Embracing the Path Ahead

BELIZE ELECTRICITY LIMITED

2018 ANNUAL REPORT

San Pedro Town, Ambergris Caye is a prime tourist destination in Belize and currently accounts for 12% of BEL's electricity sales. In 2018, BEL connected 274 new customers on the island.

CONTENT

Abbreviations

BAL	Belize Aquaculture Limited
BAPCOL	Blair Athol Power Company Limited
BECOL	Belize Electric Company Limited
BEL	Belize Electricity Limited
CDB	Caribbean Development Bank
CFE	Comisión Federal de Electricidad
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
GDP	Gross Domestic Product
GOB	Governement of Belize
GWh	Gigawatt Hours
IPP	Independent Power Producer
JICA	Japan International Cooperation Agency
LED	Liquid Emitting Diode (light)
LTIF	Lost Time Injury Frequency
MER	Mean Electricity Rate
MWh	Megawatt Hours
PUC	Public Utilities Commission
RFP	Request for Proposal
RFPEG	Request for Proposal for Energy Generation
SDIX	Service Delivery Index
SSB	Social Security Board
$'000	Thousands of Belize dollars
$ MN	Millions of Belize dollars

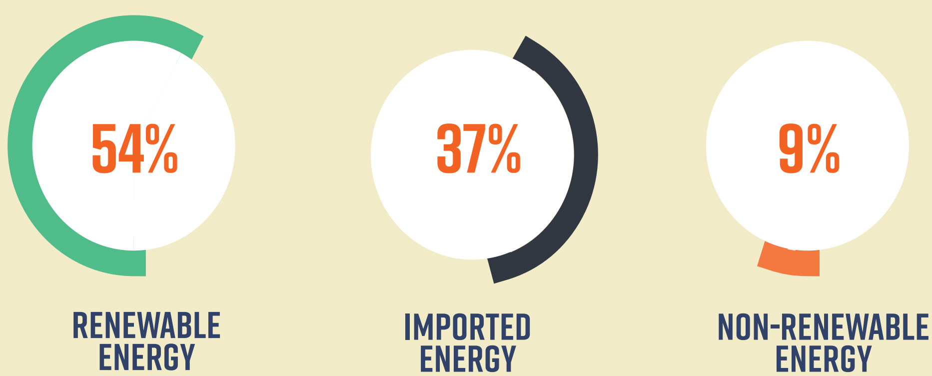
COMPANY **PROFILE**

Belize Electricity Limited (BEL) is the primary distributor of electricity in Belize, Central America. Aggregate energy sold in 2018 was 554.4 gigawatt hours (GWh). The Company served a customer base of 97,714 accounts with a peak power demand of approximately 104 megawatts (MW) during the year.

BEL's national electricity grid connects all major municipalities (load centers) with approximately 1,900 miles of transmission and primary distribution lines. The grid is supplied by local Independent Power Producers (IPP) utilizing hydroelectricity, biomass, petroleum and solar energy sources; and is secured and stabilized by interconnection with Mexico. Consistent with the Company's commitment to being environmentally responsible, 54% of energy is supplied by renewable sources. BEL also operates two diesel generation facilities, a gas turbine, which is used as a standby plant for energy security and reliability, and an off-grid power station that supplies the island of Caye Caulker.

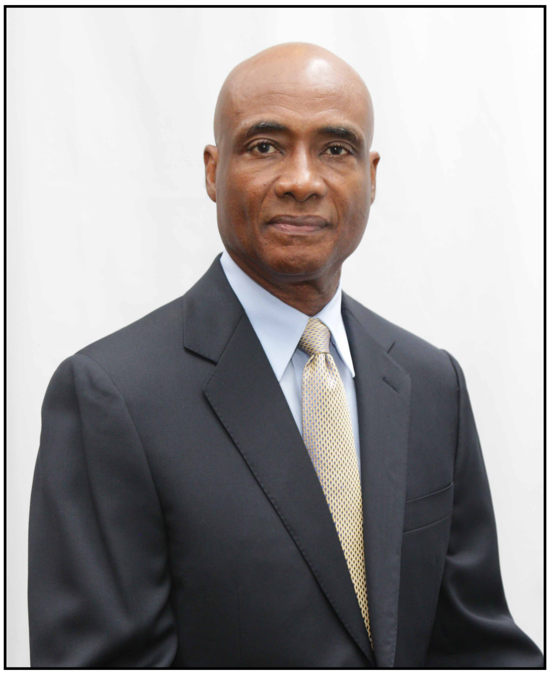
The Government of Belize (GOB) has direct ownership of 32.6% interest in the Company, whilst the Social Security Board (SSB) owns 31.2%, resulting in public sector interest of 63.8%. Fortis Cayman Inc. owns 33.3% interest and over 1,500 small shareholders own the remaining 2.9% interest in ordinary shares.

2018 ENERGY SOURCES



REPORT TO SHAREHOLDERS

Embracing the Path Ahead



Rodwell Williams S.C.
Chairman, Board of Directors

Belize Electricity Limited (BEL) continues to deliver on our commitment to expand and improve service to customers while supporting national development and improving the quality of life in Belize.

In 2018, BEL connected 3,200 new customers, including 400 households in 12 previously unserved communities. This achievement brings the Company closer to its 2020 target to provide 98% of households with access to safe, reliable and affordable electricity.

Customers also experienced a second consecutive year of record low outages as a result of system reliability improvement programs. In the 2018 Customer Satisfaction Survey, customers expressed a fairly high level of satisfaction with field services, cashier services and call handling.

Our care for the communities we serve drives our outreach programs that contribute to the well-being and safety of Belizeans. Through BEL's Golden Citizen Program, over 2,200 Belizeans aged 65 and older received a monthly credit on their electricity bills during the year. Under the LED Streetlight Project, over 5,200 energy efficient streetlights were installed countrywide for improved and cost-effective public lighting.

Electricity revenues were $215.1 million, compared to $207.2 million in 2017. However, due to a shortfall in projected sales and a $26.3 million increase in cost of power, the Company recorded a loss of $3.587 million in 2018. This increase in cost of power was caused by higher prices from Mexico and below average production by local hydro plants. As a result, the Board of Directors has decided to defer the declaration of dividends for the year 2018.

At the end of the year, the Company applied to the Public Utilities Commission (PUC), as required, to recover the increase in cost of power through an adjustment to the tariff. BEL also recommended the launch of a Request for Proposals (RFP) in Electricity Generation from competitively priced sources of renewable energy as a definitive effort towards managing cost of power. Additionally, BEL is collaborating with the PUC to develop regulations for introducing distributed generation into the national grid.

Major projects going forward to create options and opportunities for the Company to deliver on its commitment to stakeholders include additional submarine cable interconnection with the cayes,

implementation of smart metering, and feasibility studies for wind and solar energy generation.

Following countrywide consultations with all stakeholder segments, the Company finalized its new Strategic Direction guided by a revised Mission, Vision, and set of Values and Corporate Objectives that outline a roadmap for a gradual and smooth transition to an energy services company.

The Company will continue to invest in increasing the capacity of employees in order to retain a highly engaged team that is dedicated to delivering superior service to our customers and value to our shareholders while proactively anticipating and meeting the needs of the ever-evolving energy sector.

Rodwell Williams S.C.
Chairman, Board of Directors

New Mission, Vision & Values

Mission

We improve the quality of life and stimulate national development by providing safe, reliable and affordable energy services.

Vision

A Trusted Partner in Energy Solutions.

Values

We are forward thinking and innovative.
We are committed to safety for all.
We are socially and environmentally responsible.
We are caring and trustworthy.
We are prudent and responsible.

2018 HIGHLIGHTS

- The Company recorded a loss of $3.587 million due to lower than projected sales and a substantial increase in cost of power.
- Customers experienced, on average, 9.9 outages during the year: the least since 2014.
- Approximately $30.6 million was spent on improving service and productivity, reducing system losses and improving energy efficiency for public lighting.
- Energy sales grew by 0.4% to 554.4 GWh, compared to 2017.
- Electricity revenues were $215.1 million, compared to $207.2 million in 2017.
- Under BEL's System Expansion Program, 400 households in 12 additional communities received access to safe and reliable electricity.
- Employees spent over 1,690 man-days training in various technical and non-technical areas, including project management, lineman training, and leadership development.

BEL honours senior citizens for their meaningful contributions to society. Over 2,200 beneficiaries of our Golden Citizen Program received a credit towards their monthly electricity bills in 2018.

Through the Connecting Homes Improving Lives program, over 1,770 low income families countrywide received assistance with obtaining a service entrance for safe connection to electricity from BEL.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Performance

Earnings

Earnings before interest, taxes and depreciation (EBITDA) shrunk to $22.8 million in 2018 from $41.3 million in 2017. Net income in 2018 consequently fell to a loss of $3.587 million compared to a profit of $17.773 million in 2017.

