 per cent to $151.1 million in 2013, compared to 2012.

04 Energy sales grew by 4.7 per cent to 483.9 gigawatt hours (GWh) in 2013 compared to 2012.

05 Operating cost per megawatt hour (MWh) sold decreased to $105 in 2013 compared to $112 in 2012.

06 The Public Utilities Commission (PUC) approved an 8.2 per cent reduction in the Mean Electricity Rate to 44.7 cents per kilowatt hour (kWh), effective January 1, 2014.

07 In 2013, customers experienced the lowest frequency and duration of power outages in the history of the Company, setting new service reliability records for the Company.

08 Approximately 30 new communities were connected to the national grid under the European Union and Government of Belize funded initiative to connect urban and peri-urban communities across the country.

09 The PUC, following a request from BEL, issued a Request for Proposals for energy supply for the addition of 60 megawatts of capacity to the power system over the next ten years.

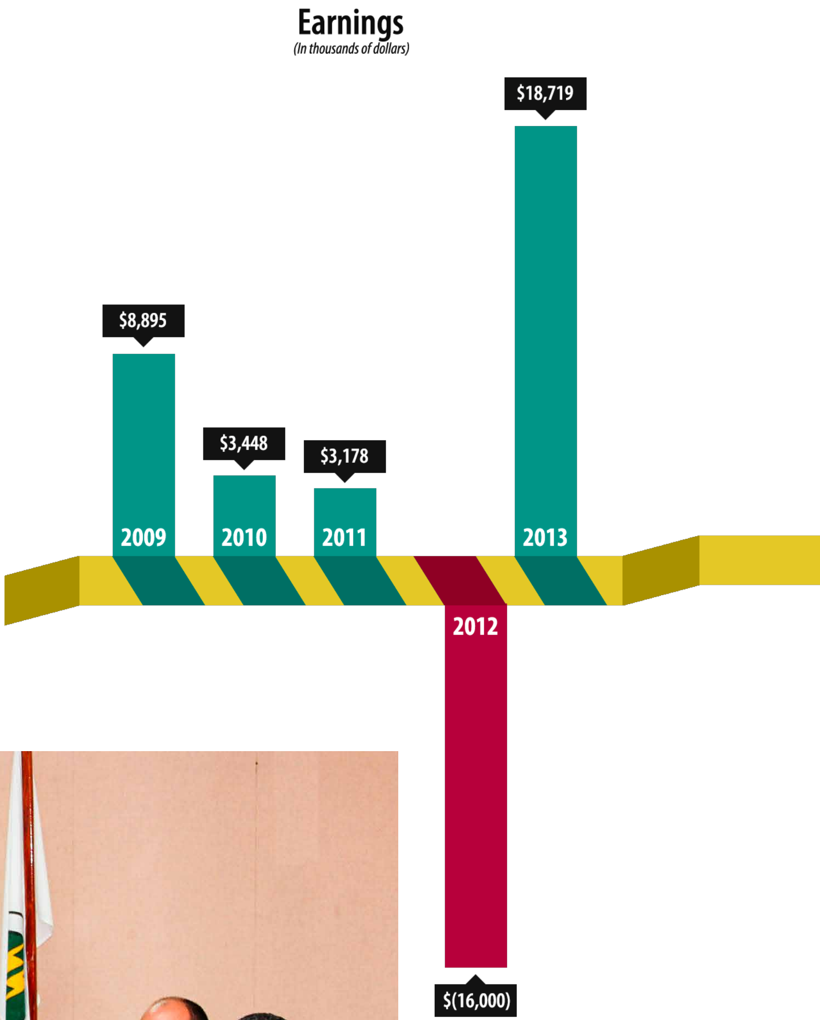
10 During the year, the Company celebrated its Annual Safety & Health Week under the theme: “Don’t Dare, Take Care, Observe Safety Everywhere.”

MANAGEMENT DISCUSSION
and Analysis

Earnings

The Company is reporting net earnings of $18.7 million or $0.27 earnings per share in 2013. This is a significant improvement when compared to a plan of $7.2 million and $0.10 per share. However earnings before fixed asset and regulatory adjustments were $37.5 million compared to a plan of $15.6 million. This $21.9 million increase in earnings before adjustments is mainly due to increased electricity revenues, lower than normal energy costs, coupled with lower operating cost.

The fixed asset audit, which commenced in 2011, resulted in significant adjustments to earnings in 2013. This was due to the differences between the asset values in the Fixed Asset Register (FAR) as at December 31, 2012, compared to values derived from the physical count asset valuation and revision of the depreciation method, was $18.8 million. Final adjustments are expected in 2014 upon completion of the asset valuation exercise.

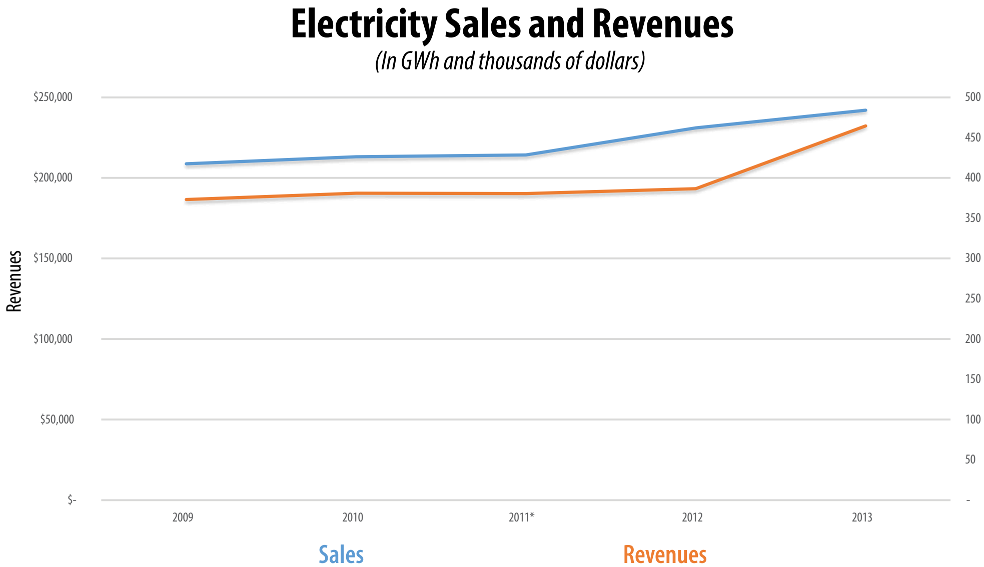



Top Management

Revenues and Sales

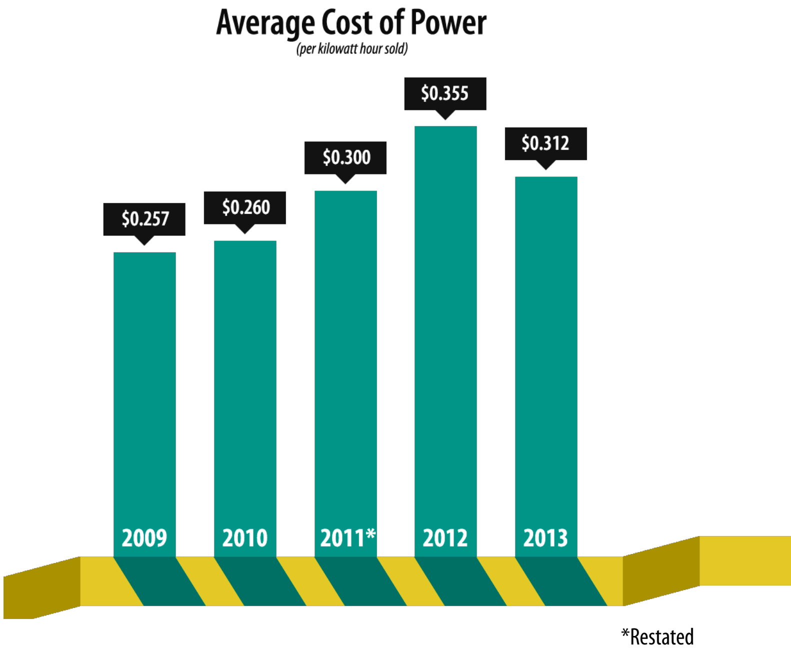
Energy sales grew by 4.7 per cent to 483.9 gigawatt hours (GWh) compared to 2012. With a 2.6 per cent increase in the customer base to 82,440 accounts, industrial and commercial sales increased by 7.9 and 6.1 per cent respectively, while street lights and residential sales grew at a slower rate of 3 and 1.9 per cent, respectively.

Electricity revenues for the year grew by 20.4 per cent to $232.2 million, due to a 16 per cent increase in the approved Mean Electricity Rate from 41.8 cents per kilowatt hour (kWh) in 2012 to 48.3 cents per kWh in 2013 and the 4.7 per cent increase in electricity sales.



