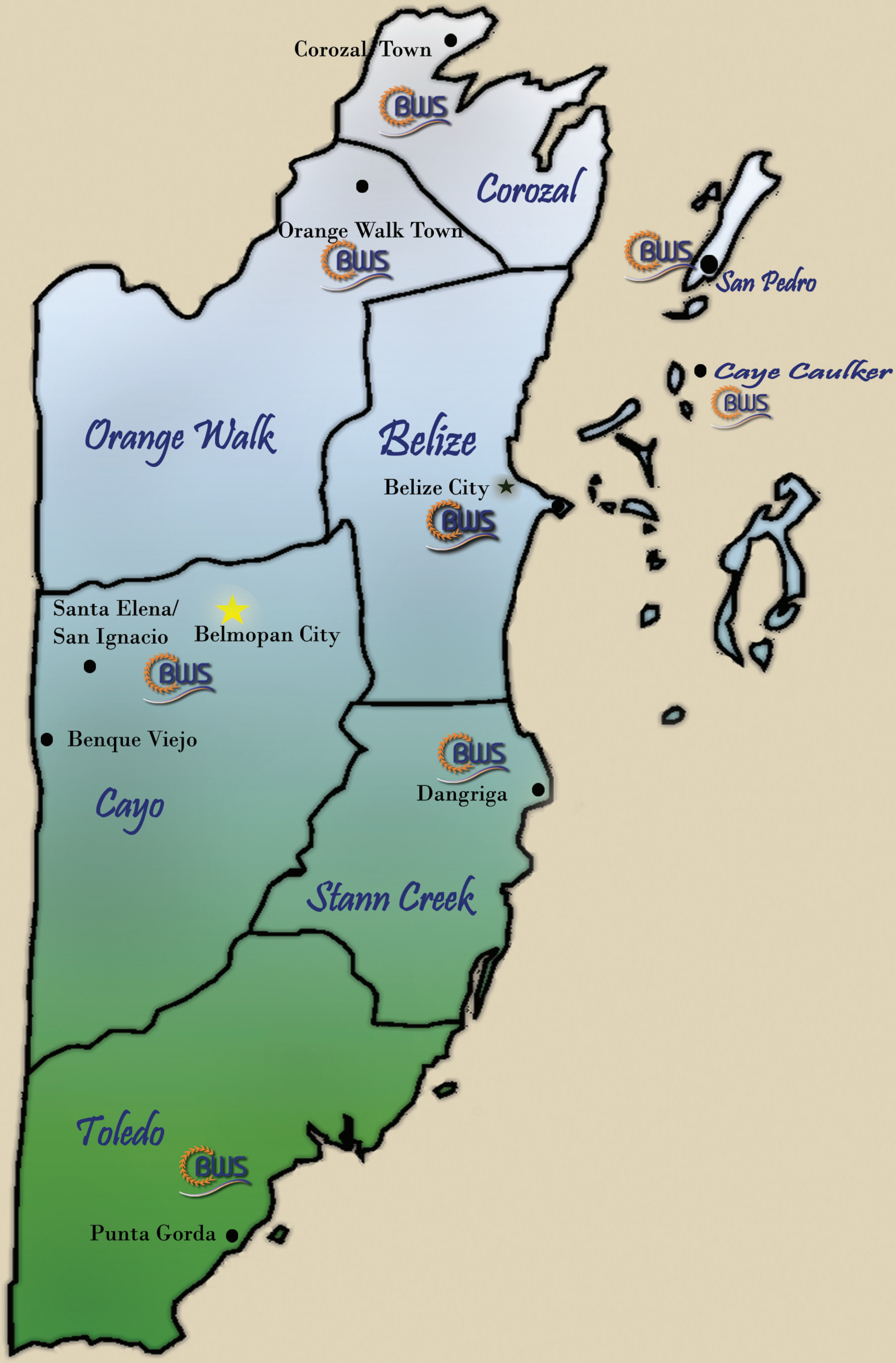
BWS
Est. 2001

10th Anniversary

A Decade of Growth, Reliability and Success: Delivering Water and More...

Annual Report 2010-2011

Belize Water Services Directory



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Fax: 501 824 4251

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Chairman's Report

Herman Longsworth
Chairman

This year being reported on marked the tenth anniversary of Belize Water Services Limited. BWS is proud to be the leader in proving that majority Government-owned utilities can be successful. We are also clearly at the forefront of water utilities in the Caribbean both in terms of policy and reform in the water sector and in terms of performance and financial viability.

It was an eventful year and a year of even further improvement in performance for the Company. A 12.1% increase in tariffs was approved by the Public Utilities Commission in the Second Full Business Plan. The tariff increase, along with an increase in water consumption and, even more importantly, a decrease in water production, are the main contributors to our best financial performance ever. As reported last year, the Company embarked on the implementation of a Strategic Business Plan. This plan, having been implemented for its first full year now, has also contributed considerably to the efficiencies and profits that we have achieved. BWS has therefore, yet again, recorded improved annual profit of $ 5.457 Million ($4.878M previous year), an increase of almost 12%.

The Board of Directors, as appointed by the Government of Belize and the Social Security Board, fully recognizes the importance of good governance and the fiduciary responsibility to all stakeholders. The Government of Belize has again contributed considerably to the Company's success and has again waived their share of the total dividend to be paid out to shareholders. It therefore, gives me profound pleasure to again announce to you a dividend of $0.15 (15 cents) per share to be paid to our minority shareholders, who play an invaluable role as key stakeholders of the company. This rate of dividend reiterates and highlights the Board of Directors' commitment to sustaining a reasonable rate of return on the investment of these shareholders.

The Board of Directors and the Board's Audit and Procurement Committees were active in guiding the strategic direction of the company and in ensuring appropriate participation and oversight of the company's activities. Revenue for the year increased by $3.61 Million over 2009/10, from $31.258M to $34.869M. Mostly due to the Company embarking on a long delayed and very much needed overdue maintenance program, Total Expenses increased by $3.243M, from $26.169M in 2009/10 to $29.412M in this reporting year. The addition of new water systems and countrywide expansions also contributed to the increase in expenses.

Mains Being Laid to Cotton Tree

Despite the addition of the Caye Caulker Water System, the Cotton Tree expansion and the other expansions country wide all of which helped to lead to an increase in the volume of water consumed, BWS has, yet again, managed to decrease the total volume of water produced. The Non-Revenue Water team has again been successful in reducing the overall NRW by 2.5 percentage points from 29.4% in 2009/10 to 26.7% in this reporting period. This is a feat unmatched in this region and has made BWS and Belize the "talk of the region" amongst water utility companies especially in the Caribbean region. I again commend the management and staff for this accomplishment.

BWS has continued to improve its customer services and working environment. Customer services initiatives included an update of our customer information, improvements in our e-billing and online payment services. We have also successfully renegotiated the collective bargaining agreement with our union. Staff training and development continued throughout the year. The company recognizes the value of customers and employees as key stakeholders.

The year ahead promises to be an eventful one with the prospect of the Belize River Valley Project, the Placencia Peninsula Sewer Project and major expansion works for Ambergris Caye being planned.

As always, the achievements of BWS would never materialize without the gracious cooperation of the Government of Belize and the absolute commitment of Board, Management and Staff in ensuring the continued viability of this most essential company. I therefore take this opportunity to again thank all involved for their hard work and commitment and look forward to another record year.