Earnings Overview ($MN)
For Years Ended December 31

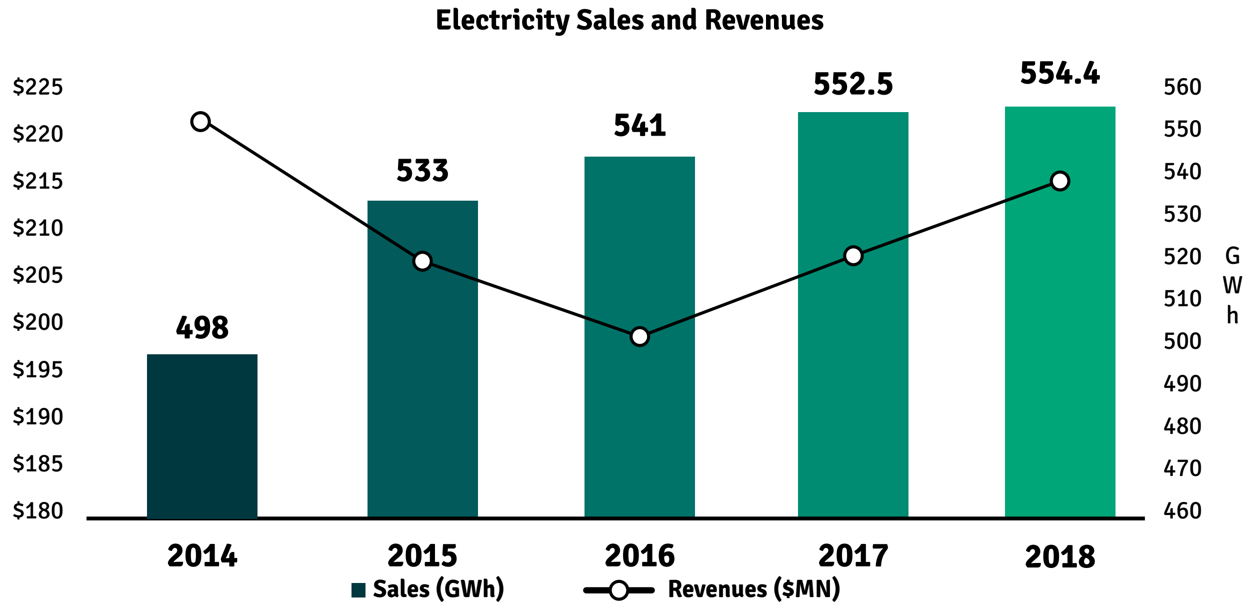
	2018	2017	2016	2015	2014
Comprehensive Revenue	$222.693	$215.439	$205.238	$213.853	$229.122
Cost of Power	($167.899)	($141.636)	($122.879)	($133.253)	($126.526)
Other Expenses	($32.965)	($32.457)	($33.488)	($33.303)	($46.306)
EBITDA	**$22.830**	**$41.346**	**$48.871**	**$47.297**	**$56.289**
Depreciation & Amortization	($18.784)	($16.845)	($15.322)	($14.461)	($11.135)
EBIT	**$4.046**	**$24.501**	**$33.549**	**$32.836**	**$45.154**
Interest Expense	($3.810)	($3.042)	($2.751)	($4.327)	($4.982)
Corporate Taxes	($3.822)	($3.686)	($3.505)	($3.659)	($3.934)
Net Income	**($3.587)**	**$17.773**	**$27.292**	**$24.850**	**$36.239**

The decline in earnings is due mainly to the substantial increase in cost of power relative to revenues. Cost of power accounted for 75% of comprehensive revenues in 2018 compared to 66% in 2017. The increase in cost of power was a consequence of continued volatility in CFE prices (Mexican energy imports) compounded by lower than average production from local hydro plants. Efforts to control cost of power volatility going forward include optimizing daily energy purchases for least cost and increasing local generation capacity. Additionally, CFE prices are expected to stabilize in the next few years.

Common Size Income Statement
For Years Ended December 31

	2018	2017	2016	2015	2014
Comprehensive Revenues	$222.7	$215.4	$205.2	$213.9	$229.1
Cost of Power	75%	66%	60%	62%	55%
Operating Expenses	14%	15%	16%	15%	13%
Depreciation and Amortization	8%	8%	7%	7%	5%
Interest Expense	2%	1%	1%	2%	2%
Corporate Taxes	2%	2%	2%	2%	2%
Fixed Asset Impairment	0%	0%	0%	0%	7%
Gain (Loss) on disposal of fixed asset	1%	0%	0%	0%	0%
Profit	-2%	8%	13%	12%	16%

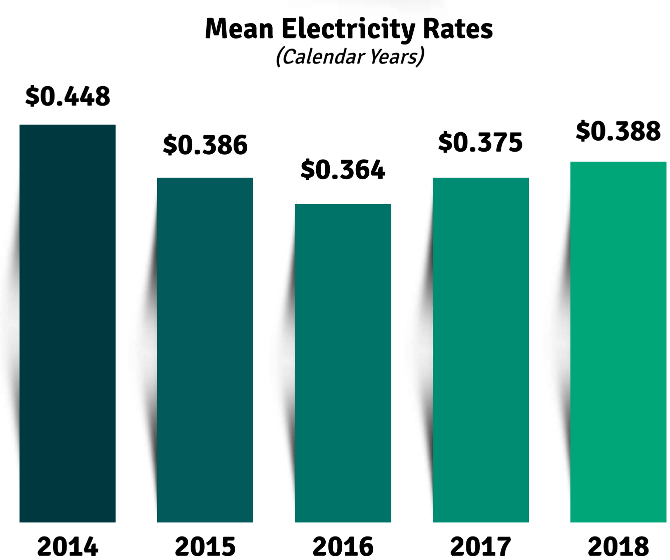
Sales and Revenues



Electricity sales grew by 0.4% to 554.4 GWh in 2018 from 552.5 GWh in 2017, driven by the residential and commercial sector, up by 4.7% and 1.1% respectively. However, industrial usage declined due to low production in the aquaculture sector. Energy consumption associated with public lighting also declined as the Company continues to install energy efficient streetlights.

Total revenues were up as well in 2018, increasing by 3.8% to $215.1 million from $207.2 million in 2017. The increase is a function of higher sales and an increase of the Mean Electricity Rate (MER).

The PUC approved an increase in the MER to $0.393 per kWh for the second half of 2018, effective July 1 through to December 31. The higher rate enables BEL to recover some of the unanticipated increases in cost of power it had been absorbing.

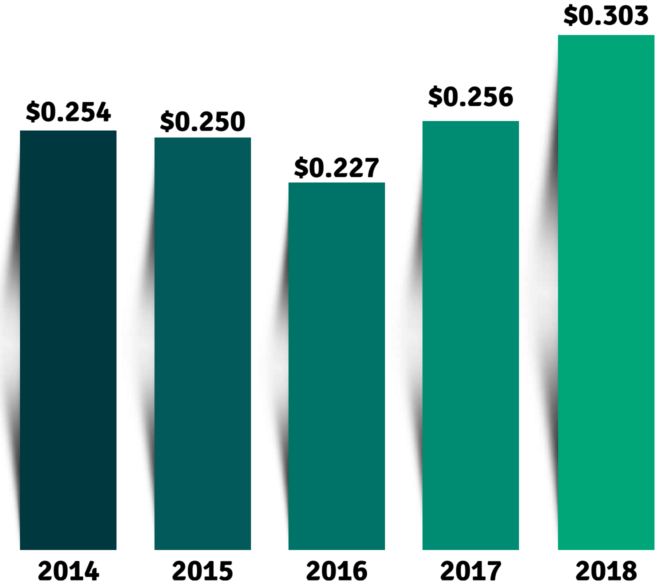


Cost of Power Sold

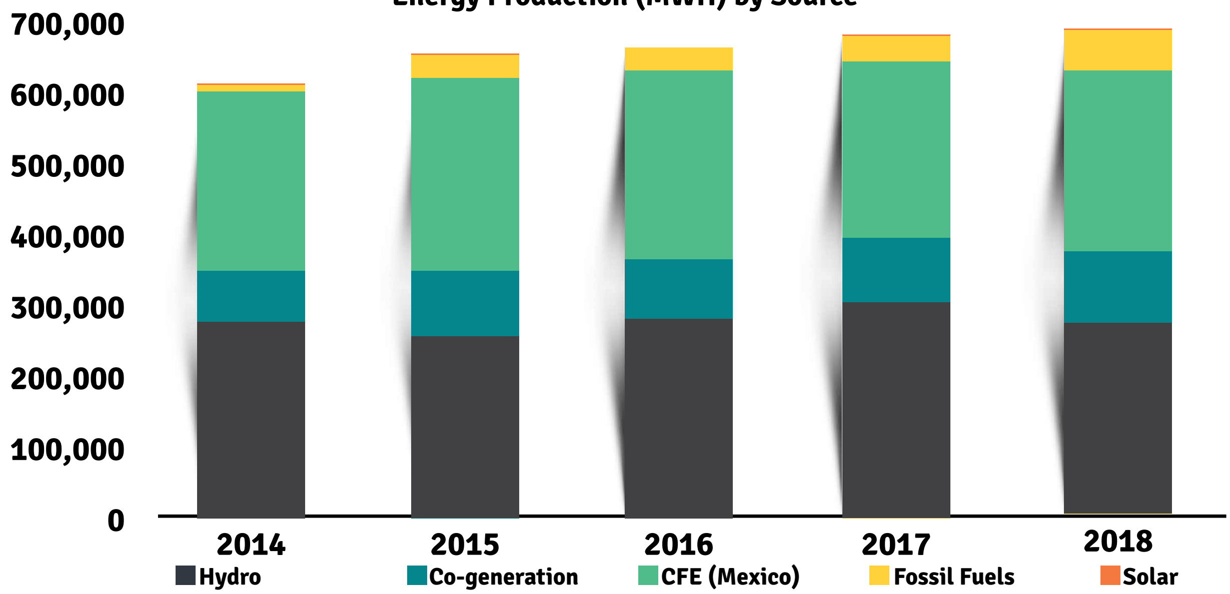
Cost of power was $167.9 million in 2018, an increase of $26.3 million or 18.5% compared to 2017. Annual average unit cost of power was 30.3 cents per kWh compared to 25.6 cents per kWh in 2017.