Cost of Power (Sold)

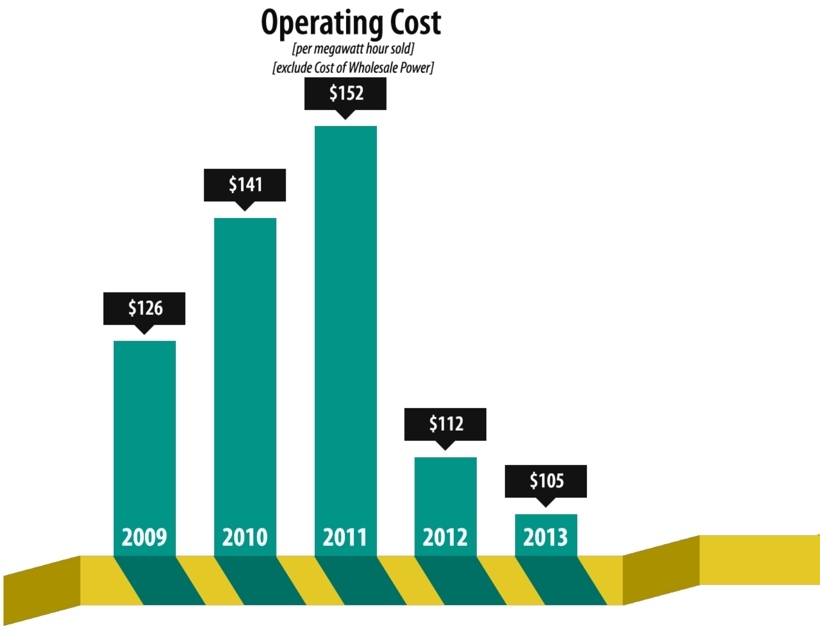
Cost of Power decreased by 8 per cent to $151.1 million in 2013, despite a sales increase of 4.7 per cent compared to 2012. Annual average unit cost of power (sold)[1] was 31.2 cents per kWh compared to 35.5 cents per kWh in 2012, with the latter half of the year averaging approximately 5 cents per kWh below the annual average. The overall decrease in the unit cost of power (sold), is due mainly to lower than projected prices from Comisión Federal de Electricidad (CFE) and an increase in hydroelectric production.



*Restated

[1]Cost of power (Sold) = cost of power purchased / 1 plus system losses

Operating Expenses



Operating cost per megawatt hour (MWh) sold decreased to $105 in 2013 compared to $112 in 2012. Annual operating expenses were $26.9 million compared to $22.4 million in 2012 due to the increase in sales. This increase was due mainly to changes in expense allocations between operating and capital expense.

Depreciation expense decreased by 15 per cent, as a result of the net effect of new assets placed into service, the conversion to straight-line depreciation method, and decreased asset base due to the Fixed Asset Audit exercise. The change in depreciation method was due to a change in accounting standards and the decrease in asset base was due to adjustments following the Fixed Asset Audit exercise.

Finance charges for the year amounted to $6.4 million compared to $6 million in 2012. This increase was as a result of the net effect of a new $10 million loan at 5 per cent that was acquired in the fourth quarter of 2012; additional debentures of $8.1 million at 7 per cent; and the reduction of interest rates from 12 per cent to 7 per cent of some $16.9 million debentures rolled over from Series 1 to Series 5.

As of July 1, 2012, the business tax rate was reduced from 6.5 per cent to 1.75 per cent. Consequently, business tax for 2013 was $4.1 million as compared to $7.9 million in 2012.

Capital Expenditure

In 2013, the Company reported net capital investments of $14.3 million. The total gross investment amounted to $16.7 million, and $2.4 million of assets was returned to inventory as these were deemed assets not yet in use.

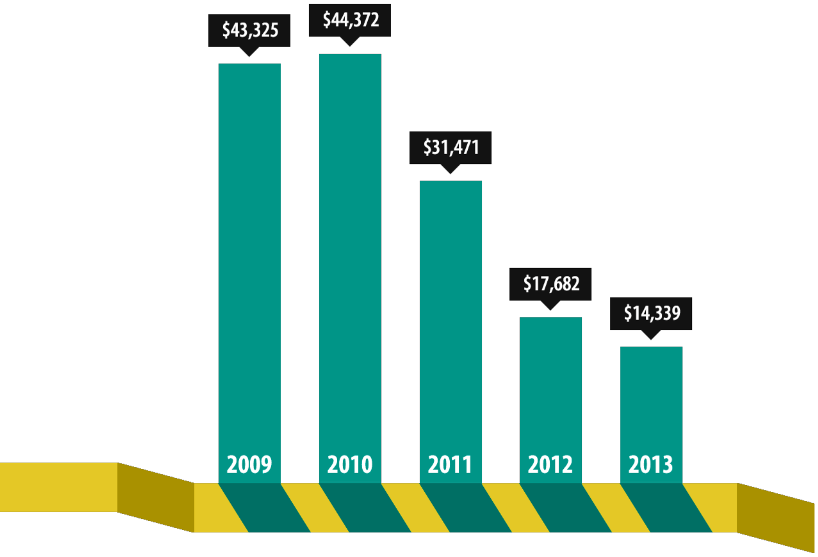
Capital expenditure reduced by 22.7 per cent compared to 2012, mainly due to the Company's decision to delay Phase 1 of the Power VI Project until financing from the Caribbean Development Bank becomes secured. A shortage of qualified engineers to oversee the design, planning and implementation of the projects also contributed to the delay.

Distribution system improvements mainly in the Belize and Stann Creek districts accounted for $3.9 million of the 2013 capital works. These improvements featured replacement of deteriorated poles, enhancement of safety standards, and reconstruction of power lines. Major substation upgrades were carried out in the Stann Creek, Orange Walk and Belize Districts to improve reliability, minimize system losses, improve voltage quality, and meet load growth demand.

System expansion initiatives included distribution line extensions and new service installations. Under an expansion project being funded

Investments

(In thousands of dollars)



by the European Union and the Government of Belize, the Company continues to electrify rural and peri-urban communities. In 2013 over 30 communities, mostly in the Cayo and Stann Creek Districts, benefitted from this initiative.

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.

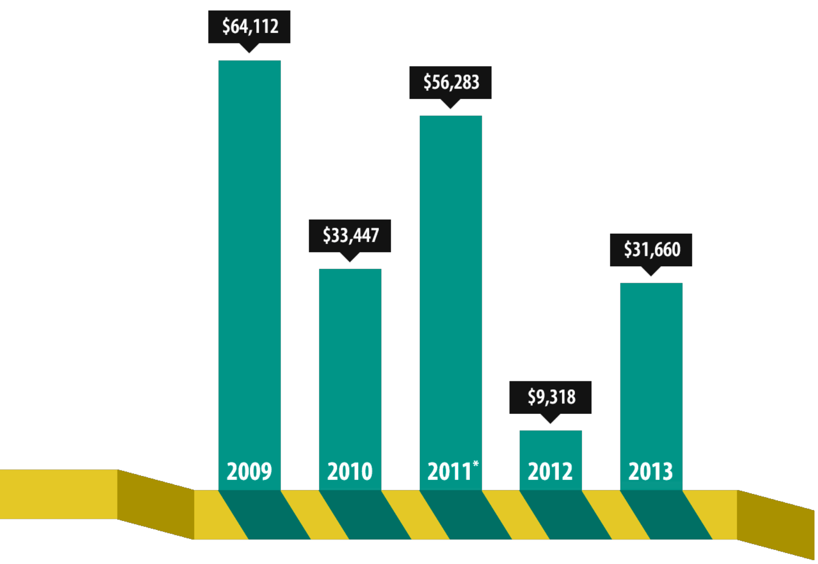
Trade payables decreased dramatically from $37.8 million as at December 31, 2012 to $14.5 million as at December 31, 2013 as $21 million of the $23 million in outstanding amounts owed to suppliers were paid off during the course of 2013.

The Company postponed the conversion of the 2012 short-term loan of $10 million from the Social Security Board to Preference Shares until 2014. This setback was caused by delays in the completion and approval of the legal instruments to execute the conversion.

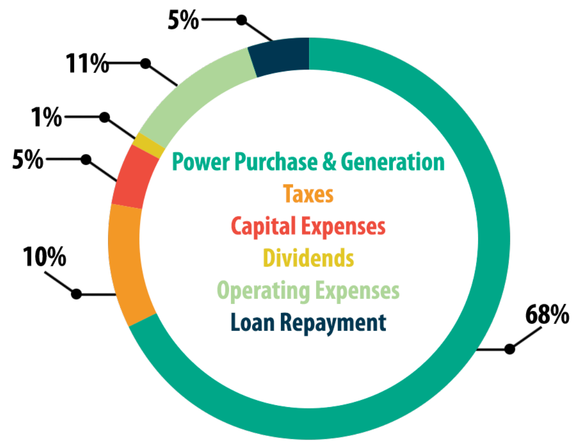
In 2012, the Board of Directors ordered the payment of dividends declared in March 2008 to all shareholders on record as at April 25, 2008. All payments were completed by August 2013. In addition, payment of dividends of $0.05 per share declared for shareholders on record at the end of 2012 was completed in October 2013.

Cash from Operations

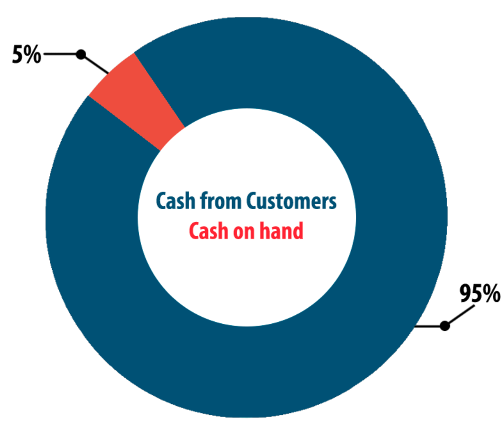
(In thousands of dollars)



2013 Uses of Funds



2013 Source of Funds



Regulation

The Company's fifteen-year license to generate, transmit, distribute and supply electricity in Belize will be presented for an automatic ten-year renewal in 2015. The Company has already indicated to the PUC, its intent to formally request renewal of license for an extended period up until 2030.