Burrell Boom Junction Tie-In

Belmopan Sewer Expansion Works

Chief Executive Officer's Report

Alvan Haynes
Chief Executive Officer

Overview of Performance

Financial Year 2010/11 was notable for Belize Water Services Limited (BWS) in a number of ways. Firstly, it marked the completion of our first ten (10) years of operation. Secondly, it was the first year of the Second Full Business Plan Period (FBPP), as approved by the Public Utilities Commission (PUC) in April 2010; this approval included a 12.1% tariff increase and a new Rate Setting Methodology (RSM). Thirdly, it marked the first full year of the implementation of the Strategic Business Plan aimed at ensuring continued improvement in the performance and effectiveness of the company. I believe the financial and operational results described below and in subsequent sections will attest to the success of the company's strategies.

The Government of Belize, our majority shareholder, continued its financial and other support of the company, and of minority shareholders.

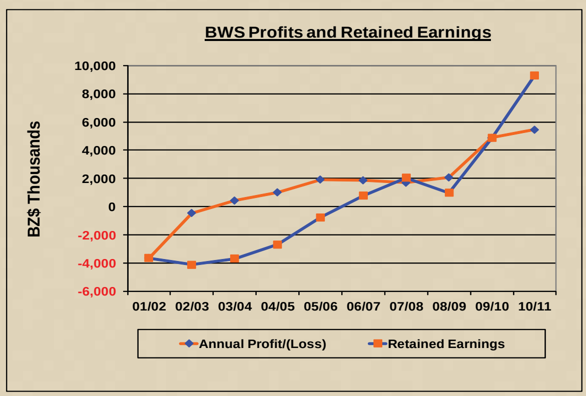
"Our Minority Shareholders benefited from BWS' good performance and GOB's benevolence."

We are proud to say that, through the combined efforts of all our stakeholders, BWS has attained the highest annual profit of its decade of operations - $5.457 Million ($4.878M previous year). Our 2010/11 Revenue of $34.869 million was an increase of 12.3% over the previous year ($31.258M). This jump in revenue was due primarily to the tariff increase, with some contribution from a 3% increase in the number of customers. Partly due to inflation and oil prices increases, and partly to additional expense of $1.8M in overdue maintenance activity, total expenses increased by $3.243M, from $26.169M in the previous year to $29.412M.

The main contributor to Revenue, Water Sales, increased by 13.3% to $34.446M ($30.56M in 2009/10), driven by the tariff increase and an increase of 2.6% in volume of water sold. The company ended the year with 46,936 active customer connections (45,537 in previous year).

Financial Results

For the 10th year, the company continued the trend of increasing its profits. The $5.547M profit achieved is 11.9% higher than the previous year's profit of $4.878M. Retained Earnings have also continued to increase as indicated in the graph below.



Graph Showing BWS profits and Retained Earnings 2001-2010

The company achieved a $3.822M (12.3%) increase in revenue. The Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the year was $13.059M, up from the previous year ($12.764M). This movement continues to indicate that the company has made great strides in improving its financial position and operating ratios.

As it did the previous year, the Board was again able to approve total dividends of $1.007M based on the Government of Belize, the majority shareholder, having formally agreed to decline dividend payments until 2015 in order to assist both the company and the minority shareholders. As this was distributed solely to minority shareholders, these shareholders received dividends equivalent to $0.15 (15 cents) per share.

Cash Flow and Debt Servicing

Cash Flow remains critical to the company and is one of the main focuses of Management in order to ensure viable operations. For FY 2010/11, GOB assisted by contributing to Water Expansion projects and allowing savings by maintaining the company's GST zero-rated status. This contribution assisted the company by freeing up cash for use in Asset Investment. The company will need to continue to improve its cash position as, in order to achieve its mandate, it will be required to borrow significant sums in the future to finance expansion of water and sewer systems, with several already in the advent.

Asset Expansion and Improvement

With some financial assistance from the Government of Belize and contributions from Private Developers, investments in assets totalling $10.1 million were undertaken. The new Reverse Osmosis Plant and Distribution system for Caye Caulker was commissioned in May 2010.

Refurbished Main Office Building

Asset Investment included a new water main and distribution system for Cotton Tree, expansion works in all the various service existing areas, and improvements in Production and Distribution Systems, and in Buildings and compounds (including Overdue Maintenance works), and additional and replacement mobile equipment and vehicles.

The overall investment in assets inclusive of refurbishments and maintenance was $13.6 million in 2010/11 ($9.4 million in 2009/10).

Operations

Due to our ongoing staunch Non-Revenue Water (NRW) loss reduction programme, the company managed yet again to reduce total water production volumes, while providing more water than ever to consumers. Despite adding the Caye Caulker water system, the Cotton Tree expansion, and additional expansions country-wide, the NRW programme still assisted with reducing total water production for this financial year by 0.7%; from 2,679 million US gallons (MUSG) the previous year to 2,659 MUSG. Customers consumed 2.9% more water this year, a total of 1,984 MUSG as compared to 1,893 MUSG in 2009/10.

Non-Revenue Water (NRW) volume was only 711 MUSG or 26.7% of total production, down from 786 MUSG and 29.4% respectively in 2009/10. This represents the lowest NRW levels in the company's ten year history. This achievement helped to make BWS the model to follow for all the Caribbean water utilities who participated in a World Bank-sponsored seminar on NRW, intentionally hosted in Belize in May, 2010.

"World Bank Identified BWS' NRW Program as the Model for the Caribbean."

This achievement is even more commendable given that we have not only provided expansion of water systems, but also improvements in water pressure and consistency of supply in all service areas.

Customer Services and Billing

During the fiscal year, we focused on delivery of even better customer services which included improved processes and response time to customers. We continue to launch services to better facilitate customers with communicating and connecting to BWS. A Customer information update programme to obtain current customer contact details, met with outstanding customer response. Customers continue to subscribe to our on-line or e-services options, which facilitate e-mailing of bills and on-line payments.

During 2010/11, the company found and removed 414 unauthorized connections countrywide. This was considerably less than the previous year's figure of 588 and may be indicative of some success for our anti-theft programmes, which include applying seals on customers' meters and immediate follow-up investigation of reported or suspected water theft.

Human Resources

During 2010/2011, management and staff cooperated in a number of initiatives which included renegotiation of the collective bargaining agreement, more developmental training and a companywide employee survey. These initiatives have provided a new strategic platform for the Human Resources Department. The company-wide employee survey looked at the general staff satisfaction and their work environment, some health and safety issues including training, appraisals, team work, rewards and recognition. The results were compellingly positive and provided meaningful feedback which will be utilised to improve the overall performance and morale within the company.

BWS ended the financial year with 242 permanent employees (229 - previous year). With relatively low staff turnover during the year, staff continued to be responsive to customer needs and to implement best practices. Training and development continued throughout the year with technical and on-site operational training, quarterly supervisors' sessions, and continued part-time academic education programme for employees.

Support Services

During the year, the IT Department's efforts were focused on improving computing and network infrastructure and strengthening IT service delivery capabilities to aid with the company's aim of providing prompt and efficient services. While many of the services requested are completed by our front-line staff, IT supported backend systems and services to make it easier for all service requests to be completed. The responsibility for physical security was also added to the department's portfolio. An in-house security coordinator was hired to assist with supervising contracted security providers and to develop and enforce corporate security standards.

The primary role of the Internal Audit (IA) department is to ensure that adequate internal controls and policies are in place to protect shareholders investment and stakeholders' interests. IA's capability to fulfil this role was further enhanced 2010/11, with the implementation of an improved system for accountability and good corporate governance.