Two main factors contributed to the significant increase in cost of power. Firstly, a shortage of capacity in Yucatan, Mexico increased CFE's average unit price by 37.7% compared to 2017. Secondly, lower than expected rainfall reduced the energy supply available from hydro plants that could have helped to replace some of the more expensive Mexican energy imports. The Company is actively pursuing opportunities to increase in-country generation from renewables to help manage the volatility in cost of power.

Average Unit Cost of Power
(per kilowatt hour sold)



Energy Production (MWH) by Source



Cost of Delivery

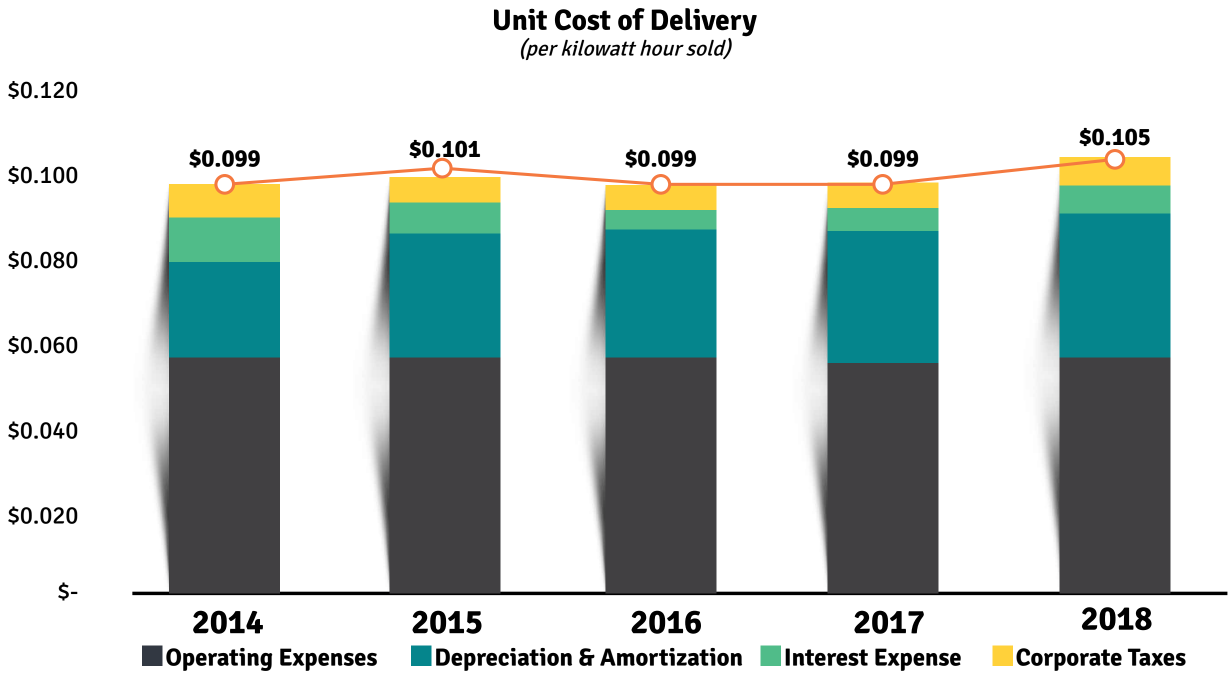
The cost of delivering electricity to customers increased by 6.0% to $0.105 per kWh sold in 2018 from $0.099 in 2017. The increase is mostly due to increasing depreciation costs and financing charges associated with infrastructure investments.

Annual operating expenses increased by 2.0% to $32.1 million in 2018 from $31.5 million in 2017.

Depreciation and amortization expense increased by 11.5% to $18.8 million in 2018 from $16.8 million in 2017. This increase came as a direct result of growth in the value of assets commissioned into service.

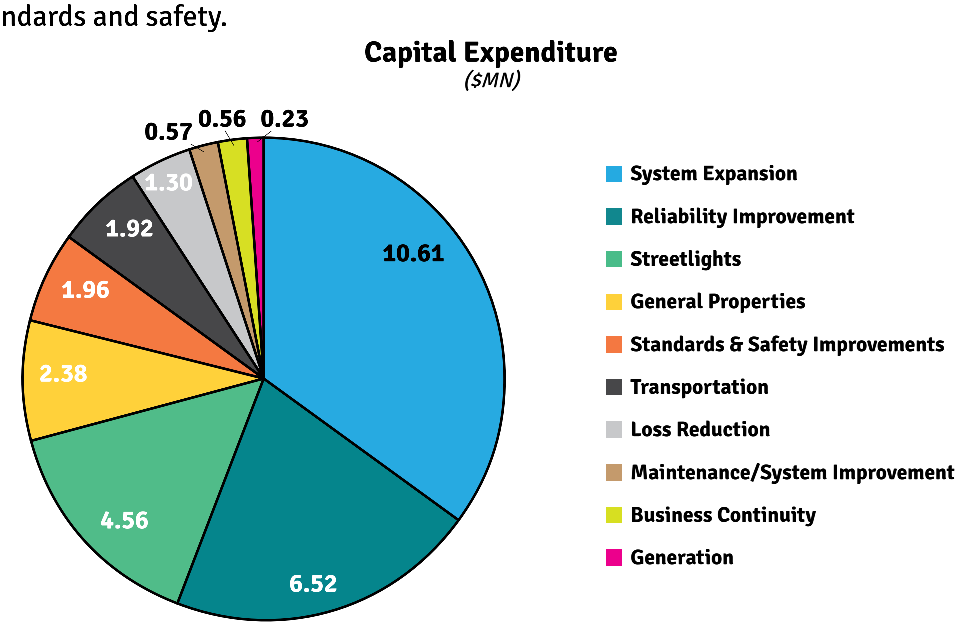
Interest expense for 2018 amounted to $3.8 million compared to $3.0 million in 2017, an increase of 25.2% ascribed to charges associated with CDB financing for system expansion and other capital investments.

Corporate Business Tax for 2018 was $3.8 million as compared to $3.7 million in 2017, consistent with the rise in revenues.



Capital Expenditure

Capital expenditure in 2018 amounted to $30.6 million with priority spending on grid maintenance, system expansion, and reliability improvements. The Company also made notable investments in energy efficiency, specifically the countrywide installation of LED lights for public lighting. Other capital investments supported reducing losses and improving service delivery, and programs to reinforce standards and safety.

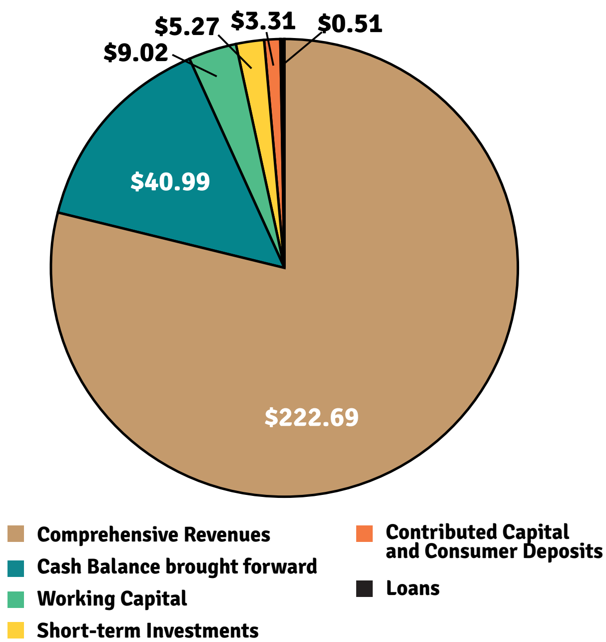


Financing

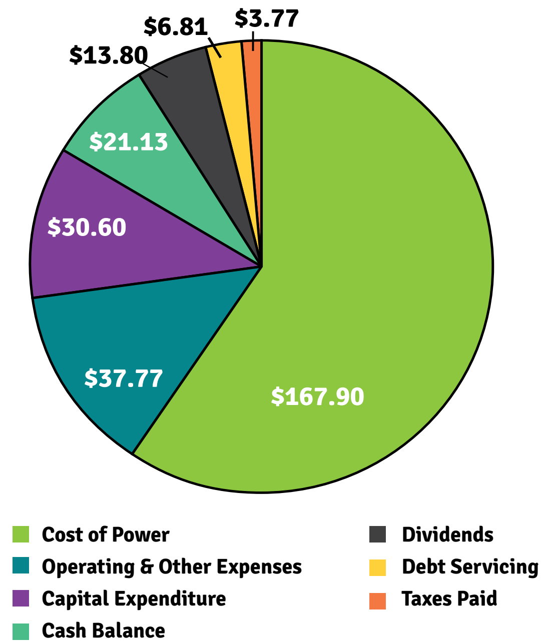
Total funds available in 2018 amounted to $281.8 million. Comprehensive revenues, which includes electricity sales, interest income earned and other income, accounted for 79% of funds available. Another significant source of funds was cash brought over from 2017, which accounted for 15% of total funds available. The Company also reduced its holdings of short-term investments and marginally increased its long-term debt to shore up its financing plan.