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 and regulations for microgrid will need to be addressed. BEL is prepared to work with all stakeholders involved in efforts to resolve these matters.

On January 11, 2013, the PUC ordered an increase in the Mean Electricity Rate for the period January 1 to June 30, 2013 to 48.8 cents per kWh from 41.8 cents per kWh. On June 26, 2013 the PUC issued its Final Decision for the 2013 ARP reducing the Mean Electricity Rate slightly from 48.8 cents per kWh to 48.7 cents per kWh with adjustments favorably affecting social rate customers.

As a result of the reduction in the cost of power, on December 10, 2013, BEL applied to the PUC for a reduction in electricity rates. Consequently, the PUC decreased the Mean Electricity Rate from 48.7 per kWh to 44.7 per kWh. This 8.2 per cent reduction took effect on January 1, 2014.

2013 Outlook

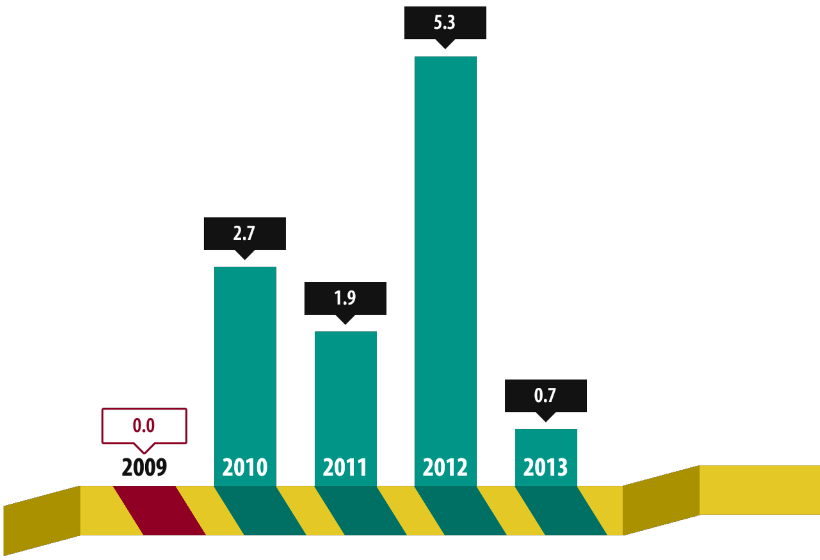
The Belize economy grew 0.7 per cent in 2013 and is expected to expand by 2.0 per cent in 2014, driven by agriculture, agro-processing and continued recovery in the tourism sector.

The steep decline in petroleum production has a negative impact on the Belizean economy, while there are good prospects for revitalization of the aquaculture segment.

With the recent decrease in electricity rates, electricity demand in 2014 is therefore forecasted to continue improving above the GDP growth at a rate of 3.5 per cent and it is expected to increase to an average rate of 3.6 per cent over the next five years.

Economic growth is expected to remain mild but steady in 2014. This will result in a continued sales growth in the medium term as demands in the residential, commercial and industrial sectors continue to improve.

Real GDP Growth (%)

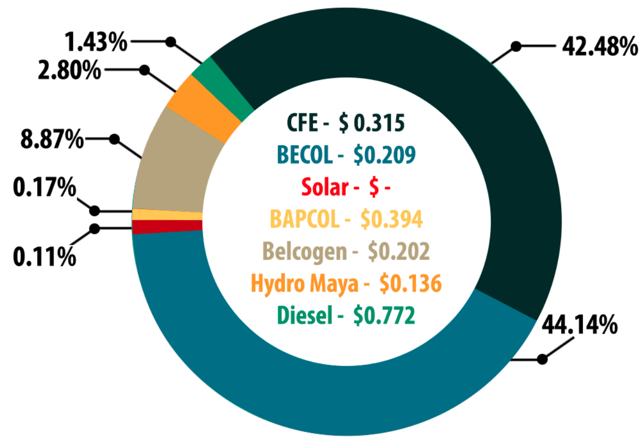


OPERATIONS

Energy Supply

The cost BEL pays for power from the various Independent Power Producers (IPP) is a *pass through* to customers and is reflected in the Cost of Power component of electricity rates. Cost of power (purchased)[2] in 2013 moved in a favorable direction for consumers mainly due to a significant reduction in the cost of energy purchased from Mexico. Consequently, cost of power averaged 27 cents per kilowatt hour compared to 31 cents per kWh in 2012.

Energy Production by Source



In 2013, BEL imported 42.5 per cent of its energy supply from Mexico; while 46.9 per cent was supplied by hydroelectricity; 8.9 per cent by biomass; 0.2 per cent by fuel oil by Blair Athol Power Company Limited (BAPCOL); 0.1 per cent by solar from the JICA (University of Belize Solar Project) and the balance from diesel generation.

In July, the Company signed a Memorandum of Understanding with BAPCOL to supply peak and emergency power to the national grid. A Power Purchase Agreement (PPA) will be finalized with BAPCOL in 2014.

Belize Cogeneration Energy Limited (Belcogen) failed to meet the minimum plant availability to supply power as required under the PPA, as a result of a shortage in biomass. BEL and Belcogen will be reviewing this issue towards improving the facility's performance under the PPA.

Maintaining the lowest sustainable cost of power in the future, requires BEL and the PUC to seek other cheap energy sources. Therefore, following a request from BEL, the PUC issued a Request for Proposals for energy supply for the addition of 60 megawatts of capacity over the next ten years. The final outcome of the RFP should be determined by the end of the third quarter in 2014.

[2]Cost of power (Sold) = cost of power purchased / 1 plus system losses

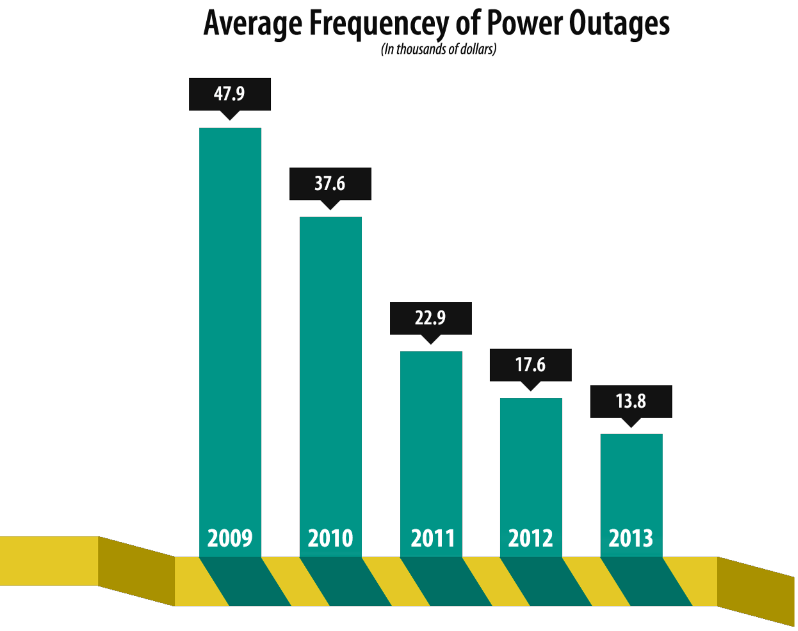
Reliability Initiatives

In 2013, customers experienced the lowest frequency and duration of power outages, setting new service reliability records for the Company.

Compared to 2012, the frequency of power outages was reduced by 12.2 per cent and the duration was reduced by 12.7 per cent. The improved reliability performance is attributed to reductions in outages in generation and the transmission system.

On the Southern Transmission Line, lightning arrestors were installed to mitigate damage to the system during lightning storms.

In the Southern and Western zones, reclosers were upgraded on the distribution system. This equipment assists with the timely restoration of power, following momentary faults on the power system and also helps to minimize the areas affected during extended faults, by enabling the quick restoration of power to other areas not required to remain offline during system repairs. Dangriga Town, Independence Village and surrounding areas all benefited from a project to isolate the service area and allow for it to be supplied by BAPCOL without a power outage during extended maintenance on the transmission system in these municipalities.



Countrywide upgrades were also conducted on the distribution systems; including the replacement of insulators in Belmopan and the installation of reclosers and lighting arrestors in Placencia and Independence. Voltage regulators were also installed on the distribution system in Orange Walk Town while power lines were reconstructed in the communities of Vista Del Mar and Ladyville and also in north San Pedro.

Thermoscanning surveys were conducted on the power systems countrywide. This exercise helps to detect and monitor problem areas on the system in order to avoid unplanned power outages.

Communications equipment (Real-Time Automation Controller) were installed at several substations, which allow the Company to remotely retrieve fault event information. This supports the quick diagnosis of system faults and expedites the power restoration process.

Customer Service Initiatives

Effective January 1, 2014, the Public Utilities Commission approved an 8.2 per cent reduction in the Mean Electricity Rate. This reduction is in line with the Company's Mission "to provide reliable electricity at the lowest sustainable cost, stimulate national development and improve the quality of life in Belize."

In 2013, the Company added 2,077 new customers, expanding the customer base by 2.6 per cent to 82,440 customer accounts.