Focus Moving Forward

The Company will continue to utilise its Strategic Business Plan to manage development, growth and the challenges of BWS future. This Plan includes proactive approaches to creating an even-more effective and efficient water utility. Specific targets have been set for a number of Key Performance Indicators (KPIs) such as Customer Growth, Earnings, Water Production, Sales, and Non-Revenue Water.

The company is now endeavouring to communicate its strategy to all employees and stakeholders, in order to lay the stage for the further improvements in performance it plans to achieve.

Operations Report

Dave Pascascio
Operations Manager

Introduction

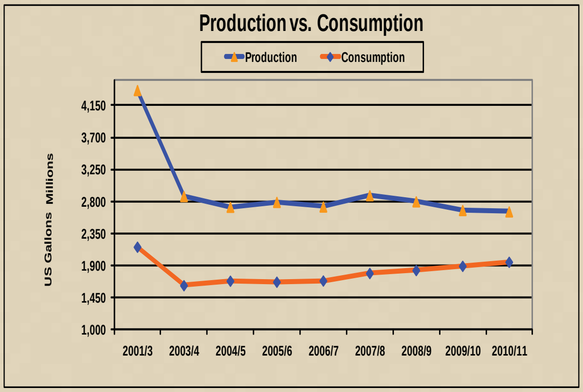
Year 2010/2011 completed the first decade of growth, reliability and success for a young company very focussed on delivering water and more.

During financial year 2010/2011, the Operations Department focused on the protection of life's most vital commodity – water. Resources were expended under the overdue maintenance program to improve and maintain safe, efficient and reliable water supply and distribution, and wastewater systems. Operational performance was improved through further achievements in internal controls and procedures; these resulted in increased efficiency, as summarised by the following key performance indicators (KPIs):

- **10.2%** reduction in Non-Revenue Water losses – 711MUSG (previous year: 787MUSG).
- Lowering of the overall annual NRW figure by 2.5 percentage points (from 29.4% to 26.7%).
- **2.7%** increase in Sales volume – 1,948 MUSG (previous year: 1,892 MUSG)
- **1.0%** decrease in production volume - 2,659 Million US Gallons (MUSG) for the year as compared to 2,679 MUSG for 2009/2010.
- **7.5%** reduction in Chemical usage helped to reduce direct production costs.
- **3.1%** decrease in electricity consumption for pre-existing water systems (NB: An overall **2.3%** increase in electricity consumption was a direct result of the addition of the electricity consumption for the Reverse Osmosis Plant in Caye Caulker).

Production and Consumption

The water production for this financial year totalled **2,659 Million US gallons** – this represents a **1.0%** decrease when compared to the previous year (2,679 MUSG). The decrease in production was achieved even though our customers consumed 2.7% more water or **1,948 Million US gallons** of potable water (previous financial year 1.893 BUSG. The increase in consumption is attributed to our expansion program and our focus to ensure the accuracy of customer meters. The Chart below shows water production and consumption for the last ten (10) consecutive financial years.



Water Production and Consumption

The table below shows water production volumes and percentage for each system.

Location	MUSG	Percent
Belize City	1,204	45.28%
Hattieville	39	1.47%
Corozal	229	8.59%
Orange Walk	199	7.49%
Belmopan	308	11.58%
San Ignacio	234	8.79%
Benque Viejo	79	2.96%
Dangriga	134	5.05%
Punta Gorda	79	2.96%
San Pedro	143	5.36%
Caye Caulker	12	0.47%
Total	**2,659**	**100.00%**

Water Production Percentage by Location

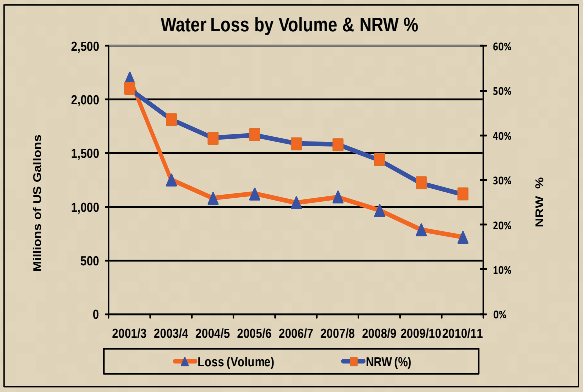
Non-Revenue Water (NRW) Losses

Water loss by volume decreased from **786 Million US Gallons** the previous year to **711 Million US Gallons** for this financial year. The reduction in volume lost is a direct indicator of the major commitment to the water loss reduction programme which includes monitoring, pro-active search for leaks and illegal connections, reduction in response time to repair leaks and the continued success of the pressure management exercise. The reduction in NRW volume resulted in the improvement of the overall NRW percentage from **29.4%** in the previous year to a current figure of **26.7%.** This represents the lowest NRW in the company's ten-year history and is well below many water systems in even the most developed countries.

This reduction has been achieved by the hard work and dedication of our staff members utilizing a combination of planning and monitoring, team work, field work, and state of-the-art technology to identify leaks and the responsiveness to conduct repairs in a timely basis. This result has given encouragement to management and staff to work even harder in the upcoming year to reduce the NRW below **25%** for the next financial year.

The chart below shows water loss by volume and percent for the last ten (10) financial years.

Production Management

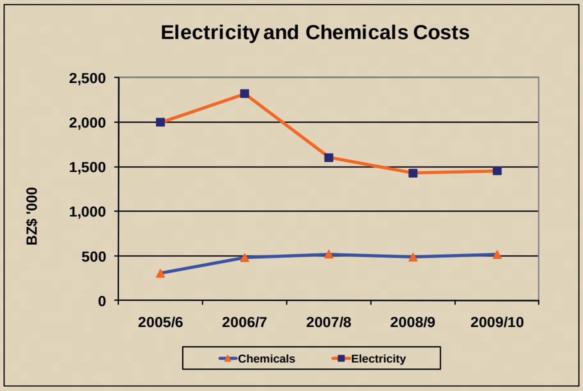


Water Loss by Volume and Percentage

As a result of the decrease in production, we achieved a decrease in chemical usage and cost. The significant decrease in the quantity of chemical used resulted in a 7.3% decrease in overall cost despite the higher acquisition costs.

A reduction of 3.1% in electricity usage and cost was achieved with our pre-existing water systems. However, the addition of the recently commissioned Reverse Osmosis Plant in Caye Caulker resulted in a 2.3% increase in overall electrical cost as this plant consumes significantly more electricity to produce water in comparison to the conventional water treatment plants. This also resulted in an overall 3.1% decrease in efficiency based on the gallons produced per unit kWh consumed. For 2010/2011, we produced an average of 706.0 US gallons for each kWh as compared to 727.9 US gallons per kWh the previous year.

The chart below shows the electricity and chemical cost for the financial year as well as the costs for the last five (5) financial years.



Electricity and Chemical Costs

Continuous Improvement Activities

Some major achievements and activities in the past financial year are:

- Significant progress was achieved in decreasing the NRW below 27 percent for the first time in the history of the company.
- Meter change project in San Pedro Town to improve accuracy.
- Replacement of aged water infrastructure in Orange Walk Town resulting in a significant improvement in continuity of supply.
- Replacements of aged galvanize service connections in Dangriga Town.