Sixty percent (60%) of available funds was spent on cost of power while 13% was used for operating expenses. The Company invested 11% of available funds in capital projects and returned 5% of funds via dividends to shareholders.

Sources of Funds
($MN)



Uses of Funds
($MN)



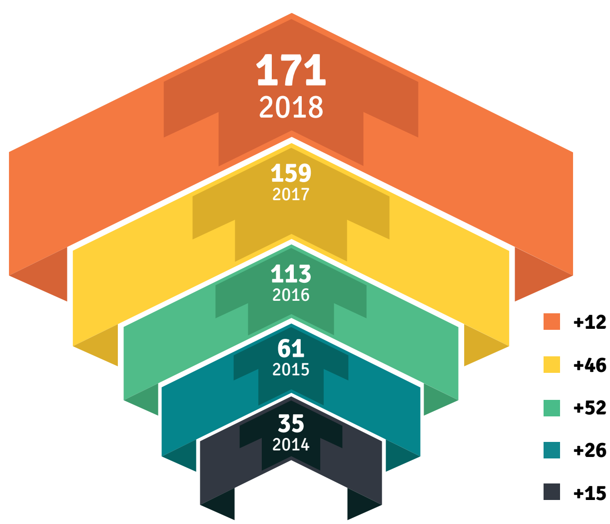
Operating Performance

System Expansion

The Company extended access to 12 more communities in 2018 including the villages of Hicatee, Midway, San Felipe, Santa Ana and Yemeri in the Toledo District, and Billy White, Duck Run 3 and San Marcus in the Cayo District.

Since 2018, over 4,200 households in 171 previously off-grid communities gained access to safe, reliable and affordable electricity from BEL under the System Expansion Program.

Cumulative Communities Connected



Service Delivery

The Company scored 80.1% in the 2018 Customer Satisfaction Survey, conducted every two years to measure service delivery and brand image. Customers scored the Company well in field and cashier services. The majority of customers perceived BEL as very trustworthy and having a high standard of business ethics in its daily activities. The survey result remains within the performance range of many top ranking utilities.

Customer Satisfaction Survey Results

The Company also assesses its own performance in service delivery using an internal aggregate score, the Service Delivery Index (SDIX). The SDIX measures the Company's performance in field services, call handling, billing and resolving customer complaints.

The SDIX score for 2018 improved by over 50% compared to 2017. This is reflective of customer and field service teams collaborating and communicating more effectively to ensure timely follow-up and completion of customer requests.

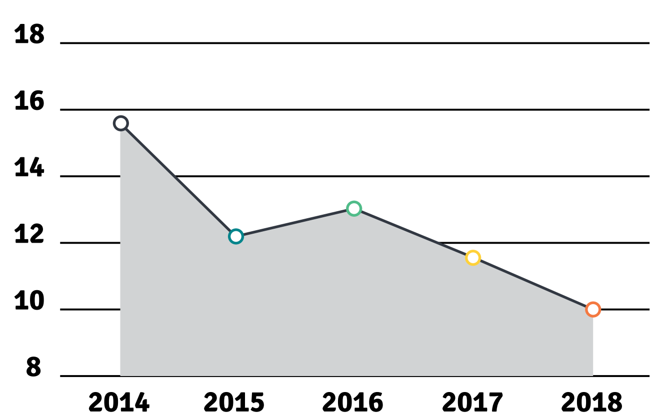
BEL will continue to prioritize customer service and customer engagement as key pillars of its strategy.

Reliability

The frequency of outages reduced for the second consecutive year. Customers experienced an average of 9.9 outages in 2018 as a result of improved planning for maintenance works, coordination of protection systems and sustained reliability by CFE.

Additionally, upgrades to the transmission and distribution system now allow for selective isolation, restricting power disruptions to the smallest number of customers possible.

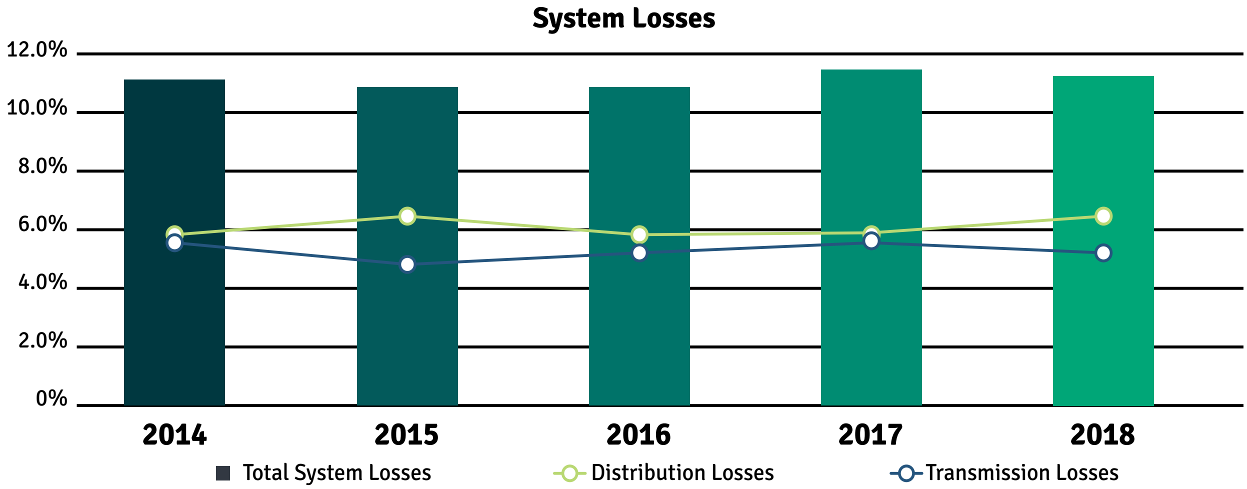
BEL System Outage Frequency
(SAIFI)



Excludes power interruptions due to IPP failures, hurricane or vandalism

System Losses

The Company endeavors to maintain system losses below the regulatory benchmark of 12% of total energy supplied. Total system losses reduced from 12% in 2017 to 11.9% in 2018. Losses on the distribution lines were 6.5%, a 0.5% increase from 2017. Losses on transmission lines were 5.4%, a 0.6% decrease from 2017. Reduced losses on transmission lines are due in part to the implementation of a strategic mode of dispatch, that ensures that energy consumed in southern Belize is supplied mainly by generation sources in that area.

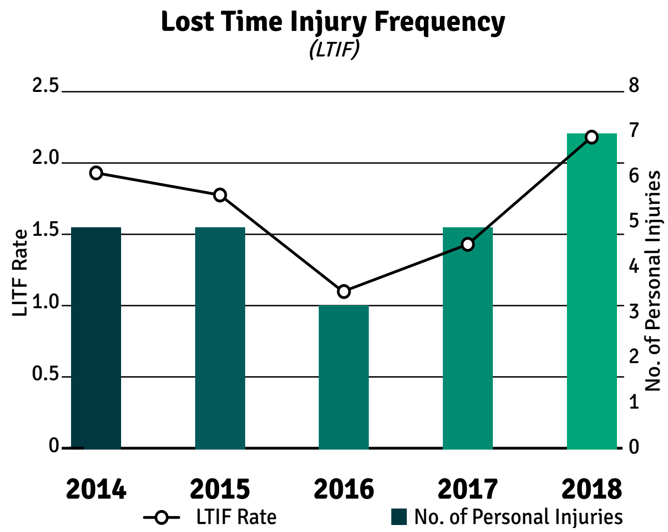


Total System Losses include technical and non-technical losses.

Safety, Health and Environment

BEL proactively manages safety, health and environmental risks through the implementation of a robust Safety, Health and Environment (SHE) Action Plan. In 2018, BEL completed 96% of scheduled activities under this plan. Notwithstanding these efforts, seven personal injuries during the year increased the lost time injury frequency.

Going forward, Management will place greater emphasis on adherence to safety principles and precautionary practices, and explore the use of technology to improve monitoring and reduce risks.



[1]Total system losses includes technical and non-technical losses.

[2]Lost Time Injury Frequency is the number of work injuries experienced per annum divided by hours worked per annum and multiplied by a factor of 200,000 for benchmarking.

2019 Outlook

Belize's economy is rebounding, and demand for electricity, which historically has strongly correlated with GDP growth, will likely surge in tandem with this economic turnaround. Sustained increases in overnight tourism stays and expanding sugar and citrus production in the agriculture sector[3] should drive higher commercial sales, while residential sales are expected to grow consequent to the corollary effects of an improving economy and BEL's own System Expansion Program. The outlook is therefore for a robust 3.3% increase in demand for electricity in 2019 and into the medium term compared to the 0.4% year-on-year growth in 2018.

Managing cost of power will remain key to positive financial performance. High and volatile prices for energy imports from Mexico coupled with lower than average rainfall for hydroelectricity generation, as seen in 2018, is expected to continue into 2019. The Company's strategy is to optimize energy purchases for least cost to help contain the anticipated increase in aggregate cost of power. As part of its long-term energy plan, BEL is working with the PUC to secure new, cost-competitive domestic generation from renewables and low-carbon sources. Additionally, the Company plans to interconnect Caye Caulker to the national grid between 2019 and 2020. This initiative anticipates positive environmental, long-term economic and system reliability benefits for Caye Caulker.