In addition to increasing access and efficiently managing consumer cost for electricity, BEL recognizes that the quality of service is also of important value to customers. The Service Delivery Committee, established in 2012, focused on reducing the time taken to complete new service installations and time taken to respond to customers' calls on fault reports. The Company has identified the need for greater improvement in other service delivery areas and continues to implement related action plans, including an account and case management system, to promote a customized approach to customer service. These and other initiatives will be fully rolled out in late 2014.

To help improve the efficiency with which customer requests for information on their accounts are provided, an enhanced Customer Account Inquiry System was developed during the year. Through this system, all BEL employees have access to customer account information, such as account balance, payment history, billing history, and the status of works in progress requested by the customer and they can therefore provide customers with basic information on the status of their electricity account.

Furthermore, the Company continues to provide more convenient options for customers to pay their electricity bills with the addition of five collection agents, specifically in the Belize, Cayo and Orange Walk Districts. The Company will continue to increase options throughout the country in 2014. Through a joint arrangement with Belize Water Services Limited (BWSL), BEL customers in the Belize and Cayo Districts have been provided with an option to pay their electricity bills at all BWSL's offices and in 2014 this arrangement will be expanded countrywide and BEL will likewise serve as a collection point for BWSL's customers. To minimize the delay with which customer payments at collection points are recorded on BEL's system, the Company completed software modifications to an Automated Bank Transaction System, which now ensures that these payments are automatically registered with the Company.

Planned power outages are necessary from time to time to facilitate maintenance on the power system while unplanned outages may be the result of a system fault. As such, in 2013, the Company expanded its SMS text message service to provide customers with current information on service interruption in addition to customer account information.

In recognizing the needs of disabled persons, the Company implemented priority seating and priority parking for these persons, as well as constructed a disability ramp at its Corporate Headquarters. The Company will continue to seek ways of ensuring all its customers are properly accommodated to meet their needs in customer service offices countrywide.

System Expansion

In 2013, the Company continued to connect communities under the $5.5 million African Caribbean Pacific - European Union Energy Facility II Project. The project is funded 75 per cent by the European Union and 25 per cent by the Government of Belize and it is aimed at providing thirty-four urban and peri-urban communities throughout the country with electricity supply. The project was initiated in 2011 and in 2013 the Company received approval from the European Union to connect an additional nine communities under the project. These connections will be completed in 2014.

Human Resources

The quality of BEL's Human Resource Management considerably influences the Company's ability to achieve its corporate objectives and targets. In 2013, priority was therefore given to reevaluating the Human Resource (HR) function and purpose and efforts got underway to properly align this area of responsibility with the overall corporate direction.

As a first step, a high level audit was conducted to determine the current state of human resource practices and to identify priorities for action towards improvement. The results of this audit, coupled with the results of an Employee Satisfaction Survey, which was conducted in the third quarter of 2013, provided information to help restructure the Human Resource functions to improve the workplace environment and operations.

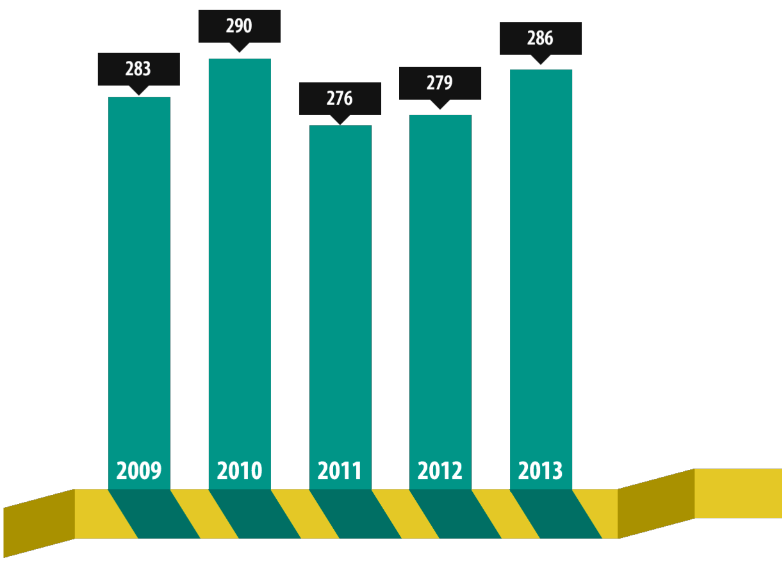
This restructuring continues into 2014, and with action plans deriving from the audit and the survey, the Company now looks forward to a strategic Human Resource operation that will support its overall objectives.

During the year, the Company provided 1,400 man-hours in staff training. In the technical area, the Company's Apprentice Lineman Program continued during the year with twenty-seven apprentices participating. Other technical training delivered to staff in 2013, include an Energy Audit session and the Company was represented at a conference on Geographical Information Systems (GIS). Training in the non-technical areas covered, Project Management, Interpersonal skills, Administration, Supervision and Time Management.

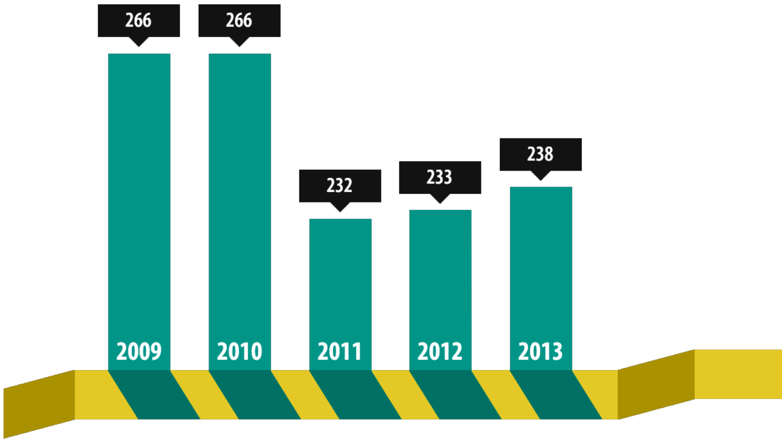
Teambuilding was critical in 2013 as the Company strives to improve collaboration amongst staff, build trust, improve communication and build moral. This was done through various activities where staff came together in fellowship and community service outside of their core duties. Numerous fellowship activities were held, including the Annual Ecumenical Service and the Annual Family Fun Day, both of which presented opportunities for employees and their families to come together in the spirit of comaraderie. In promoting employees' wellness, the Company supported several sporting and fitness programs.

Management's efforts to commence the negotiations of a new Partnership Collective Agreement (PCA) stalled in 2011. In 2012, the Company and the BEWU had entered into mediation with the Labour Commissioner to resolve several matters that came to the forefront during that year. In late 2013, the BEWU indicated its desire to commence negotiations of the new PCA. An agreement in relation to 2012 matters was reached in 2014 which now paves the way for the negotiations to commence.

Number of Employees



Ratio of Customers to Employees



Safety, Health and Environment

BEL places special emphasis on safety, health and environment, as the Company is keen on ensuring that employees safely return home to their families at the end of each work day; that they live healthy lifestyles; that the general public uses its services safely and that the Company maintains high environmental consciousness. In 2013, the Company continued to carry out several initiatives under its Safety, Health and Environment Program, towards achieving these objectives and also in line with the international standards of the Occupational Health and Safety Assessment Series (OHSAS) 18001.

BEL's workforce is highly mobile and therefore a critical risk for the Company is vehicular accidents. There were 8 vehicular accidents in 2013, one less than 2012. Therefore improving employees' defensive driving skills remained a high priority in 2013 and consequently several related training sessions were delivered to employees. Furthermore, *In the Cab Monitoring* exercises continued to be regularly carried out, during which Supervisors accompany authorized company drivers, to monitor driving practices and provide coaching in safe driving techniques.

Workplace inspections and work observations were carried out in line with required standards and help to minimize the presence of hazards in the workplace and work sites in the field.

To complement these activities, employees were trained in the proper use of fire extinguishers, First Aid/CPR techniques and procedures on how to rescue fellow employees from a malfunctioning elevator and those in distress on a utility pole.

During the year, the Company celebrated its Annual Safety & Health Week under the theme: *Don't Dare, Take Care, Observe Safety Everywhere.* The week featured several presentations with a safety and health focus. Seatbelt usage checks were carried out countrywide to ensure employees were complying with lessons learnt in training sessions. The Company also provided employees with the opportunity to receive free Blood Pressure and Diabetic Testing.

The Company continues to gradually complete its companywide compliance with the Environmental Management System (EMS). This process, which started in 2004, is expected to be completed in 2014.

The Company continued to raise environmental awareness through training sessions for employees. The Company also conducted a presentation on electrical safety for the National Fire Service and employees participated in the cleanup of parks along with the Belize Audubon Society on Earth Day.

Community Involvement 2013

During the year, the Company therefore continued to contribute to initiatives aimed at improving the quality of life for Belizeans. The Golden Citizens Bill Pay Award Program continued in 2013. Under this initiative, the Company pays the monthly electricity bill for over 100 senior citizens. The Company also honored senior citizens by hosting a Tea Party at Helpage Belize in observance of Senior Citizens' Week.

For the 15th consecutive year, employees raised funds along with financial support from the Company, to provide 54 deserving families across the country with hampers containing the main ingredients for a traditional Christmas meal. They also served breakfast on Christmas day for the elderly at the Raymond Parks Shelter, Golden Haven Rest Home, residents of Gaan's Rest House and the Belize Mental Association Resource Center.