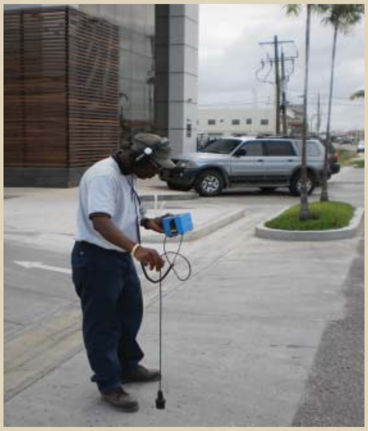
- Upgrading of sewer manholes in Belize City and to improve aesthetics of sewer pumping stations in Belize City, Belmopan and San Pedro Town.
- Upgrading of the sewer treatment facility in Belmopan.
- Program for flushing of sewer mains in Belize City implemented.
- Training of staff in the use of pipeline inspection camera.
- Training of staff in newly acquired leak detection equipment
- Training of staff in traffic management and control and all aspects of safety including working in trenches and confined space entry.

Ongoing and Future Works

- Planned replacement of aged infrastructure.
- Overdue maintenance works on water and sewer systems.
- Continued flushing of water and sewer systems.
- Continued accuracy testing and replacement of customer meters.
- Continued focus on reduction of Non-Revenue Water



Photos of the use of Pipeline Inspection Camera, newly acquired sewer flusher and refurbished sewer station


Photos of the use of Meter Accuracy Testing Equipment and Newly Acquired Leak Detection Equipment

Technical Services Report

Keith Hardwick
Technical Services Manager

BWS focused on supplying safe water at the most economical price. Technical Services Department is focused on meeting this requirement by maintaining reliability and matching our capacity with the growing demand.

The continued improvement in reliability and quality of a service is a direct consequence of the monitoring, maintenance, replacement and upgrade projects of this department. In the year 2010-2011, we have carried out many challenging projects which have increased our customer base and our ability to better meet the needs of all customers.

Transmission Line and Watermain Expansions Projects

Countrywide, a number of projects to reach new customers were implemented. One key expansion was to the East of Belmopan where 5.5 miles of 8” main were laid from Belmopan to Cotton Tree. An additional 3.4 miles of 4” and 3” mains were laid in the village itself to replace the aged and leaking existing systems. Currently Cotton Tree is now enjoying 24 hour service.

The Prime Minister at the Inauguration of the BWS Cotton Tree Water Supply.

A further 2.5 miles of 6” mains and an underwater crossing of Beaver Dam Creek connects the St. Matthews/Franks Eddy system to the Cotton Tree mains. The entire transmission line to Franks Eddy has been pressure tested and works have commenced on the refurbishment of the distribution system in St. Matthews.

A new 5.5 mile 10” transmission line to Burrell Boom was installed which now provides the village with significantly improved pressures as well as provides adequate capacity for the villages of the Belize River Valley in the near future.

In addition to new mains we have also embarked on a project in Belize City to replace corroded and leaking galvanized pipe connections. To date, we have upgraded Neal Pen Road and works are now taking place along Collet Canal.

A new 12” transmission line in Belmopan is almost complete and will allow the transfer of extra water to the main storage reservoir, thereby improving the supply to Belmopan City.

Plant and Building Works

Our works focused on improving the capacity, quality and reliability of our service including meeting ever increased security concerns.

In Dangriga, we are adding a flocculation tank to improve the primary treatment and to reduce operational costs. A generator building and a complete overhaul of the electrical system will facilitate Hurricane Preparedness.

In Belmopan we are nearing the completion of two(2) new sedimentation tanks which will double the plant capacity in this area and compliment the previously added three(3) new filters. Pumps were added at the intake and plant to meet demand even with the loss of one unit.

We have continued upgrading our electrical controls with the addition of surge protection and higher capacity wiring for all systems.

Construction of New Flocculator at Dangriga Water Treatment Plant

In San Ignacio, we have designed a new infiltration gallery which is currently under construction. This will extract water from the natural river bed which acts as a filter. The goal is to double the intake capacity and pave the way for a filtration plant.

Santa Rita pumphouse and emergency hurricane refuge, Corozal Town

In Corozal we have focused on fencing compounds and have upgraded the Santa Rita pump house to Hurricane standards. Likewise in Orange Walk we have completely upgraded the Clark Street pump house and the fence.

In Belize City, the headquarters office has been repainted along with numerous modifications to the office space for improvements in efficiency.

Wastewater Collection and Treatment

I am pleased to report that we are now involved in two major wastewater projects; firstly, the construction of a lagoon treatment facility in Belmopan which will greatly improve the quality of our treated discharge; and secondly, the final study of a wastewater collection and treatment system in Placencia.

Construction of Treatment Ponds at Belmopan Sewer Treatment Works

The Coming Year:

We are planning a number of projects this coming year aimed at increasing supply security capacity and expanding water systems.

Customer Services Report

Desiree Tillett
Customer Services Manager

Customer Services Initiative

Our primary goal in 2010/11 was to ensure that we attained an even higher level of customer satisfaction. This required continuous improvements and initiatives in order for our valued customers to see clearly our focus is to supply them with consistent, reliable, high-quality services both in the office and the field.

Being committed to delivering service results that exceed our customers' expectations, we invested heavily in technology and provided pertinent training to our employees. Our field service employees were trained and equipped with better tools to conduct meter tests which allowed us to ascertain the accuracy of meters under varying conditions. Customer service training was administered to both our field and customer service staff to better enable them to efficiently and courteously service our customers.

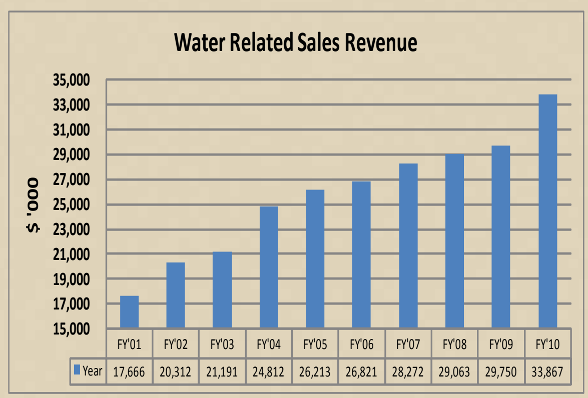
1st Prize Winner of Customer Appreciation Raffle

In late 2010, the company conducted a three month program to update customer information in our database. A total of 18,800 customers or 42% of our total customer base participated in the program and provided us with updated information. In order to show our appreciation to these loyal and responsive customers, prizes were awarded to three lucky participants, with the grand prize going to Ms. Stacy Ordonez from Belmopan.

Sales

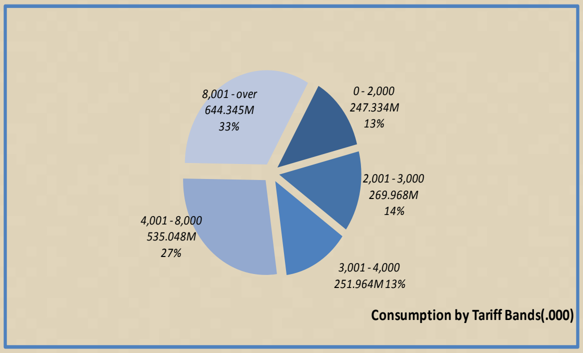
In 2010/11, the gross water sales were $ 33.867M, or 12.2% higher than last year. Consumption increased by 2.6% which can be attributed to:

- A 3% growth in our customer base.
- An increase of 1% in our average consumption per connection; and
- A 10% reduction in volume of Non-Revenue Water from 787 MUSG last year to 711 MUSG this year.



Customers are billed using the increasing tariff block structure as approved by the Public Utilities Commission. During the fiscal year, 40% or 769Mgals, of the company's total sales volume of (1,948 Million Gallons) came from 37,269 customers whose average usage was 4,000 gallons or less; they make up 79% of our total customer base of 47,114, 7,561 customers or 16% with consumption between 4,000 and 8,000 gallons accounted for 535Mgals or 27% of sales volume.