BEL continues to collaborate with the PUC, the Ministry of Energy and other key stakeholders to further develop the regulatory framework to promote a more diversified energy landscape. This is in line with the Company's new mission to modernize the traditional transmission and distribution grid into a more efficient and inclusive network that integrates distributed generation and micro-grid solutions for its customers.

[3]Belize: Staff Report for the 2018 Article IV Consultation. (2018). International Monetary Fund.

FINANCIAL
& OPERATING STATISTICS

	2018	2017	2016	2015	2014	2013	2012	2011	2010 - 2006 Average	2005 - 2001 Average
FINANCIAL STATISTICS										
(Belize thousands of dollars except as noted)										
Energy Revenues	215,141	207,227	197,001	206,024	221,692	232,233	193,294	190,245	165,371	102,858
Net Profit (Loss)	(3,587)	17,773	27,292	24,850	36,239	18,719	(16,000)	3,178	11,491	14,778
Dividends Paid	13,805	20,017	27,859	11,355	5,522	6,103	0	3,796	6,042	5,771
Net Fixed Assets	473,793	464,612	450,599	431,596	421,461	430,017	445,012	445,143	394,158	284,007
Capital Expenditures	30,604	33,558	38,898	27,717	22,893	14,339	17,682	31,471	41,703	34,561
Total Assets	546,137	554,966	545,811	521,726	514,524	481,361	487,833	489,997	444,624	326,547
Capital Contribution	51,398	50,199	49,856	46,494	44,514	39,964	36,708	33,190	24,389	14,150
Long Term Debt	9,993	10,531	2,564	337	174	871	6,518	12,139	36,590	89,823
Debentures	77,500	77,500	77,500	77,574	77,574	77,363	76,458	69,311	67,100	46,687
Shareholders' Equity (excluding Contributed Capital)	342,028	359,419	361,663	362,230	353,889	313,172	292,793	308,792	249,864	123,979
Financial Indicators										
Rate of Return on Net Fixed Assets	0.0%	5.0%	7.5%	7.6%	10.7%	6.3%	-2.4%	2.2%	5.7%	9.1%
Rate of Return on Investment5	-3%	13%	20%	18.0%	26.3%	13.6%	-11.6%	2.3%	8.3%	28.5%
Rate of Return on Shareholders' Equity	-1.0%	4.9%	7.5%	6.9%	10.9%	6.2%	-5.3%	1.1%	5.1%	12.5%
Earnings/Loss ($ per share)	(0.05)	0.26	0.40	0.36	0.53	0.27	(0.23)	0.05	0.19	0.51
Dividends Declared for Years Ended ($ per share)	-	0.20	0.54	0.15	0.15	0.08	0.05	-	0.11	0.20
Book Value per Share (BVPS)	4.96	5.21	5.24	5.25	5.13	4.54	4.24	4.47	3.62	4.77
Gearing Ratio6	44%	42%	39%	38%	37%	45%	49%	57%	76%	144%
OPERATING STATISTICS										
Reliability of the Transmission & Distribution System										
Average duration of power outages - SAIDI	12.01	13.12	19.3	16.1	19.9	20.0	22.8	24.5	35.4	-
Average number of power outages - SAIFI	9.93	11.54	13.2	12.0	15.4	13.8	15.9	16.2	29.1	-
System Outages due to IPPs & Vandalism										
Average duration of power outages - SAIDI	2.17	1.11	24.42	3.4	3.9	1.0	1.3	3.5	12.8	-
Average number of power outages - SAIFI	3.85	4.3	6.6	6.9	5.7	1.7	1.7	6.7	6.1	-
Sales (MWH)										
Commercial	289,712	286,664	281,892	274,986[4]	262,186[3]	255,346	148,907[2]	132,756	125,107	98,666
Industrial	20,836	30,466	32,567	50,552	42,381	43,699	37,597	19,483	25,500	14,371
Residential	218,989	209,180	199,843	181,455	164,709	159,333	250,884[2]	251,764	223,738	169,221
Street Lighting	24,896	26,168	26,619	26,238	26,116	25,516	24,781	24,486	24,044	22,324
Total	554,434	552,478	540,921	533,230	495,392	483,894	462,169	428,489	398,389	304,583
Mean Electricity Rates (MER) $/kWh	0.3880	0.3751	0.3642	0.3864	0.4475	0.4799	0.4182	0.4440	0.4151	0.3377
Customer Accounts (numbers)										
Industrial, Commercial & Street Lighting	18,266	18,210	18,003	17,629	17,549[3]	17,463	15,658[1]	720	711	520
Residential	79,448	76,255	72,632	69,185	66,835	64,977	64,705[1]	78,007	73,380	62,418
Total	97,714	94,465	90,635	86,814	84,384	82,440	80,363	78,727	74,091	62,938
Number of Customer Accounts per Employees	311	299	291	287	285	297	295	285	281	259
Net Generation (MWh)										
Net Diesel Generation	16,848	15,514	14,354	19,141	7,486	7,858	13,377	6,910	20,657	69,630
Purchased Power - BECOL	232,480	267,650	247,012	225,770	245,259	243,177	199,039	232,081	193,112	74,452
Purchased Power - Hydro Maya	15,131	14,509	13,491	10,220	10,508	15,454	9,553	12,518	11,230	-
Purchased Power - BAL/BAPCOL	37,051	19,436	17,497	11,934	2,808	954	3,578	0	26,621	-
Purchased Power - Belcogen	71,897	63,939	78,886	83,175	66,355	48,859	64,506	70,720	24,753	-
Purchased Power - CFE	235,155	230,138	243,429	254,858	233,150	234,070	237,864	170,612	211,909	203,530
Purchased Power - SS	21,937	18,401								
JICA	593	573		422	614	581	255			
Total	631,093	630,159	614,669	605,520	566,180	550,952	528,172	492,841	488,282	347,612
Other										
Total System Losses	11.9%	12.0%	11.6%	11.7%	11.9%	12.3%	12.2%	13.1%	12.5%	12.3%
Peak Demand (MW)	104.2	104.5	96.0	96.0	87.7	84.3	82.0	79.3	70.8	57.0
Number of Employees	314	316	311	302	296	278	272	276	263.3	243

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

AUDITED FINANCIAL STATEMENTS

CONTENT

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Belize Electricity Limited, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Belize Electricity Limited as at December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

Partners
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Those charged with governance are responsible for overseeing the financial reporting process of Belize Electricity Limited.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Grant Thornton

Chartered Accountants
Belize City, Belize
April 9, 2019

STATEMENT OF FINANCIAL POSITION

Years Ended December 31, 2018 and 2017
(in thousands of Belize dollars)

	Notes	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	2g	$ **21,129**	$ 40,994
Short term investments	2h	**5,000**	10,266
Trade receivables	2i,3	**18,981**	15,152
Other receivables	2i	**2,214**	1,438
Prepayment	2j	**673**	661
Materials and supplies	2k,4	**22,613**	19,210
Total current assets		**70,610**	87,721
Non-current assets:			
Property, plant and equipment	2l, 5	$ **473,793**	464,612
Intangible assets	2m, 6	**1,734**	1,854
Total non-current assets		**475,527**	466,466
Total Assets		$ **546,137**	$ 554,187
Liabilities and Equity			
Current iabilities:			
Trade payables	2p	$ **46,864**	$ 40,133
Other payable	2p,w, 7	**4,460**	4,218
Current portion of long-term debt	2r, 9	**1,025**	980
Taxes payable	2q, 8	**2,231**	1,037
Total current liabilities		**54,580**	46,368
Non-current liabilities:			
Capital contributions	14	**51,398**	50,199
Long-term debts	2r, 9	**9,993**	10,531
Debentures	10	**77,500**	77,500
Consumer deposits	11	**10,638**	10,170
Total non-current liabilities		**149,529**	148,400
Total liabilities		**204,109**	194,768
Equity:			
Ordinary shares	2v, 12	**138,046**	138,046
Additional paid in capital	13	**5,741**	5,741
Insurance reserve	15	**5,000**	5,000
Revaluation reserve	5	**5,112**	5,112
Retained earnings		**188,129**	205,520
Total equity		**342,028**	359,419
Total Liabilities and Equity		$ **546,137**	$ 554,187

The financial statements on pages 18 to 21 were approved and authorized for issue by the Board of Directors on **March 26, 2019** and are signed on its behalf by:

Chairman

Deputy Chairman

Chief Executive Officer/Director

The notes on pages 22 – 47 form an integral part of these financial statements.

STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Years Ended December 31, 2018 and 2017
(in thousands of Belize dollars)

	Notes		2018		2017
Revenues	2s, 16	**$**	**215,141**	$	207,227
Cost of power	2t, 17		**(167,899)**		(141,636)
Gross profit			**47,242**		65,591
Other income	18		**7,498**		7,009
Operating expenses	2u, 19		**(50,910)**		(48,353)
Profit before interest income, interest expenses and taxes			**3,830**		24,247
Interest income	2s		**215**		254
Interest expense	2u		**(3,810)**		(3,042)
Net interest expense			**(3,595)**		(2,788)
Profit before business tax			**235**		21,459
Business tax	2q, 20		**(3,822)**		(3,686)
(Loss) Profit for the year from continuing operations		**$**	**(3,587)**	$	17,773
Other comprehensive income			**-**		-
Total comprehensive (loss) income for the year		**$**	**(3,587)**	$	17,773
Earnings per share (expressed in $ per share)	21				
(Loss) Profit for the year attributable to ordinary equity holders:					
Basic		**$**	**(0.05)**	$	0.26
Diluted		**$**	**(0.05)**	$	0.26

The notes on pages 22 – 47 form an integral part of these financial statements.

STATEMENT OF
CHANGES IN EQUITY

Years Ended December 31, 2018 and 2017
(in thousands of Belize dollars)

	Ordinary shares	Additional paid-in capital	Insurance reserve	Revaluation reserve	Retained earnings	Total
Balance, January 1, 2017	138,046	5,741	5,000	5,112	207,764	361,663
Comprehensive income:						-
Profit for the year	-	-	-	-	17,773	17,773
Total comprehensive income for the year	-	-	-	-	17,773	17,773
Transactions with owners of the Company recognized directly in equity:						
Dividends declared and paid (Notes 2w, 22)	-	-	-	-	(20,017)	(20,017)
Total transactions with owners	-	-	-	-	(20,017)	(20,017)
Balance, December 31, 2017	**$ 138,046**	**$ 5,741**	**$ 5,000**	**$ 5,112**	**$ 205,520**	**$ 359,419**
Balance, January 1, 2018	138,046	5,741	5,000	5,112	205,520	359,419
Comprehensive income:						-
Loss for the year	-	-	-	-	(3,587)	(3,587)
Total comprehensive loss for the year	-	-	-	-	(3,587)	(3,587)
Transactions with owners of the Company recognized directly in equity:						
Dividends declared and paid (Notes 2w, 22)	-	-	-	-	(13,804)	(13,804)
Total transactions with owners	-	-	-	-	(13,804)	(13,804)
Balance, December 31, 2018	**$ 138,046**	**$ 5,741**	**$ 5,000**	**$ 5,112**	**$ 188,129**	**$ 342,028**

The notes on pages 22 – 47 form an integral part of these financial statements.

STATEMENT OF
CASH FLOWS

Years Ended December 31, 2018 and 2017
(in thousands of Belize dollars)

	2018	2017
Cash flow provided by		
Operating activities		
(Loss) Profit for the year	**$ (3,587)**	$ 17,773
Adjustments for:		
Amortization of intangible assets	**511**	461
Depreciation	**18,273**	16,383
Loss on disposal of assets	**1,239**	870
Bad debt expense	**(193)**	(204)
Obsolescense expense	**(1,400)**	79
Amortization of capital contribution	**(1,641)**	(1,512)
Business tax	**3,822**	3,686
Interest expense	**5,673**	3,042
Changes in items of working capital:		
Trade and other receivables	**(3,646)**	383
Materials and supplies	**(2,002)**	536
Trade and other payables	**8,840**	5,928
	25,889	47,425
Business tax paid	**(3,768)**	(3,695)
Interest paid	**(5,808)**	(5,566)
Net cash generated from operating activities	**16,313**	38,164
Investing activities		
Purchase of property, plant and equipment	**(30,604)**	(33,558)
Proceeds from sale of property plant and equipment	**150**	117
Net cash used in investing activities	**(30,454)**	(33,441)
Financing activities		
Term deposits - net	**5,266**	10,266
Repayment of long-term debts	**(1,003)**	(53)
Proceeds from long term debt	**510**	9,000
Dividends paid	**(13,804)**	(20,017)
Consumer deposits	**467**	643
Capital contributions	**2,840**	1,854
Net cash (used in) generated from financing activities	**(5,724)**	1,693
Net increase in cash and cash equivalents	**(19,865)**	6,416
Cash and cash equivalents , beginning of the year	**40,994**	34,578
Cash and cash equivalents , end of the year	**$ 21,129**	$ 40,994

The notes on pages 22 – 47 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

Regulation

The Electricity Act, Chapter 221 and Statutory Instrument No. 145 of 2005, Electricity (Tariffs, Fees and Charges) Byelaws 2005 of the Laws of Belize regulates and makes provision for electricity services in Belize and provides specific powers to the Public Utilities Commission (PUC) to enforce specific regulations in respect to tariffs, charges, and quality of service standards. The Statutory Instrument governs the tariffs, rates, charges and fees for the transmission and supply of electricity and for existing and new services to be charged by the Company to consumers in Belize and the mechanisms, formulas, and procedures whereby such tariffs, rates, charges and fees are calculated and determined. The PUC is authorized under the Public Utilities Commission Act to act as the regulator of utilities in Belize. The primary duty of the PUC is to ensure that the services rendered by the Company are satisfactory and that the charges imposed in respect of those services are fair and reasonable. The PUC has the power to set the rates that may be charged in respect of utility services and the standards that must be maintained in relation to such services. In addition, the PUC is responsible for the award of licenses and for monitoring and enforcing compliance with license conditions. The Company's 15-year license expired in 2015 and was automatically renewed for another 10 years and will expire in 2025.

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

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

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

S.I. No. 145 of 2005, Electricity (Tariffs, Fees and Charges) Byelaws (the law) provides for an adjustment to the approved tariffs within any Annual Review Period to correct for material variances between the Reference Cost of Power approved by the PUC and the actual cost of power incurred by BEL. As at end December 31, 2018 there was an estimated material variance (annual account balance) in favour of BEL of $ $18,924,980.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

b. Basis of presentation

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

c. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

d. Significant accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates. (See Note 25)

e. Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the Company has adopted the following standards, amendments and interpretations as follows:

(in thousands of Belize dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (Continued)

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

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 9	IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.	January 1, 2018	The standard has been adopted and has had the following impact: 1. The classification of the Company's financial assets from the loans and receivable category under IAS 39 to the amortized cost category under IFRS 9. The measurement basis for all financial assets remains as amortized cost. 2. The impairment of financial assets applying the expected credit loss model. The Company has adopted the simplified approach (via the provision matrix) in recognising lifetime expected credit losses as these items do not have a significant financing component. Measurement There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9. Since there has been no change in the measurement basis of both financial assets and financial liabilities, there has been no required adjustments of opening balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (Continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2018	The standard was adopted, but has no current impact on the financial statements.
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The amendment was adopted, but has no current impact on the financial statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; and - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; - the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: - The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	January 1, 2018	The interpretation was adopted, but has no current impact on the financial statements.

(in thousands of Belize dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (Continued)

Standards issued but not yet effective

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

Standards/ Amendments	Pronouncement	When effective	Response
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	January 1, 2020	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	January 1, 2020	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments

Financial instruments – A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for trade receivables, which do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

Financial assets at amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments. See also note 26.

Impairment of financial assets
The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and initial measurement of financial liabilities
Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequent measurement of financial liabilities

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (Continued)

Financial liabilities at amortized cost
Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

The Company's short term debt, trade and other payables fall into this category of financial liabilities. See also note 26.

g. Cash and cash equivalents

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

h. Short term investments

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

i. Trade and other receivables

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

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Receivables are measured at amortized cost.

j. Prepayments

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

k. Materials and supplies

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Materials and Supplies (Continued)

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 or revalued amounts.

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

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

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

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

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

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

m. Intangible assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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 10%.

(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. Business 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

r. Long-term debt

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

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

s. Revenue

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

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

(i) Sales of electricity

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

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

(ii) Interest income

Interest income is recognized using the effective interest method.

t. Cost of power

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

u. Interest and operating expenses

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

(in thousands of Belize dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

v. Share capital

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

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

w. Dividends

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

3. TRADE RECEIVABLES

	2018	2017
Consumers	$ 23,041	$ 19,046
Less: provision for doubtful debts	(4,060)	(3,894)
	$ 18,981	$ 15,152

Provision for doubtful debts is comprised as follows:

	2018	2017
Balance, January 1	$ 3,894	$ 3,869
Additional provision	193	204
Write off	(27)	(179)
Balance, December 31	$ 4,060	$ 3,894

4. MATERIALS AND SUPPLIES

	2018	2017
Bulkstores	$ 22,219	$ 21,272
Fuel and oil	2,897	826
	25,116	22,098
Less: provision for damaged and obsolete spares	(2,503)	(2,888)
	$ 22,613	$ 19,210

Provision for damaged and obsolete spares

	2018	2017
Balance, January 1	$ 2,888	$ 2,888
Additional provision	(1,400)	79
Write off	1,015	(79)
Balance, December 31	$ 2,503	$ 2,888

(in thousands of Belize dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2017

	Land and buildings	Plant, machinery and equipment	Asset under construction	Total
Cost/Valuation				
January 1, 2017	$ 21,245	$ 616,303	$ 32,369	$ 669,917
Additions	-	-	33,558	33,558
Transfers	608	53,036	(53,891)	(247)
Disposals	-	(2,013)	-	(2,013)
December 31, 2017	21,853	667,326	12,036	701,215
Accumulated Depreciation				
January 1, 2017	7,323	211,995	-	219,318
Additions	490	17,823	-	18,313
Disposals	-	(1,028)	-	(1,028)
December 31, 2017	7,813	228,790	-	236,603
Net Book Value December 31, 2017	**$ 14,040**	**$ 438,536**	**$ 12,036**	**$ 464,612**

Depreciation charge of $1.928 million was allocated to cost of power.