Employees readily volunteered to build a home for an underprivileged family in Belize City with the support of the Hand in Hand Ministries. Another outreach initiative took employees to the Cayo District to build the first portion of a walkway at the Macal River Park in San Ignacio Town, to facilitate recreational activities for residents in the area.

To assist the Red Cross' Soup Kitchen and the Belize Hospice Palliative Care Foundation meet their financial needs, employees participated in the Social Security Board's Ride Across Belize event. Employees also participated in Dara's Ride for Hunger, to provide funding for underprivileged children.

Other community involvement initiatives included financial support to Lifeline Foundation's fundraising efforts and participation in the annual Cancer Walk hosted by the Belize Cancer Society. The Company also provided financial assistance to the National Under-15 Football team and Belize Scouts Association, amongst several other outreach activities.

The Company joined the nation in showing patriotism on Independence Day and took part in the Independence Day parade, by displaying a float with the theme *Keeping the Lights On.*


2½ Miles Northern Highway, Belize City
Comex

Mission

To provide reliable electricity at the lowest sustainable cost, stimulate national development and improve the quality of life in Belize.

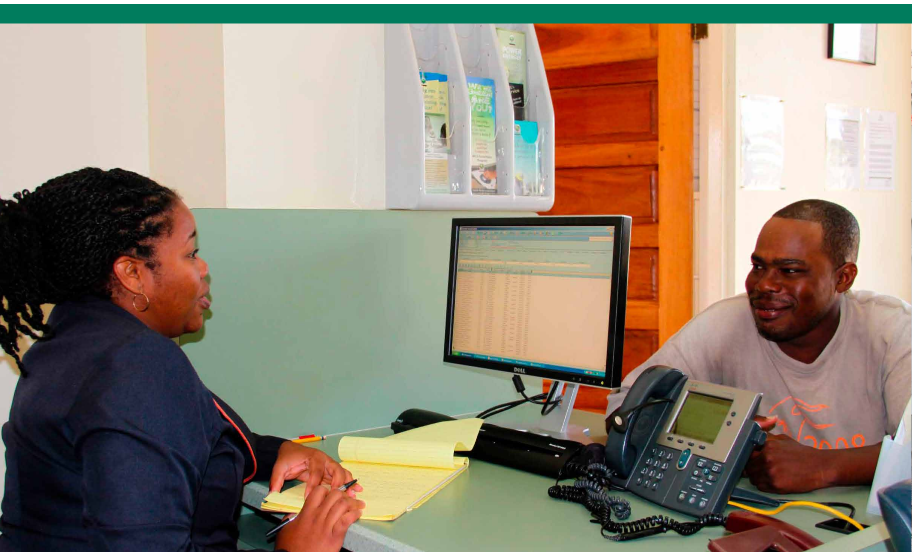
Values

Reliability, Integrity, Teamwork, Respect, Passion for Excellence.

Vision

A Model of Excellence.

Audited Financial
Statements



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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 statement of financial position as at December 31, 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 presents fairly, in all material respects, the financial position of Belize Electricity Limited as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of Belize Electricity Limited for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2013.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
March 17, 2014

STATEMENT OF Financial Position

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

	Notes	2013	2012
Assets			
Current assets:			
Cash and cash equivalents	2g	$ 11,610	$ 7,993
Short term investments	2h	674	643
Trade receivables	2i, 3	16,955	14,930
Other receivables	2i	1,744	924
Staff receivables	2i	1,219	837
Prepayments	2j	1,205	1,172
Materials and supplies	2k,4	17,734	15,870
Total current assets		51,141	42,369
Non-current assets:			
Property, plant and equipment	2l, 5	430,017	445,012
Intangible assets	2m, 6	203	452
Total non-current assets		430,220	445,464
Total Assets		$ 481,361	$ 487,833
Liabilities and Equity			
Current liabilities:			
Trade payables	2p	$ 14,505	$ 37,752
Accrued interest	2p	209	152
Dividends payable	2w	190	2,842
Other payable	2p, 8	3,408	3,949
Current portion of long-term debt	2r, 11	6,112	6,077
Taxes payable	2q, 9	7,546	7,084
Total current liabilities		31,970	57,856
Non-current liabilities:			
Related party loan	10	10,000	10,000
Capital contributions	16	39,964	36,708
Long-term debts	2r, 11	871	6,518
Debentures & debenture subscriptions	12	77,363	76,458
Consumer deposits	13	8,021	7,500
Total non-current liabilities		136,219	137,184
Total liabilities		168,189	195,040
Equity:			
Ordinary shares	2v, 14	138,046	138,046
Additional paid in capital	2v, 15	5,741	5,741
Insurance reserve	17	5,000	5,000
Revaluation reserve	5	5,112	-
Retained earnings		159,273	144,006
Total equity		313,172	292,793
Total Liabilities and Equity		$ 481,361	$ 487,833

The financial statements on pages 28 to 59 were approved and authorized for issue by the Board of Directors on March 24, 2014 and are signed on its behalf by:

Rodwell Williams
Chairman of the Board

Jeffrey Locke
Chief Executive Officer

The notes on pages 28 – 59 form an integral part of these financial statements.

STATEMENT OF
Profit or Loss and Other Comprehensive Income
YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

	Notes	2013	2012
Revenues	2s, 19	**$ 232,233**	$ 193,294
Cost of power	2t,20	**(151,115)**	(164,187)
Gross profit		**81,118**	29,107
Other income	21	**7,052**	6,828
(Loss) gain on foreign exchange		**(26)**	2
Operating expenses	2u	**(26,886)**	(22,408)
Fixed asset impairment	2n,5	**(18,752)**	-
Depreciation and amortization	5, 6	**(13,320)**	(15,692)
Profit (loss) before interest income, interest expenses and taxes		**29,186**	(2,163)
Interest income	2s	**31**	40
Interest expense	2u	**(6,379)**	(5,970)
Net interest expense		**(6,348)**	(5,930)
Profit (loss) before corporate tax		**22,838**	(8,093)
Corporate tax	2q, 22	**(4,119)**	(7,907)
Profit (loss) for the year from continuing operations		**$ 18,719**	$ (16,000)
Other comprehensive income	5	**5,112**	-
Total comprehensive income for the year		**$ 23,831**	$ (16,000)
Earnings (loss) per share (expressed in $ per share)	23		
Profit (loss) for the year attributable to ordinary equity holders:			
Basic		**$ 0.27**	$ (0.23)
Diluted		**$ 0.27**	$ (0.23)

The notes on pages 28 – 59 form an integral part of these financial statements.

STATEMENT OF Changes in Equity

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

	Share capital	Additional paid-in capital	Insurance reserve	Rate Reserve	Revaluation reserve	Retained earnings	Total
Balance, January 1, 2012	$ 138,046	$ 5,741	$ 5,000	$ 30,258	$ -	$ 129,748	$ 308,793
Transfer to retained earnings (Note 18)	-	-	-	(30,258)	-	30,258	-
Loss for the year	-	-	-	-	-	(16,000)	(16,000)
Balance, December 31, 2012	138,046	5,741	5,000	-	-	144,006	292,793
Balance, January 1, 2013	138,046	5,741	5,000	-	-	144,006	292,793
Profit for the year	-	-	-	-	-	18,719	18,719
Other comprehensive income (Note 5)	-	-	-	-	5,112	-	5,112
Total comprehensive income for the year	-	-	-	-	5,112	18,719	23,831
Transactions with owners of the Company recognized directly in equity:							
Dividends declared and paid (Note 2w)	-	-	-	-	-	(3,452)	(3,452)
Total transactions with owners	-	-	-	-	-	(3,452)	(3,452)
Balance, December 31, 2013	**$ 138,046**	**$ 5,741**	**$ 5,000**	**$ -**	**$5,112**	**$ 159,273**	**$ 313,172**

The notes on pages 28 – 59 form an integral part of these financial statements.

STATEMENT OF Cash Flows

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

	2013	2012
Cash flow provided by		
Operating activities		
Net income (loss) for the year	**18,719**	(16,000)
Adjustments for:		
Amortization of intangible assets	**249**	272
Depreciation	**15,416**	17,713
Loss on disposal of assets	**201**	-
Unrealized foreign exchange loss (gain) on long-term debt	**26**	(2)
Bad debt expense	**196**	20
Obsolescense expense	**191**	-
Amortization of capital contribution	**(1,151)**	(1,021)
Fixed asset impairment	**18,752**	-
Corporate tax	**4,119**	7,907
Interest expense	**6,379**	5,970
Changes in items of working capital:		
Increase in trade and other receivables	**(3,455)**	(533)
(Increase) decrease in materials and supplies	**(2,055)**	1,745
(Decrease) increase in trade and other payables	**(21,873)**	1,700
	35,714	17,771
Corporate tax paid	**(4,054)**	(8,453)
Net cash generated from operating activities	**31,660**	9,318
Investing activities		
Purchase of property, plant and equipment	**(14,339)**	(17,673)
Proceeds from sale of property plant and equipment	**77**	91
Acquisition of intangible assets	**-**	(9)
Net cash used in investing activities	**(14,262)**	(17,591)
Financing activities		
Repayment of long-term debts	**(5,639)**	(6,194)
Proceeds from related party loan	**-**	10,000
Debentures redeemed	**-**	(4,585)
Series 5 debenture subscription	**905**	11,731
Interest paid	**(7,872)**	(7,922)
Dividends paid	**(6,103)**	-
Consumer deposits	**521**	127
Capital contributions	**4,407**	4,539
Net cash (used in) provided by financing activities	**(13,781)**	7,696
Net increase (decrease) in cash and cash equivalents	**3,617**	(577)
Cash and cash equivalents , beginning of the year	**7,993**	8,570
Cash and cash equivalents , end of the year	**11,610**	7,993

The notes on pages 28 – 59 form an integral part of these financial statements.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

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. The current major shareholders of the Company are the Government of Belize and the Social Security Board. There are also some 1,500 minority shareholders.