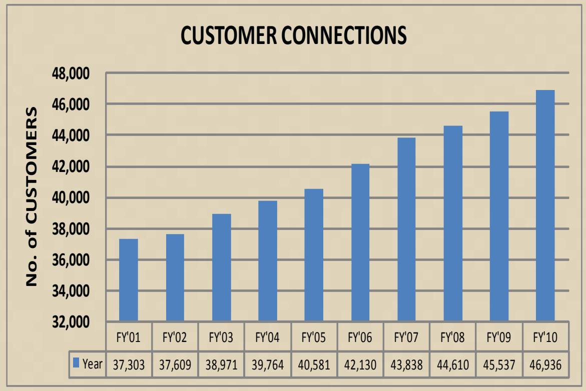
Consumption from 2,284 customers or 5% of the customer base in the 8,000 gallons and over band accounted for 644Mgals or 33% of sales volume.



Customer Connections

The fiscal year closed with 46,936 active customers representing an increase of 3.1% from the previous year figure of 45,537. During the year a total of 2,121 customers requested discontinuation of their services and 12,365 customers' services were disconnected for non-payment which recorded a 22% reduction from the previous year. A total of 10,554 customers reconnected their services and 5,337 customer connections were installed, of which 1,777 were new accounts added, this resulted in a net increase of 1,405 active customers.

Customer Connections have grown by 26% over the last 10 years, with average annual growth rate of 1,070 connections. The chart below highlights the growth in Customer Connections.



Unauthorized Connections and Water Losses

During this fiscal year 2010/11, as part of our water loss reduction programme the company continued to target revenue loss due to unauthorized connections. Countrywide, BWS found and removed 414 unauthorized connections compared to 588 in 2009/10 fiscal year. It is estimated that unauthorized connections accounted for some 130 million gallons or 18% of annual water loss.

BWS Call Center

Customer Applying for New Service

Human Resources and Public Relations Report

Haydon Brown
Human Resources/Public Relations Manager

During 2010/11, management and staff participated in a number of joint initiatives; two major ones were the renegotiation of the collective agreement and a companywide employee satisfaction survey. These initiatives along with a Board and Management strategic retreat have combined to form an even stronger Human Resource base going forward.

Throughout the renegotiation of the collective agreement, even though there were some occasional differences, the Management Team and the Union Executives worked harmoniously, all in the interest of improvements for staff and the company. The process was smooth and the end result incorporated adequate compensation, teamwork, accountability, innovations and inclusiveness, which were all well received by employees.

"Staff Satisfaction Level is High"

In conjunction with the renegotiation process, a companywide employee survey was conducted in order to obtain feedback regarding employees' general satisfaction with their jobs and work environment. Other areas considered were: Appraisals, Team Work, Rewards and Recognition and Employee Relations. The results were compelling positive and the results were presented to the Board, Management and Union with a view to identify areas for improvement and or better understand challenges facing employees and management. The survey provided meaningful feedback and has been used as input into our strategic planning and appraisal systems.

Aligning Staff Performance and the Strategic Plan

HR participated proactively in other key initiatives to fortify and strengthen our strategic planning, including revisions to key strategic planning initiatives and the clear communication of these to all employees. The improved performance appraisal system continues to assist in improving on weaknesses and building on strengths; and also to drive development of staff potential by providing appropriate training programs.

Board and Management Strategic Workshop Session

Through these initiatives, we have helped to strengthen the company's strategic planning and position, which focuses on providing quality services to our valued customers, as well as health and safety and protection of the environment. The changes were implemented with the full cooperation of staff. As a regulated and responsible utility, we continue to carefully monitor our key performance indicators and make structural changes to ensure maximum efficiency gains are realized for our company and all its stakeholders.

Staff Development and Training

During this financial year two areas of focus for training and staff development were delivery of customer service and health and safety. As a result, a series of First Aid courses were organized with Red Cross experts; this training was well received as 93% of our total staff complement attended. These individuals are now certified peer councilors and trainers who are able to train other colleagues and as well can respond in emergency situations. This course provided not only some basic required life skills, but it also provided participants with useful tips that span across everyday life situations, from someone choking, to managing an accident scene without causing further injury to an already- injured person.

Electrical Training for Staff

In mid-August 2010, the company sponsored a comprehensive customer service training entitled 'Achieving Extraordinary Customer Relations'. This course was facilitated by an international expert and delivered to those staff who interact daily with customers; participants included supervisors, foremen, Customer Service representatives and field staff. An overall total of 128 staff participated in the four sessions of this course. This training provided many valuable insights, and suggested improvements, some of which will be considered in the next financial year budget.

During the final week of August 2010, the company also sponsored a theoretical and practical training course in confined space for the entire personnel from the Sewer Department. This provided employees with knowledge on how to use newly acquired environmentally sound apparatus and manage their work environment.

Supervisor's Training conducted by BIM

Training will continue to be a strategic area of focus as it plays a vital role in future development.

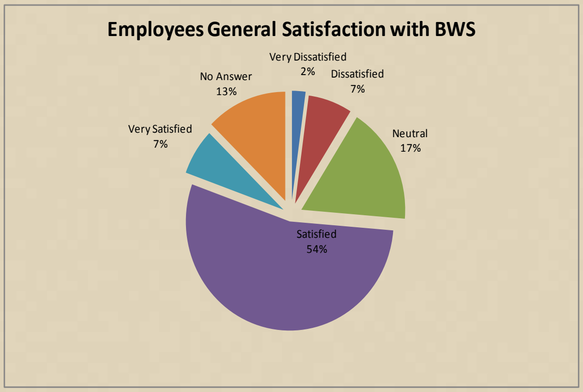
Staff Relations and Communications

The Board and Management of BWS and the Executives of the BWS Workers Union (BWSWU) Union released joint notices, both internally and externally, on the completion of our collective bargaining agreement signed on February 21, 2011 after several months of negotiation.

Collective Agreement Sigining
Management/BWS Union

The results of the staff survey which indicated the high rate of satisfaction among employees were also circulated internally.

The company continues to provide regular communication of events to staff via means of frequent internal Communiqués and a bi-monthly periodical, the "Pipeline".



Employee Satisfaction Survey Results

Employee Well-Being and Performance

The company continued to contribute to, and partake in, a variety of efforts to promote staff well-being, including sports and games, healthy living, safety and group health insurance.

Due the success of recognizing top performers in the previous year, a repeat of this process was carried out. Three employees from across our diverse company were again rewarded for their outstanding efforts and achievements executed during the year. This effort continues to nurture the type of overall improvement in employee morale and overall performance.

Donation to the Under 17 Basketball Team of Belize

PUBLIC RELATIONS

BWS, as a responsible corporate citizen, continues to give back to needy individuals, groups and organizations, despite financial constraints. Assistance provided varied, but included among others: donation of food items to feeding programs, sponsorship of various sporting teams and activities, and support to more formalized organization like the Cancer Society, the Diabetes and Kidney Associations.

We pride ourselves in keeping the communication lines open so we can continue to proactively serve all stakeholders.