Year Ended December 31, 2018

	Land and buildings	Plant, machinery and equipment	Asset under construction	Total
Cost/Valuation				
January 1, 2018	$ 21,853	$ 667,326	$ 12,036	$ 701,215
Additions	-	-	30,604	30,604
Transfers	337	28,805	(29,533)	(391)
Disposals	-	(4,199)	-	(4,199)
December 31, 2018	22,190	691,932	13,107	727,229
Accumulated Depreciation				
January 1, 2018	7,813	228,790	-	236,603
Additions	500	19,143	-	19,643
Disposals	-	(2,810)	-	(2,810)
December 31, 2018	8,313	245,123	-	253,436
Net Book Value December 31, 2018	**$ 13,877**	**$ 446,809**	**$ 13,107**	**$ 473,793**

Depreciation charge of $1.370 million was allocated to cost of power.

(in thousands of Belize dollars)

6. INTANGIBLE ASSETS

Year ended December 31, 2017

	Computer software	Transmission rights	Total
Cost			
January 1, 2017	$ 8,437	$ 2,757	$ 11,194
Additions	246	-	246
December 31, 2017	8,683	2,757	11,440
Accumulated Amortization			
January 1, 2017	6,368	2,757	9,125
Additions	461	-	461
December 31, 2017	6,829	2,757	9,586
Net Book Value			
December 31, 2017	**$ 1,854**	**$ -**	**$ 1,854**

Transfer total of ($246) thousand represents cost in asset under construction that was transferred to intangible assets.

Year ended December 31, 2018

	Computer software	Transmission rights	Total
Cost			
January 1, 2018	$ 8,683	$ 2,757	$ 11,440
Additions	391	-	391
December 31, 2018	9,074	2,757	11,831
Accumulated Amortization			
January 1, 2018	6,829	2,757	9,586
Additions	511	-	511
December 31, 2018	7,340	2,757	10,097
Net Book Value			
December 31, 2018	**$ 1,734**	**$ -**	**$ 1,734**

Transfer total of ($391) thousand represents cost in asset under construction that was transferred to intangible assets.

(in thousands of Belize dollars)

7. OTHER PAYABLES

	2018	2017
Payroll liabilities	**$ 750**	$ 774
Refunds and other costs	**1,504**	1,297
Stale dated checks	**833**	903
Dividends payable	**356**	318
Interest payable	**179**	88
EIB training fund	**838**	838
	$ 4,460	$ 4,218

8. TAXES PAYABLE

	2018	2017
Business tax	**$ 324**	$ 270
General sales tax	**1,907**	767
	$ 2,231	$ 1,037

9. LONG - TERM DEBTS

	2018	2017
1 Government of Belize		
a. Loan No. 21/OR-BZ		
Loan of US$ 11,231,000 to be drawn down over three years from the Caribbean Development Bank for on-lending to the Company, approved as part of the Power VI Project. Repayment is by 48 equal quarterly instalments The loan bears interest at 1.00 % per annum commitment fee on the undrawn balance and 4.80% (2017 - 3.80%) interest on the loan amount.	**11,018**	11,511
	11,018	11,511
Less Current portion (repayable in 12 months)	**(1,025)**	(980)
	$ 9,993	$ 10,531

The loans are repayable as follows:

2019	**1,025**
2020	**1,025**
2021	**1,025**
2022	**1,025**
2023	**1,025**
Subsequently	**5,893**
	$ 11,018

(in thousands of Belize dollars)

10. DEBENTURES

	2018	2017
Series 5: 250,000 unsecured debentures of $100 each to mature December 31, 2024 with interest payable quarterly at 7% per annum.	**25,000**	25,000
Series 6: 250,000 unsecured debentures of $100 each to mature December 31, 2030 with interest payable quarterly at 6.5% per annum.	**25,000**	25,000
Series 7: 275,000 unsecured debentures of $100 each to mature March 31, 2028 with interest payable quarterly at 6.0% per annum.	**27,500**	27,500
	$ 77,500	$ 77,500

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

The Series 5 debentures can be called by the Company at any time after December 31, 2016 until maturity by giving holders not more than 60 days or not less than 30 days written notice, and are repayable at the option of the holders at any time on or after December 31, 2018 after giving 12 months written notice to the Company. Redemption by agreement between the Company and the Debenture holder at any time is also allowed.

The Series 6 debentures can be called by the Company at any time after December 31, 2020 until maturity by giving holders not more than 60 days or not less than 30 days written notice, and are repayable at the option of the holders at any time on or after December 31, 2022 after giving 12 months written notice to the Company. Redemption by agreement between the Company and the Debenture holder at any time is also allowed.

The Series 7 debentures can be called by the Company at any time after March 31, 2022 until maturity by giving holders not more than 60 days or not less than 30 days written notice, and are repayable at the option of the holders at any time on or after March 31, 2022 after giving 12 months written notice to the Company. Redemption by agreement between the Company and the Debenture holder at any time is also allowed.

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.

11. 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.

(in thousands of Belize dollars)

12. SHARE CAPITAL

	2018	2017
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 shares of $2.00 each	**Nil**	Nil

Special share:
Authorized, issued and fully paid 1 share of $1.

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

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

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

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

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

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

Return of Capital - The Convertible Redeemable Preference Shares confer on the holders thereof the right on a winding-up or other return of capital (but not on a redemption) to repayment, in priority to any payment to the holders of Ordinary Shares and at least in parity with the holder of the Special share as defined in the Articles of Association and the holders of any other preference shares of the Company from time to time, of the amounts paid up on the Convertible Redeemable Preference Shares held by them.

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

12. 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.

13. 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 or $5,741 (2017 - $5,741) thousand. The Dividend Reinvestment Program was closed on August 2, 2006.

(in thousands of Belize dollars)

14. CAPITAL CONTRIBUTIONS

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

	2018	2017
Capital contributions brought forward	**$ 67,454**	$ 65,600
Additions	**2,840**	1,854
Capital contributions carried forward	**70,294**	67,454
Amortization brought forward	**17,255**	15,744
Additions	**1,641**	1,511
Amortization carried forward	**18,896**	17,255
Capital contributions – net	**$ 51,398**	$ 50,199

15. INSURANCE RESERVE

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

16. REVENUES

On January 22, 2016, the Company submitted a request for an increase in the MER to $0.3904/kWh for the Full Tariff Review Period July 1, 2016 to June 30, 2020 (FTRP 2016|2020). This request was based on pending adjustments to the projected cost of the Company and the annual correction balance. On June 26, 2016, the PUC issued its final decision on the FTRP approving a MER of $0.3699/kWh for the period July 1, 2016 to June 30, 2020.

On December 10, 2016 BEL submitted a proposal to maintain the MER at the rate of $0.3699/kWh as per the FTRP 2016|2020 final decision. On December 21, 2016 the PUC ruled to maintain the MER of $0.3699/kWh for the period January 1st to June 30th of 2017.

On April 1, 2017, BEL submitted a proposal for the ARP 2017|2018 with a MER of $0.3695/kWh and on June 28, 2017, the PUC issued the final decision for the ARP 2017|2018 approving a MER of $0.3692/kWh. On December 20, 2017, the PUC issued a decision to maintain the MER of $0.3692/kWh for the period of January 1, 2018 to June 30th, 2018 as was requested by BEL in its submission.

(in thousands of Belize dollars)

16. REVENUES (continued)

On April 30, 2018, BEL submitted a proposal for the ARP 2018|2019 with a MER of $0.3954 and on June 26, 2018, the PUC issued the final decision for the ARP 2018|2019 approving a MER of $0.3930 with effect from July 1, 2018 to December 31, 2018.

17. COST OF POWER

	2018	2017
Power purchased	**$ 156,044**	$ 130,077
Power generation costs:		
Fuel	**8,039**	5,983
Operations and maintenance	**2,446**	3,648
Depreciation (Note 5)	**1,370**	1,928
	$ 167,899	$ 141,636

18. OTHER INCOME

	2018	2017
Service installations	**$ 64**	$ 59
Rent income	**1,863**	1,788
Capacity charges	**2,177**	2,661
Amortization of capital contributions	**1,641**	1,511
Inventory Provision	**1,400**	(79)
Sundry income	**1,592**	1,939
Loss on disposal of fixed assets	**(1,239)**	(870)
	$ 7,498	$ 7,009

(in thousands of Belize dollars)

19. OPERATING EXPENSES

	2018	2017
Bad debt expense	$ 193	$ 204
Company taxes and fees	1,542	1,368
Computer hardware and software Support	1,137	1,325
Contract labour	5,266	4,666
Corporate insurance	908	868
Depreciation and amortization	18,784	16,845
Donations & customer claims	218	237
Employee electricity discount	319	307
Employee service facility	381	410
Employer medical, life and social security expenses	915	867
Employer pension expense	1,133	1,052
Maintenance of office equipment	20	9
Maintenance of grounds and buildings	712	684
Materials	894	1,043
Notification and advertisments	222	227
Payroll expenses - labour & wages	13,579	13,475
Professional fees	268	304
Stationery & office supplies and postage and subscription	147	287
Telephone & communications	894	924
Training & certfication	650	441
Travel expenses	322	441
Uniform & safety gear	707	506
Vegetation management	1,099	1,148
Vehicle maintenance	600	715
	$ 50,910	$ 48,353

20. BUSINESS TAX

As provided by the Income and Business Tax Act Chapter 55 of the Substantive Laws of Belize, the Company is charged a tax rate of 1.75% on its gross revenues.