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 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 10 percent to 15 percent.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

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 which are measured at fair value. 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 entity 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 28)

e. Change in accounting policies

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

New standards, interpretations and amendments thereof, effective from January 1, 2013

2. Summary Of Significant Accounting Policies *(Continued)*

e. Change in accounting policies (Continued)

IAS 1 - Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment had no impact on the BEL's financial statements.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements).

The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. The amendment had no impact on BEL's financial statements. BEL is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted, as well as introducing additional disclosure requirements for:

- Items measured at fair value in the statement of financial position
- Items where fair value is required to be disclosed in the notes to the financial statements.

IFRS 13 had no effect on BEL's financial statements. There were no fair value measurements undertaken by BEL.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of BEL's financial statements are disclosed below. BEL intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial instruments (classification and measurement)

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,

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

e. Change in accounting policies (Continued)

2015. The release of IFRS 9 (2013) on November 19, 2013 contained consequential amendments which removed the mandatory effective date of IFRS 9 (2010) and permitted an entity to apply the requirements on the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements. The mandatory effective date of IFRS 9 was revised to be no earlier than annual periods beginning on or after January 1, 2017, however early adoption is allowed. BEL will quantify the effect of all phases when the final standard becomes effective.

IFRIC 21 – Levies

Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The amendment is effective for annual periods beginning on or after January 1, 2014. The Amendment may have an impact on BEL's future financial statement.

IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

Amendment to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendment is effective for annual periods beginning on or after January 1, 2014. BEL will assess the impact when effective.

IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendment).

Amendment to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The amendment is effective for annual periods beginning on or after January 1, 2014. The Amendment will not have an impact on the BEL's financial statement.

IFRS 10, IFRS 12 and IAS 27 Amendments to Investment Entities

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement, additional disclosures on investment entities and requires an in investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The amendment is effective for annual periods beginning on or after January 1, 2014. The impact on BEL's financial statements will be assessed in the next financial year.

NOTES TO THE
Financial Statements
YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

e. Change in accounting policies (Continued)

IAS 19 Employee Benefits: Employee Contributions (Amendment).

Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after January 1, 2014. The impact on BEL's financial statements will be assessed in the next financial year.

Annual Improvements 2010-2012

These improvements are not expected to have an impact on BEL, but include:

IFRS 2 Share-based Payment

The improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 Business Combinations

The amendment requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 Operating Segments

The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13 Fair Value Measurement

This improvement clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

This improvement clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 Related Party Disclosures

This improvement clarifies how payments to entities providing management services are to be disclosed.

These improvements are effective for annual periods beginning on or after January 1, 2014.

NOTES TO THE
Financial Statements
YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

e. Change in accounting policies (Continued)

Annual Improvements 2011-2013

These improvements are not expected to have an impact on BEL, but include:

IFRS 1 First-time Adoption of International Financial Standards

Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3 Business Combinations

Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

Clarify the scope of the portfolio exception for measuring fair value. The exception applies only to financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments

IAS 40 Investment Property

Clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These improvements are effective for annual periods beginning on or after January 1, 2014.

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

NOTES TO THE
Financial Statements
YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

f. Financial instruments (Continued)

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-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

NOTES TO THE
Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

f. **Financial instruments** (Continued)

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 derecognition 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 derecognition of a financial asset other than in its entirety (e.g. when BEL retains an option to repurchase part of

NOTES TO THE Financial Statements

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(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

f. Financial instruments (Continued)

the transferred asset), BEL allocates the previous carrying amount of the financial asset between the part it continues to recognise under the continuing involvement, and the part it no longer recognises 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 recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised 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.

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.

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Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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2. Summary Of Significant Accounting Policies *(Continued)*

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 is determined on the weighted average cost method. 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.

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.

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.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

l. Property, plant and equipment (Continued)

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.

Transmission rights are amortized over the fifteen-year life of the power purchase contract, which commenced in 1998.

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).

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 6%. The Trust Deed was amended, effective 17th January 2012, to require that the

NOTES TO THE
Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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2. Summary Of Significant Accounting Policies *(Continued)*

o. Employee benefits (Continued)

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.

Complying with deferred taxation accounting pursuant to International Accounting Standard 12 (IAS 12) is not applicable.

r. Long-term debts

Long-term debts are recognized initially at the transaction price, that is, the present value of cash payable to the lender. Long-term debts are 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 debts to finance long-term construction or development projects are capitalized.

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:

NOTES TO THE
Financial Statements
YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

2. Summary Of Significant Accounting Policies *(Continued)*

s. Revenue (Continued)

(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, namely Comision Federal Electricidad (CFE from Mexico), from the hydroelectric power plants and biomass electric power plants 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.

v. Share capital

Ordinary 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 THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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3. Trade Receivables

	2013	2012
Consumers	**$ 21,148**	$ 17,026
Government of Belize (GOB)	**-**	1,908
	21,148	18,934
Less: provision for doubtful debts	**(4,193)**	(4,004)
	$ 16,955	$ 14,930
Provision for doubtful debts is comprised as follows:		
Balance, January 1	**$ 4,004**	$ 3,994
Additional provision	**196**	20
Write off	**(7)**	(10)
Balance, December 31	**$ 4,193**	$ 4,004

4. Materials and Supplies

	2013	2012
Bulkstores	**$ 19,491**	$ 17,196
Fuel and oil	**616**	856
	20,107	18,052
Less: provision for damaged and obsolete spares	**(2,373)**	(2,182)
	$ 17,734	$ 15,870
Provision for damaged and obsolete spares		
Balance, January 1	**$ 2,182**	$2,185
Additional provision	**191**	-
Write off	**-**	(3)
Balance, December 31	**$ 2,373**	$2,182

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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5. Property, Plant and Equipment

Year Ended December 31, 2012

Cost		**Land and buildings**		**Plant, machinery and equipment**		**Assets under construction**		**Total**
January 1, 2012	$	19,973	$	505,779	$	33,301	$	559,053
Additions		-		-		17,673		17,673
Transfers		119		17,190		(17,309)		-
Disposals		-		(2,472)		-		(2,472)
December 31, 2012		20,092		520,497		33,665		574,254
Accumulated Depreciation								
January 1, 2012		6,635		107,275		-		113,910
Additions		482		17,231		-		17,713
Disposals		-		(2,381)		-		(2,381)
December 31, 2012		7,117		122,125		-		129,242
Net Book Value December 31, 2012	**$**	**12,975**	**$**	**398,372**	**$**	**33,665**	**$**	**445,012**

The depreciation charge reported in the statement of comprehensive income for 2012 excludes $2,293 representing depreciation expenses allocated to cost of power. (See Notes 20, 29)

NOTES TO THE
Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

5. Property, Plant and Equipment *(Continued)*

Year ended December 31, 2013

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
Cost				
January 1, 2013	$ 20,092	$ 520,497	$ 33,665	$ 574,254
Additions	-	-	14,339	14,339
Transfers	79	13,223	(13,302)	-
Disposals	-	(1,964)	-	(1,964)
Impairment	-	(18,752)	-	(18,752)
December 31, 2013	20,171	513,004	34,702	567,877
Accumulated Depreciation				
January 1, 2013	7,117	122,125	-	129,242
Additions	471	14,945	-	15,416
Disposals	-	(1,686)	-	(1,686)
Revaluation	-	(5,112)	-	(5,112)
December 31, 2013	7,588	130,272	-	137,860
Net Book Value December 31, 2013	**$ 12,583**	**$ 382,732**	**$ 34,702**	**$ 430,017**

The depreciation charge reported in the statement of comprehensive income for 2013 excludes $2,345 representing depreciation expenses allocated to cost of power. The Fixed Asset Audit conducted by independent consultants resulted in two adjustments of a revaluation gain of $5.1 million and an impairment loss of $18.7 million. ***(See Notes 20, 29)***

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

6. Intangible Assets

Year ended December 31, 2012

Cost	**Computer Software**	**Transmission Rights**	**Total**
January 1, 2012	6,120	2,757	8,877
Additions	9	-	9
December 31, 2012	6,129	2,757	8,886
Accumulated Amortization			
January 1, 2012	5,803	2,359	8,162
Additions	127	145	272
December 31, 2012	5,930	2,504	8,434
Net Book Value			
December 31, 2012	199	253	452

Year ended December 31, 2013

Cost	**Computer Software**	**Transmission Rights**	**Total**
January 1, 2013	6,129	2,757	8,886
Additions	-	-	-
December 31, 2013	6,129	2,757	8,886
Accumulated Amortization			
January 1, 2013	5,930	2,504	8,434
Additions	104	145	249
December 31, 2013	6,034	2,649	8,683
Net Book Value			
December 31, 2013	95	108	203

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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7. Bank Overdraft

The Company has a BZ$1.0 million 8.5% unsecured overdraft facility with Heritage Bank Limited that is reviewed annually on September 30. The Company also had an overdraft facility of $1.0 million with the Belize Bank Limited which expired on 31 December 2012. This facility is renewable annually.