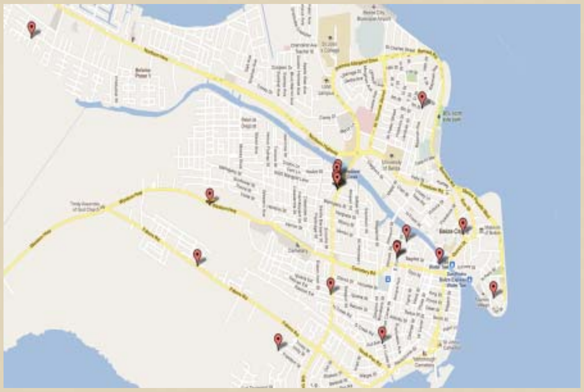
Donation of Water to Schools in the Belize River Valley Communities

Donation to Karl Heusner Memorial Hospital's Summer Youth Programme

Information Technology Report

During the year 2010/11, the Information Technology (IT) Department efforts were focused on improving computing and network infrastructure and strengthening IT service delivery capabilities to aid with the company's aim of providing prompt and efficient services. While many of the services requested are completed by our frontline staff, IT supported backend systems and services to make it easier for all service requests to be completed.

During the year, the responsibility for physical security was also added to the department's portfolio. An in-house security coordinator was hired to assist with supervising contracted security providers and to develop and enforce corporate security standards. A proximity card based access control system was installed at the Belize City office and improvements were made to video surveillance and alarm systems countrywide. As a part of our overall security enhancement a new ID card printing system was also acquired.



GPS Tracking System

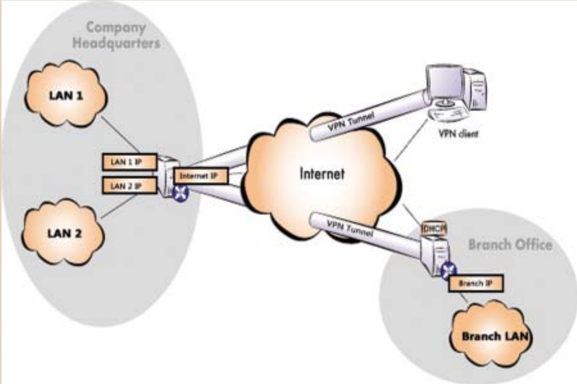
Some of our other accomplishments for the fiscal year in review include:

- Implementation of a GPS Vehicle tracking system to monitor the use of company vehicles.
- The Financial Accounting System was upgraded.
- Migration of Wide Area links to VPNs, saving $5,000 pet month in telecom cost.

Dale Hulse
IT Manager

- Installation of a new Microsoft Exchange e-mail server for better collaboration and mobility.
- Implementation of a storage server and tape backup system, improving data security and recovery capability.
- The Read-Your-Own-Meter pilot project tasked IT to create a solution to allow customers whose meters are inaccessible to submit monthly meter readings by SMS.
- Re-instatement of 0-800 numbers to allow customers to report leaks and emergencies 24 hours per day.
- Minor upgrades to the Customer Information System and Job Tracking and Management System.

The IT Department continues to support the strategic objectives of the company. As new challenges arise, we research emerging technologies to help automate and promote efficiency.



VPN Network

Internal Audit Report

Norman Augustine
Internal Audit Manager

The primary role of the Internal Audit (IA) department is to ensure that adequate internal controls and policies are in place to protect shareholders investment and stakeholders' interests. IA's capability to fulfill this role was further enhanced 2010/2011, with the implementation of an improved system for accountability and good corporate governance.

An ambitious goal for the updating of policies and procedures was set in place for the company. This is geared not only towards improved protection of shareholders investment and stakeholders' interest, but also to ensuring that company resources are being used in an effective and efficient manner. The department also reviews targets and achievement of corporate strategic plans and directions set by the Board of Directors.

The Internal Audit team utilized information made available to us as members of the Institute of Internal Auditors. The team was also provided with additional training from the senior staff of Castillo Sanchez & Burrell (CSB) on Internal Audit framework. A temporary employee was also added to the team to provide support to the department efforts. This allowed IA to take on additional areas not previously covered.

In designing the new Internal Audit plan, the team engaged in a risk analysis based on the following:

- Historical internal control issues that continue to be a challenge due to staff changes and the need to adjust to changes.
- Internal and external factors, such as the increasing need for security of both staff and equipment, and other changing local and global economic conditions.
- Financial trend analysis.

With the support of the management team, Internal Audit was able to make recommendations to address weaknesses found in various systems. Management's adjustments help to contribute to even more improvement in non-revenue water losses and better control of various resources and operational costs.

The team efforts on vehicle care and management included making recommendations on vehicle scrap and spare parts and justification for the GPS vehicle tracking system.

Internal Audit contributed with several reviews and investigations. An Internal Audit procedural manual was prepared and documented. This has aided IA staff with conducting audits in both Belize City and the various branches.

Internal Audit continues the work to provide the necessary support to ensure the continued success of BWS.

Internal Audit Team

Resident Consultant Engineer's Report

Introduction

The ravages of the world economic downturn did not spare BWS. Still, the company was able to adhere to its expansion and service-delivery plans during the year just-ended, without any under-cutting of its operational or capital expenditure budgets. Modest expansion schemes were completed with necessary and attendant increase in the customer base and BWS conducted its business ever cognizant of the seeming divergent objectives with which it must grapple: Huge capital investment needs but few proposed capital sources.

Prior-Year Projects – Commentary

At the start of the 2010/11 financial year, there were three (3) CDB funded capital projects that were on-going. There were no material adjustments to any of the three projects during the year and, all three projects progressed as planned, albeit with a few delays. The following are synopses of the status for each project:

Second Water Project - Belize

This project comprised four (4) components all of which were about the improvement of and enhancements to the company's water storage, delivery and conservation capabilities.

New Wilson Street Tank

Frederick Sandiford
Resident Consultant Engineer

At March 31, 2011, budgeted Leak Detection Equipment had been procured and was in use; a 500,000 US gallon water storage tank had been erected on Wilson Street and will be commissioned later this year; the replacement of 5.4 miles of 4" transmission pipe lines with 10" diameter pipes was completed during the current financial year; and similarly, the upgrading of the Water Treatment Plant capacity at Double Run (increasing treatment capacity from 6.0 to 7.5 million gallons per day) will also be commissioned later this year.

Burrell Boom Pipeline Works

Ambergris Caye Feasibility Study Project

This project sought to identify the water needs and the required plant and equipment necessary to adequately and efficiently address the rapidly expanding developments on Ambergris Caye. The Project cost of BZ$ 665,000 was funded by CDB.

The feasibility study will be finalized by the end of July, 2011. The study identified the first phase of the planned expansion/development programme and the detailed design concomitant with the project is imminent. This should start in the third quarter of the 2011/12 financial year.

Belize River Valley Project

This project targets the supply of potable water to nine (9) villages in the Belize River Valley area. The project is funded by the CDB and the Government of Belize. It began in June 2008 with the feasibility study and detailed design which were both completed in September 2010. Construction should commence in the third quarter of the 2011/12 financial year and should be completed over a twenty-four month period.

Current Year Capital Projects

One new major externally funded capital project is slated for the 2011/12 financial year, which is the detailed design project for the first phase of the Ambergris Caye expansion / development programme. Construction activity will be confined to projects that are totally funded by the Government of Belize; those from the resources of BWS; and, the continuation / completion of the projects that were on-going at the end of the last financial year.

Moving Forward

BWS, in the pursuit of the UN Millennium Development Goals, must continue its education programme on the need to conserve water and accelerate its efforts to bring potable water and sanitation amenities to the citizenry of the country. In so doing BWS will spare no efforts in continuing to increase its customer base and hence revenue to assist in expansion of the infrastructure.