(in thousands of Belize dollars)

21. EARNINGS PER SHARE

	2018	2017
Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.	**$ (0.05)**	$ 0.26
Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for its dilutive potential.	**$ (0.05)**	$ 0.26

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

	2018	2017
Net (loss)/profit attributable to ordinary shareholders for basic and diluted earnings	**$ (3,587)**	$ 17,773
Weighted average number of ordinary shares for basic earnings per share	**69,023,009**	69,023,009
Effect of dilution:		
Weighted average number of ordinary shares adjusted for the effect of dilution	**69,023,009**	69,023,009
Basic earnings per ordinary share	**$ (0.05)**	$ 0.26
Diluted earnings per ordinary share	**$ (0.05)**	$ 0.26

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.

22. DIVIDENDS

Cash dividends on ordinary shares declared and paid:	2018	2017
Final dividends for 2017 at 20.00 cents (2016: 29.00 cents) per share	$ 13,804	$ 20,017
	$ 13,804	$ 20,017

(in thousands of Belize dollars)

23. RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

		2018		2017
(a) Sale of power				
Government of Belize	**$**	**24,538**	$	24,590
Belize Social Security Board		**462**		449
(b) Purchases of goods and services				
Belize Social Security contribution payments	**$**	**424**	$	433
Belize Social Security interest Payments		**431**		431
Belize Social Security dividend payments		**4,316**		5,388
Belize Electric Company Limited power purchase		**54,805**		59,473
Government of Belize dividend payments		**4,498**		7,392

(c) Key managment compensation

Key management includes directors, members of the Executive, the Company Secretary and the Head of Internal Audit. The compensation paid to key management for services is shown below:

Salaries and other short-term benefits	**$**	**678**	$	617
(d) Year-end balances				
Receivable from related parties:				
Government of Belize	**$**	**3**	$	6
Social Security Board		**9**		33
Belize Electric Company Limited		**-**		-
Entities controlled by key management personnel		**NIL**		NIL
Payable to related parties:				
Government of Belize		**1,443**		1,037
Social Security Board		**NIL**		NIL
Belize Electric Company Limited		**21,224**		29,973
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.

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

24. COMMITMENTS AND CONTINGENCIES

Compliance with covenants - The indenture to the debentures and other loan agreements contain covenants that must be complied with by the Company. As at December 31, 2018, the Company was in compliance with these covenants

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

Other Contingencies – At December 31, 2018 there were five Right of Way claims submitted to arbitration under Section 36 of the Electricity Act. The Company has assessed its exposure at approximately $142,000 in relation to three of these claims. Valuation reports will determine the contingent amount to be allocated to one of the two remaining matters while no provision has been made in relation to the other due to the uncertainty of its outcome. One other ROW claim has been removed from the list of contingent liabilities since the claimant had only submitted a Notice of Intention to file an application to the Court for arbitration but has taken no further steps since 2015.

The Company and Belize Electric Company Limited (BECOL) are both evaluating a proposed settlement (arising from mediation) of a dispute regarding charges levied by BECOL in respect of spilled energy as well as adjustments to the invoices based on the annual escalator to the cost of energy purchased from BECOL. The Company expects that agreement on the final settlement will be reached in 2019. The final settlement amount will require "approval" by the PUC.

The Company is also engaged in a dispute with Belize Cogeneration Energy Limited (BELCOGEN) regarding the rates levied by BELCOGEN which is 20 percent above the rates established in the PPA between BEL and BELCOGEN. The Company has referred this dispute to the PUC for review, while BELCOGEN has sought a ruling from the courts in support of their request to resolve the dispute by arbitration.

The Belcogen/Bel case is presently under arbitration proceedings, but the Arbitrator has undertaken imminently to submit his opinion as to which is the appropriate jurisdiction for the hearing of this case - Arbitration or the Public Utilities Commission (PUC). If he determines that arbitration can proceed, these proceedings will continue concurrently with independent hearings by the PUC. BEL's legal counsel has advised that any arbitration judgement against BEL can be appealed. In the final analysis, both the Arbitration and the PUC judgements would be submitted for determination by the Court.

(in thousands of Belize dollars)

25. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Under IFRS 9, the classification of the Company's financial assets has been revised from loans and receivables to amortized cost while the classification of its financial liabilities remains as amortized cost. The measurement basis for all financial assets and financial liabilities remains as amortized cost. Since there has been no change in the measurement basis of both financial assets and financial liabilities, there have been no required adjustments of opening balances. See also note 2e and 2f.

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.

	2018	2017
	Amortized Cost	Loans and Receivables
Financial Assets		
Cash and cash equivalents	**$ 21,129**	$ 40,994
Term deposit	**5,000**	10,266
Trade receivables	**18,981**	15,152
Other receivables	**1,523**	1,514
Staff receivables	**691**	703
Total Financial Assets	**$ 47,324**	$ 68,629
	Other Financial Liabilities at Amortized Cost	
Financial Liabilities		
Trade payables	**$ 46,826**	$ 40,111
Accrued interest	**179**	88
Dividends payable	**356**	318
Other payable	**3,925**	3,812
Taxes payable	**2,231**	1,816
Long-term debt	**11,018**	11,511
Debentures	**77,500**	77,500
Total Financial Liabilities	**$ 142,035**	$ 135,156

26. 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.

26. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign exchange risk

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

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

Foreign exchange risk is minimized when the Company's transactions with foreign entities are denominated in US dollars. At December 31, 2018 and 2017, the Company had no material liability denominated in a foreign currency other than the US dollar. (See Note 10)

(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	12%
Residential customers	38%
Commercial customers	47%
Industrial customers	3%

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

(c) Interest Rate Risk

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

(d) Liquidity Risk

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

(d) Liquidity Risk

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.

(in thousands of Belize dollars)

26. FINANCIAL RISK MANAGEMENT (Continued)

	Within 3 months	3 months to 1 year	1 to 5 years	Total
	$	$	$	$
Trade payables	30,453	16,411	-	46,864
Accrued interest	179	-	-	179
Dividends payable	356	-	-	356
Other payables	3,925			3,925
Long-term debt	256	769	4,100	5,125
	35,169	17,180	4,100	56,449

(e) 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.

27. SUBSEQUENT EVENTS

Regulatory

On December 10, 2018, BEL applied to amend the ARP 2018|2019 and further increase the MER to $0.4150. Acknowledging material increases in Cost of Power from the PUC-approved Reference Cost of Power, the PUC, on January 10, 2019, the issued a final decision increasing the MER to $0.4138 for the period January 1 to June 30, 2019.

Period	Start	End	MER
FTRP 2016|2020	Jul-16	Jun-20	$0.3699
ARP 2016|2017 Amendment	Jan-16	Jun-17	$0.3699
ARP 2017|2018	Jul-17	Jun-18	$0.3692
ARP 2017|2018 Amendment	Jan-18	Jun-18	$0.3692
ARP 2018|2019	Jul-18	Dec-18	$0.3930
ARP 2018|2019 Amendment	Jan-19	Jun-19	$0.4138

28. POST – REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the December 31 reporting date and the date of authorization for issuance.

Corporate Directory

Board of Directors

Mr. Rodwell Williams
Chairman

Mr. Alan Slusher
Deputy Chairman

Mr. Marcello Blake
Director

Mr. Anuar Flores
Director

Mr. James Laurito
Director

Mr. Louis Lue
Director

Mr. John Mencias
Director

Ms. Kay Menzies
Director

Mr. Anthony Michael
Director

Mr. Ariel Mitchell
Director

Ms. Juliet Thimbriel
Director

Mr. Lynn Young
Director

Mrs. Dawn Nuñez
Company Secretary

Top Management

Mr. Jeffrey Locke
Chief Executive Officer

Mr. Derek Davis
Senior Manager
System Planning & Engineering

Mr. Sean Fuller
Senior Manager
Information & Communication Systems and Customer Care

Mr. Ernesto Gomez
Senior Manager
Energy Supply, Regulatory Affairs and Stores

Mr. Christopher McGann
Senior Manager
Finance, Business Strategy & Purchasing

Mr. Jose Moreno
Senior Manager
Transmission & Distribution

Investor Information

SHAREHOLDER SERVICES

For general information, shareholder publications and other requests, please contact the Company Secretary.

DIRECT DEPOSIT

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

CORPORATE ADDRESS

2½ Miles Philip Goldson Highway
P.O. Box 327
Belize City, Belize
Central America

Telephone: +501.227.0954

Email: corporate@bel.com.bz

FISCAL AGENT

Heritage Trust and Financial Services Limited
106 Princess Margaret Drive
P.O. Box 1988/1867
Belize City, Belize
Central America

On the cover: the Sleeping Giant mountain is a landmark at the foothills of the Maya Mountains that can be seen from the Hummingbird Highway, which connects the Cayo and Stann Creek Districts of Belize.

2½ Miles Philip Goldson Highway
P.O. Box 327
Belize City, Belize
Central America

web: **www.bel.com.bz**
email: **corporate@bel.com.bz**