8. Other Payables

	2013	2012
Payroll liabilities	**$ 644**	$ 594
Refunds and other costs	**996**	1,966
Stale dated checks	**953**	618
EIB training fund	**815**	771
	$ 3,408	$ 3,949

9. Taxes Payable

	2013	2012
Business tax	**$ 332**	$ 267
General sales tax	**1,789**	1,392
Other tax provision	**5,425**	5,425
	$ 7,546	$ 7,084

10. Related Party Loan

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

SSB holds a lien over two of the Company's properties as collateral until such time that the preference shares are issued.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

11. Long - term debts

	2013	2012
1. Government of Belize		
a. Loan No. 7.0971/2 Unsecured loan no. 7.0971/2 to Government of Belize amounting to 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, commencing May 31, 2000. The loan bears interest at 5% per annum.	**$ 780**	$ 1,479
b. Loan No. 14/OR-BZ 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 3.95 % per annum.	**3,026**	4,749
2. The Bank of Nova Scotia (Canada)	**3,177**	6,367
a. Loan from The Bank of Nova Scotia (Canada) amounting to 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.		
	6,983	12,595
Less Current portion (repayable in 12 months)	**(6,112)**	(6,077)
	$ 871	$ 6,518

The loans are repayable as follows:	
2014	**6,112**
2015	**697**
2016	**174**
	$ 6,983

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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12. Debentures and Debenture Subscriptions

	2013	2012
Series 2: 193,718 unsecured debentures of $100 each to mature March 31, 2021 with interest payable quarterly at 9.5% per annum.	**19,372**	19,372
Series 3: 247,890 unsecured debentures of $100 each to mature July 31, 2022 with interest payable quarterly at 10% per annum.	**24,788**	24,788
Series 4: 82,026 unsecured debentures of $100 each to mature September 30, 2027 with interest payable quarterly at 10% per annum.	**8,203**	8,203
Series 5: 250,000 (Subscriptions - 240,950 - 2012) unsecured debentures of $100 each to mature December 31, 2024 with interest payable quarterly at 7% per annum.	**25,000**	24,095
	$ 77,363	$ 76,458

The Series 2 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 3 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. (See Note 29)

The Series 4 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 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.

NOTES TO THE Financial Statements

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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.

The offer of 250,000 Series 5 debentures at $100 each with annual interest of 7% was opened on November 15, 2012 and was fully subscribed by December 6, 2012. The Series 5 subscription balance includes $12.3 million Series 1 debenture holders rolling over the redemption value of their Series 1 debentures to Series 5 and cash subscriptions of $11.7 million collected at December 31, 2012.

The allotment of the Series 5 Debentures became effective on January 1, 2013.

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

		2013		2012
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		**NIL**		NIL
Special share:				
Authorized, issued and fully paid 1 share of $1.				

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14. Share Capital *(Continued)*

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.

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.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

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16. Capital Contributions

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

	2013	2012
Capital contributions brought forward	**$ 47,100**	$ 42,561
Additions	**4,407**	4,539
Capital contributions carried forward	**51,507**	47,100
Amortization brought forward	**10,392**	9,371
Additions	**1,151**	1,021
Amortization carried forward	**11,543**	10,392
Capital contributions – net	**$ 39,964**	

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 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. As at December 31, 2013, BZ$5 million of retained earnings has been appropriated.

18. Rate Reserve

The Rate Reserve Account was established in 2012 to recognize the Company's liability to customers as at December 31, 2011, as determined by the PUC in its rate review proceedings, in the Statement of Changes in Equity. The PUC ruled in its Adjustment to the 2012 Annual Review Proceedings that the $30.3 million liability to customers was fully paid off as of 31 December, 2012. Therefore, the Board approved the drawdown of the full amount from the Rate Reserve Account in 2012 to Retained Earnings.

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19. Revenues

Following completion of the PUC's Full Tariff Review Proceedings in January 2012, the PUC mandated a decrease in the Mean Electricity Rate from BZ$0.441 to BZ$0.4181 per KWH, effective as of February 1, 2012. On December 10, 2012, the Company submitted information to the PUC in accordance with SI 116 of 2009, on the actual cost of power compared to the reference Cost of Power approved under the 2012-2013 ARP. On January 11, 2013, the PUC ordered an increase in the MER for the period January 1 to June 30, 2013 to $0.488 per kWh from $0.418 per kWh. On June 26, 2013 the PUC issued its final decision for the 2013 ARP reducing the MER slightly from $0.4886 to $0.4865 with adjustments affecting social rate customers only.

20. Cost of Power

	2013	2012
Power purchased	**$ 143,306**	$ 152,783
Power generation costs:		
Fuel	**4,869**	8,280
Operations and maintenance	**595**	831
Depreciation (Note 5)	**2,345**	2,293
	$ 151,115	$ 164,187

21. Other Income

	2013	2012
Service installations	**$ 21**	$ 13
Rent income	**1,724**	1,742
Capacity charges	**2,903**	2,883
Amortization of capital contributions	**1,151**	1,021
Sundry income	**1,253**	1,169
	$ 7,052	$ 6,828

22. Corporate Tax

As provided by the Income and Business Tax Act of Belize, the Company is chargeable to tax on its gross revenues at 1.75%. Business tax rate for January 1 to June 30, 2012 was 6.50% and was changed to the current rate of 1.75% on July 1, 2012.

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23. Earnings per Share

	2013	2012
Basic (loss) earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.	**$ 0.27**	$ 13
		1,742
		2,883
		1,021
		1,169
Diluted (loss) earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.	**$ 0.27**	$ 6,828

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

	2013	2012
Net profit(loss) attributable to ordinary shareholders for basic and diluted earnings	**$ 18,719**	$ (16,000)
Weighted average number of ordinary shares for basic earnings per share	**69,023,009**	69,023,009
Effect of dilution:		
Share subscription	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**69,023,009**	69,023,009
Basic earnings(loss) per ordinary share	**$ 0.27**	$ (0.23)
Diluted earnings(loss) per ordinary share	**$ 0.27**	$ (0.23)

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.

With the transition to IFRS, the 2011 financial statements were restated to reflect the new treatment of the 2012 FTRP final decision. In this decision, the PUC ruled to eliminate the RSA effective 30 June, 2009 and maintain all further adjustments in the Annual Correction account. Based on the present interpretation of IFRS treatment of regulated liability to customers, this ruling resulted in the adjustment of the $57.4 million balance in the RSA Account in the

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(In Belize thousands of dollars)

23. Earnings per Share *(Continued)*

Statement of Financial Position to zero as of 1 January, 2011 and the recognition of the Annual Correction of $30.3 million in the Statement of the Change in Equity as of 31 December, 2011. These adjustments to the RSA and Annual Correction account was treated retrospectively and recorded in Retained Earnings. All transactions previously recorded in the RSA during 2011 were reversed.

The PUC approved a projected unit COP of $0.262 per kWh as a pass through to customers for 2012, versus an actual unit cost of $0.355 per kWh for COP. This variance is equivalent to an additional $33 million in COP expense. As a result of excess COP in 2012, the PUC ruled that in keeping with SI 116, electricity rates for the Tariff Period 2012 to 2013 had to be increased to allow the pass through of the full COP to customers. In determining the rate adjustment, the PUC allowed for the total liability to customers to be fully paid off in 2012 instead of by means of rebate to the electricity rates over the period 2012 to 2016 as it had initially prescribed. If the Company was able to record its liability to customers in the Statement of Financial Position (Balance Sheet) and the rebate/write down in its Statement of Comprehensive Income (Income Statement), this would have resulted in the Company reporting a net earnings of $14.3 million and an earnings per share of $0.21 as presented in the Company's 2012 Forecast based on independent advice as to a prior interpretation of the treatment of a regulated liability under IFRS.

Instead, the Company is reporting a net loss of $16 million for the year ended 2012 and negative earnings per share of $0.23 attributed by the higher than projected cost of power (COP) while at the same time reporting an increase in retained earnings of $14.3 million in 2012.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

24. Related Party Transactions

The following transactions were carried out with related parties:

		2013		2012
(a) Sale of power				
Government of Belize	**$**	**31,314**	$	27,053
Belize Social Security Board		**410**		384
(b) Purchases of goods and services				
Social Security contribution payments	**$**	**388**	$	375
Social Security interest payments		**422**		-
Social Security dividend payments		**929**		-
Government of Belize dividend payment		**2,424**		-

(c) Key management 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:

		2013		2012
Salaries and other short-term benefits	**$**	**483**	$	486

(d) Year-end balances

		2013		2012
Receivable from related parties:				
Government of Belize	**$**	**-**	$	1,908
Social Security Board		**3**		21
Entities controlled by key management personnel		**NIL**		NIL
Payable to related parties:				
Government of Belize		**809**		814
Social Security Board		**10,126**		10,125
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

	2013	2012
(e) Loans to related parties	**NIL**	NIL

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YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

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, 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. In a letter dated May 14, 2012, CDB noted that it has "no objection" to the new appointments by the company.

In June and December 2011, the Company requested a waiver from CDB for non-compliance with the return on fixed assets financial loan covenant; and on May 14, 2012 CDB responded and concluded that "BEL can seek external financing to support its planned service improvements and expansion programmes." In 2013, the Company was successful in acquiring a loan from CDB for its Power VI project in 2014.

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.