New Lamella Plates at the Double Run Water Treatment Plant

In an age where the citizenry has the expectation that corporations (including utilities) are to assume a human character and be good corporate citizens, BWS must not disappoint. It is with this realization in mind that BWS proposes to work, diligently and conscientiously so, towards delivery of 'first world' quality service in all material respects. The focus will be on achieving the ultimate in customer satisfaction through improved product and service qualities. The necessary cultural change within the company will be demanded; encouraging constructive dialogue with, and entertaining recommendations from, its consumers; promoting total transparency in its operations; and having each decision and action designed to ensure the enhancement of and measuring customer satisfaction will be pursued.

These last, coupled with enhanced and sustained efforts at achieving operational and administrative efficiencies, will secure for the Belizean public a BWS that will at once provide the highest quality potable water, and at the same time deliver its services at affordable rates.

Financial Report

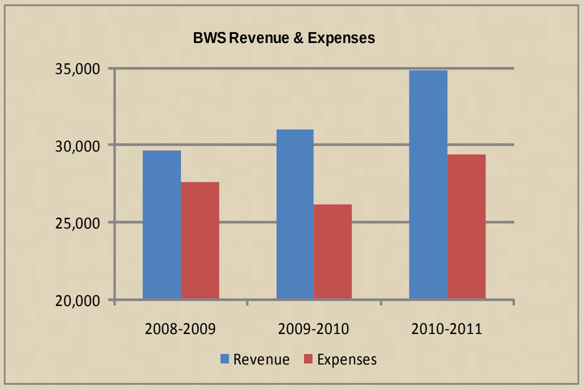
Richard Flowers
Chief Financial Officer

Earnings and Major Influences

For 2010/11, the tenth year of operations and the first year of the Second Full Business Plan as approved by the PUC, BWS generated a profit of $5.457 million, the largest net earnings since the company was vested in March 2001. Based on the 40 million shares issued, this net profit of $5.457 million equates to earnings of approximately $0.14 (fourteen cents) per share. For the fourth year in a row, the Board of Directors approved a dividend payment; the major shareholder again agreed to grant its dividends to the minority shareholders. The total dividends declared amounted to $1.007 million or about 18.5% of net profit.

Sales and Income

The total volume of water sold increased to 1,948 million US Gallons (MUSG) for FY 2010/11 from 1,893 MUSG in 2009/2010. Further reductions in water losses (Non-Revenue Water) helped to control direct costs especially given the continued price increases on materials. Total Revenue increased to $34.869 million from $31.258 million (reclassified) in 2009/2010; Total Expenses increased to $29.412 million from $26.169 million primarily due to increases in asset refurbishment. Net profit increased to $5.457 million, up 11.87% from the $4.878 million profit previous year.



Water related sales provided income of $34.446 million ($30.560M previous year), other services provided income of $0.143 million ($0.487M previous year) and interest income of $0.280 million ($0.211 M previous year) resulting in total revenue for the year of $34.869 million ($31.258 M previous year; reclassified). The average tariff for water sales was $17.38 per thousand US gallons (previous year: $15.72).

Revenue Summary		
Revenue	**2010/11**	**2009/10**
Water Sales (less discounts)	$33,646	$29,686
Other Water Related	$800	$874
Total Water Related Sales	**$34,446**	**$30,560**
Other Services	$143	$177
Comprehensive Income - 2009	$-	$310
Interest Income*	$280	$211
Total Turnover	**$34,869**	**$31,258**
* Reclassified 2009/10	All figures in BZ$ '000	

Major Costs and Expenses

The table insert shows the breakdown of costs for FY2010/11 as compared to the previous financial year.

Costs Summary	FY 2010/2011 Total (BZ$'000)	FY 2010/2011 Percent of Total	FY 2009/2010 Total (BZ$'000)	FY 2009/2010 Percent of Total
*Water Purchases	3,742	12.85%	3,778	14.44%
*Electricity	2,081	7.14%	1,958	7.48%
*Staff Costs	7,062	24.24%	6,427	24.56%
Other direct/Operating Costs	760	2.61%	5,750	21.97%
Total Direct Costs	**13,645**	46.84%	**17,913**	68.45%
*Depreciation	3,363	11.54%	3,436	13.13%
*Interest expense	3,584	12.30%	4,284	16.37%
Taxes	8,539	29.31%	536	2.05%
Total Other Expenses	**15,486**	53.16%	**8,256**	31.55%
Total Costs	**29,132**	100.00%	**26,169**	100.00%
***Total Major Costs**	**19,832**	68.08%	**19,883**	75.98%

Staff Costs, Interest, Water Purchases, Depreciation and Electricity remain the major costs for the company. The main direct costs continued to be Staff Costs, Water Purchases (San Pedro) and Electricity. The major indirect costs are Loan Interest expense and Depreciation.

Loans and Debt Servicing

At the beginning of the 2010/2011 financial year, BWS had outstanding loans of $52.9 million with two loans, the CDB-10 and CDB-53 facilities, still available for draw downs. The amount remaining for draw-downs from the CDB-10 facility is US$0.6M (million) and (US $0.228M) from the CDB-53 facility. In 2010/11, US$ 1.08M was drawn down from the CDB-10 facility. These funds were utilized to install a new transmission main to Burrell Boom, acquire leak detection equipment, supply and construct a 500,000 US Gallon Reservoir in Belize City and to upgrade the clarifier/filter system at our Double Run Water Treatment Plant. The CDB-53 facility is to conduct a feasibility study for water expansion in North San Pedro. The study has been completed and we are currently awaiting the final report.

At March 31, 2011 the total outstanding loans decreased to $52.2 million. The Table insert summarises the Loan balances and Debt Servicing cash requirements over the last two financial years.

Loan Movement and Debt Servicing		
Net Loan Movement	**2010/11**	**2009/10**
Beginning Balance	$52,874	$55,751
Draw downs/Increases	$2,157	$44
Principal Repaid	$2,862	$2,921
Debt Cancellation - GOB Loan	$-	$-
Principal Balance	$52,169	$52,874
Total Debt Servicing		
Principal Repaid/Debt Cancellation	$2,862	$2,921
Interest Charges	$3,584	$3,826
Total Debt Reduction	**$6,446**	**$6,747**
All figures in BZ$ '000		

Asset Condition and Asset Growth

Investments in assets totalling $10.1 million were undertaken with $0.957M being contributed by the Government of Belize. The Cotton Tree water project was completed and implemented and a further 2.5 miles of 6" mains and an underwater crossing of Beaver Dam Creek now connects the St. Matthews/Franks Eddy system to the Cotton Tree mains. Water main extensions were done in Burrell Boom to provide adequate capacity for the villages of the Belize River Valley in the near future. Numerous plant and building works were completed, including office refurbishments countrywide. The company is now involved in two major wastewater projects in Belmopan and Plancencia. The overall investment in assets inclusive of refurbishments and maintenance was $13.6 million in 2010/11 ($9.3M in 2009/10).

The table insert shows the breakdown of the Investment in Assets and Asset Improvement over the last two financial years.