Summary of Contractual Obligations:

(In Belize millions of dollars)

	Total	2014	2015 - 2018
Long-term debt	7.0	6.1	0.9
Purchase obligations – energy (BECOL)	198.0	48.7	149.3
Purchase obligations – energy (BELCOGEN)	53.4	13.0	40.4
Purchase obligations – energy (Hydro Maya)	8.2	1.7	6.5
Purchase obligations – energy (BAPCOL)	114.9	14.2	100.7
Interest obligations on LTD and Debentures	34.5	6.9	27.6
Total Obligations	416.0	90.6	325.4

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of 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**	
	2013	2012
Cash and cash equivalents	**$ 11,610**	$ 7,993
Term deposit	**674**	643
Trade receivables	**16,955**	14,930
Other receivables	**1,744**	924
Staff receivables	**1,219**	837
Total Financial Assets	**$ 32,202**	$ 25,327

Financial Liabilities	**Other Financial Liabilities at Amortized Cost**	
	2013	2012
Trade payables	**$ 14,505**	$ 37,752
Accrued interest	**209**	152
Other payable	**3,408**	3,949
Related party loan	**10,000**	10,000
Long-term debt	**6,983**	12,595
Debentures	**77,363**	76,458
Total Financial Liabilities	**$ 112,468**	$ 140,906

NOTES TO THE
Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

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 entity'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.

Foreign exchange risk is minimized when the Company's transactions with foreign entities are denominated in US dollars. At December 31, 2013, the Company had only one material liability denominated in EURO. 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	25%
Commercial customers	54%
Industrial customers	8%

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

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.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

27. Financial risk management *(Continued)*

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 - 1 Year	1 to 5 Years	Total
	$	$	$	$
Trade payables	14,505	-	-	14,505
Accrued interest	209	-	-	209
Other payables	3,408			3,408
Related party loan	-	-	10,000	10,000
Long-term debt	2,457	3,655	871	6,983
Debentures	-	-	-	-
	20,579	3,655	10,871	35,105

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.

NOTES TO THE Financial Statements

YEARS ENDED DECEMBER 31, 2013 | 2012

(In Belize thousands of dollars)

29. Subsequent Events

Regulatory

On January 2, 2014, the PUC issued an Amendment to the 2013 Annual Review Proceeding Final Decision for the Annual Tariff Period (ATP) July 1, 2013 to June 30, 2014. This decision resulted in a new average tariff effective January 1, 2014 which decreased the mean electricity rate from BZ$0.4865 to $0.4465 to be revisited in the June 2014 ATP. The new rates are $0.005 above the projected MER in the Company's 2014 – 2018 Business Plan.

As per the Rate Setting Methodology, the Annual Correction Balance is maintained by the PUC. **The Mean Electricity Rate is expected to be reduced at the next ATP in July, 2014 to offset estimated corrections of $12.5 million and to reflect the revised unit COP for the period July 2014 to June 2015.**

Property, Plant and Equipment

The Company has engaged in a complete fixed asset audit to verify the value of assets owned and operated by the Company, both for the entire transmission and distribution system and other property, plant and equipment. This audit is on-going and majority was completed in 2013 except for the finalization of the reconciliation of the Transmission & Substation Assets.

Debentures

On May 2, 2014, the Company will exercise its call option on the $24.8 million 10% Series 3 Debentures giving 60 days' notice. BEL has this option to call at any time after August 2009. The Company will also offer a $25 million 6.5% Series 6 Debentures on July 1, 2014. The proceeds will be used in whole or in part to refinance the Series 3 Debentures bearing interest at 10 per cent, and or to redeem existing Debentures held by Debenture holders who choose not to invest in the new offering.

FINANCIAL
and Operating Statistics

In 2013, the Company converted to International Financial Reporting Standards (IFRS) and, as a result, restated the 2011 financials in this report.

	2013	2012	2011*	2010	2009	2008	2007	2006	2005	2004	2003
FINANCIAL STATISTICS											
(Belize thousands of dollars except as noted)											
Energy Revenues	232,233	193,294	190,245	190,526	186,566	140,577	159,607	149,577	120,540	105,512	101,420
Net Profit (Loss)	18,719	(16,000)	3,178	3,448	8,895	(10,838)	29,864	26,084	18,883	15,822	14,079
Net Fixed Assets	430,017	445,012	445,143	444,683	418,704	393,831	372,834	340,737	322,163	310,536	296,609
Capital Expenditures	14,339	17,682	31,471	44,372	43,325	41,652	47,119	32,046	25,203	25,512	53,964
Total Assets	481,361	487,833	489,997	476,903	472,267	435,257	429,738	408,953	373,673	346,472	338,120
Long Term Debt	871	6,518	12,139	18,435	26,521	44,155	44,245	49,593	75,276	89,576	107,465
Debentures	77,363	76,458	69,311	69,311	69,473	69,570	66,829	60,317	56,016	53,062	49,346
Shareholders' Equity (excluding Contributed Capital)	313,172	292,793	308,792	255,041	251,593	242,698	257,333	242,654	154,721	136,096	120,546
Performance Indicators											
Rate of Return on Net Fixed Assets	6.3%	-2.4%	2.2%	3.8%	4.9%	-1.1%	10.3%	10.5%	9.6%	8.3%	8.8%
Rate of Return on Shareholders' Equity	6.2%	-5.3%	1.1%	1.4%	3.6%	-4.3%	11.9%	13.1%	13.0%	12.3%	12.3%
Earnings (Loss) per share ($)	0.27	(0.23)	0.05	0.05	0.13	(0.16)	0.43	0.48	0.59	0.53	0.50
OPERATING STATISTICS											
Sales (MWH)											
Industrial & Commercial	299,045	186,504	152,239	159,921	158,452	158,992	143,118	132,553	123,701	116,075	109,075
Residential	159,333	250,884	251,764	241,777	234,596	224,030	214,925	203,361	202,419	189,498	175,817
Street Lighting	25,516	24,781	24,486	24,535	24,326	23,963	23,716	23,679	23,606	24,404	22,661
Total	483,894	462,169	428,490	426,233	417,374	406,985	381,759	359,593	349,726	329,977	307,553
Customer Accounts (numbers)											
Industrial, Commercial & Street Lighting	17,463	15,658	720	730	724	725	699	678	594	537	532
Residential	64,977	64,705	78,007	76,316	74,819	73,492	71,992	70,279	68,041	65,544	62,544
Total	82,440	80,363	78,727	77,046	75,543	74,217	72,691	70,957	68,635	66,081	63,076
Net Generation (MWh)											
Net Diesel Generation	8,439	13,632	6,910	7,608	18,760	10,704	36,078	30,136	81,553	78,850	97,889
Purchased Power - BECOL	243,177	199,039	232,081	249,564	179,949	191,589	166,727	177,733	68,275	63,215	61,154
Purchased Power - HydroMaya	15,454	9,553	12,518	13,586	7,760	12,898	10,676	-	-	-	-
Purchased Power - BAL/BAPCOL	954	3,578	-	4,461	48,781	-	-	-	-	-	-
Purchased Power - Belcogen	48,859	64,506	70,720	48,175	1,330	-	-	-	-	-	-
Purchase Power - CFE	234,070	237,864	170,612	159,876	216,233	248,396	225,227	209,814	253,995	235,796	188,714
Total	550,953	528,172	492,841	483,270	472,813	463,587	438,708	417,683	403,823	377,861	347,757
Other											
Losses	12.3%	12.2%	13.1%	11.8%	11.7%	12.2%	13.0%	13.9%	13.4%	12.7%	11.5%
Peak Demand(MW)	84.3	82.0	79.3	80.6	76.2	74.3	70.0	66.6	63.5	61.1	57.4
Installed Capacity (Diesel Plant)(MW)	24.0	25.0	28.3	32.3	33.7	37.0	36.2	36.9	43.5	43.6	49.3
Employees (Permanent & Temporary)	286	279	276	290	283	261	260	243	244	248	242

* Restated

[1] Adjusted to reflect reclassification of Residential to Commercial Customers. Numbers persented in 2011 and prior years does not reflect the reclassification done in 2012.

[2] Adjusted to reflect reclassification of Residential to Commercial sales base on customer reclassification. Sales amount persented in 2011 and prior years does not reflect the reclassification done in 2012.

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

CORPORATE DIRECTORY

Investor Information

BOARD OF DIRECTORS

Mr. Rodwell Williams	Chairman
Mr. Alan Slusher	Deputy Chairman
Mr. Anuar Flores	
Mr. Jeffrey Locke	
Mr. Louis Lue	
Mr. Eden Martinez	
Mr. John Mencias	
Mr. Anthony Michael	
Mr. Ariel Mitchell	
H.E. Ambassador James Murphy	

COMPANY SECRETARY

Mrs. Dawn Sampson Nuñez

TOP MANAGEMENT

Mr. Jeffrey Locke	Chief Executive Officer
Mr. Sean Fuller	Senior Manager, Information Systems and Customer Care
Mr. Ernesto Gomez	Senior Manager, Energy & Materials Supply
Mr. Jose Moreno	Senior Manager, Transmission & Distribution
Mr. Rolando Santos	Senior Manager, System Planning & Engineering
Ms. Betty Tam	Senior Manager, Finance & Human Resources

CORPORATE ADDRESS

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FISCAL AGENT

Heritage Trust & Financial Services Limited
106 Princess Margaret Drive
Belize City, Belize
Central America

SHAREHOLDER SERVICES

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

Manager, Corporate Services & Company Secretary
BEL Corporate Headquarters

Telephone: 501-227-0954
Email: info@bel.com.bz

DIRECT DEPOSIT

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