New Assets, Refurbishment and Maintenance	2010/11	2009/10
Plant & Equipment	$720	$640
Water Expansion	$9,393	$6,419
Total New Assets	**$10,113**	**$7,059**
Developer's Contributions	$(2,883)	$(3,006)
BWS Expenditure	**$7,230**	**$4,053**
Repairs & Maintenance	$3,492	$2,305
Total Assets & Maintenance	**$13,605**	**$9,364**
All figures in BZ$ '000		

Government Contributions

The Government of Belize has once again indicated its strong commitment to support BWS to ensure that its essential services continue in an efficient manner. During the course of FY 2010/11, GOB has contributed $3.4 million, made up as follows:

Government Contributions	2010/11	2009/10
Grant for Operating Expenditure	$-	$5,055
Expansion Projects	$957	$237
Dividends Grant	$838	$838
GST Savings - Zero Rated Status	$1,591	$951
Total Contributions	**$3,386**	**$7,081**
All figures in BZ$ '000		

Key Performance Indicators (KPI's) - 10 Years

Description of KPI	UNIT	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02
PROFITABILITY*											
Net Turnover	$' 000	34,869	31,258	29,673	28,866	27,448	27,322	25,909	22,301	21,167	19,301
EBITDA	$' 000	13,059	12,764	10,457	10,161	10,580	10,417	9,048	7,065	6,137	4,031
EBIT	$' 000	9,696	9,328	7,264	7,509	7,905	7,789	6,421	4,752	3,909	2,151
Net Profit (Loss)	$' 000	5,457	4,878	2,069	1,693	1,863	1,919	1,010	426	(458)	(3652)
EBITDA/Net Turnover	%	37%	41%	35%	35%	39%	38%	35%	32%	29%	21%
Earnings Per Share	$	0.136	0.122	0.052	0.042	0.047	0.048	0.025	0.011	(0.011)	(0.091)
Dividends Per Share	$	0.025	0.025	0.078	0.078	0.033	0.000	0.000	0.000	0.000	0.000
Retained Earnings (Deficit)	$' 000	9,311	4,861	3,589	2,041	768	(755)	(2674)	(3684)	(4110)	(3652)
LIABILITIES & EQUITY											
Long Term Liabilities	$' 000	47,854	49,622	53,135	62,653	62,956	66,117	65,310	61,977	65,411	57,062
Current Liabilities	$' 000	12,136	10,971	9,182	10,553	11,676	10,407	10,907	12,841	12,993	17,770
Total Equity	$' 000	96,302	90,578	84,251	77,317	76,157	74,521	72,603	71,592	71,166	71,624
ASSETS											
Current Assets	$' 000	16,022	14,675	10,584	9,588	8,398	7,593	10,703	11,057	8,499	5,013
Total Net Assets	$' 000	156,291	151,172	146,566	150,523	150,789	151,045	148,820	146,410	149,570	146,456
Additions to Assets	$' 000	10,113	7,059	4,742	4,212	2,746	3,907	6,097	4,529	2,232	12,568
BALANCE SHEET STRUCTURE											
Current Assets/Current Liabilities	No.	1.32	1.34	1.15	0.91	0.72	0.73	0.98	0.86	0.65	0.28
Total Assets/Shareholders' Equity	No.	1.62	1.67	1.74	1.95	1.98	2.03	2.05	2.05	2.10	2.04
Gearing (LT Liabilities/Equity)	%	50%	55%	63%	78%	83%	89%	90%	87%	92%	80%
Return on Assets(EBIT/Avg. Assets)	%	6.3%	6.3%	4.9%	5.0%	5.2%	5.2%	4.3%	3.2%	2.6%	1.5%
WATER VOLUMES/NRW											
Water Production **	Mgal	2,659	2,679	2,801	2,887	2,735	2,793	2,739	2,875	3,223	2,795
Water Sales	Mgal	1,948	1,893	1,842	1,788	1,694	1,677	1,660	1,625	1,494	1,334
Water Loss (NRW)	Mgal	711	787	959	1,099	1,041	1,116	1,080	1,251	1,728	1,461
Non-Revenue Water	%	26.7%	29.4%	34.2%	38.1%	38.1%	40.0%	39.4%	43.5%	53.6%	52.3%
CUSTOMER CONNECTIONS											
Beginning Connections	No.	45,537	44,610	43,835	42,130	40,581	39,764	38,971	37,609	37,303	35,938
Connections Added	No.	5,337	4,899	3,235	1,322	2,634	2,785	2,764	3,675	3,316	2,084
Disconnections	No.	14,486	17,142	15,400	16,153	16,109	13,916	13,546	15,877	14,856	10,149
Reconnections	No.	10,548	13,170	12,940	16,536	15,024	11,948	11,575	13,564	11,846	9,430
Ending Connections	No.	46,936	45,537	44,610	43,835	42,130	40,581	39,764	38,971	37,609	37,303
Ending Sewer Connections**	No.	10,279	10,233	10,323	10,309	10,441	10,436	10,333	10,231	10,130	10,032
BILLING											
Avg. Number of Connections	No.	46,240	45,150	44,316	42,983	41,119	40,107	39,414	38,616	37,404	36,620
Water Sales Revenue	$' 000	33,867	29,750	29,064	28,272	26,819	25,757	24,408	20,863	19,537	18,815
Consumption per Connection Monthly	Gal	3,511	3,493	3,463	3,467	3,434	3,485	3,510	3,506	3,329	3,037
Avg. Sales per Connection Monthly	$	61.09	54.91	54.65	54.81	54.35	53.52	51.61	45.02	43.53	42.82
Avg. Tariff per 1000 Gallons	$	17.38	15.72	15.78	15.81	15.83	15.36	14.70	12.84	13.08	14.10
OPERATIONAL EFFICIENCY											
Avg. No. of Permanent Staff	No.	238	229	232	228	216	215	210	223	228	244
Staff Per 1000 Connections	No.	5.15	5.07	5.24	5.30	5.25	5.36	5.33	5.77	6.10	6.66
Staff Costs	$'000	7,745	6,816	7,460	6,557	6,354	6,286	6,527	6,416	6,564	7,229
Staff Costs/Emp.	$'000	32.5	29.8	32.2	28.8	29.4	29.2	31.1	28.8	28.8	29.6
Revenue/Emp.	$'000	146.5	136.5	128	127	127	127	123	100	93	79
COLLECTION EFFICIENCY											
Overdue Debtors/Trade Debtors-Yr End	%	17.4%	14.2%	26.6%	26.5%	19.7%	19.2%	46.3%	45.1%	41.8%	26.5%
Bad Debts Write Off/Net Turnover	%	0.7%	0.3%	0.9%	0.2%	0.5%	1.2%	2.5%	4.1%	2.9%	2.2%
Raw Collection Efficiency	%	96.8%	96.4%	94.8%	96.1%	96.4%	93.7%	90.5%	88.9%	91.4%	87.9%
INFRASTRUCTURE											
Total Length of Water Mains**	Miles	704.5	673.2	666.3	648.7	622.6	609.5	595.1	589.9	565.5	555.9
Avg. Length of Mains per Connection	Feet	79.3	78.1	78.9	78.1	78.0	79.3	79.0	79.9	79.4	78.7

KPI Description Note	Key - Units	Data Colour Code
*= 09/10 reclassified	Mgal = Millions of U.S. Gallons	Black = Actual Figures, positive sign
**=Includes some estimated figures	$' 000 = Thousands of Belize Dollars	(Red) = Actual Figures, negative sign
[1]See Management report for details	$ = Belize Dollars	Blue = Estimated Figures
	% = Percentage	Calculated figures
	No. = Number or Number of Units	Special Note

Belize Water Services Limited

Financial Statements for the Years Ended March 31, 2011 and 2010 and Independent Auditors' Report

<u>BELIZE WATER SERVICES LIMITED</u>

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Julian Castillo, CA

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

**To the Board of Directors and Shareholders of
Belize Water Services Limited:**

Report on the Financial Statements

We have audited the accompanying financial statements of Belize Water Services Limited, which comprise the statements of financial position as at March 31, 2011 and 2010, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Belize Water Services Limited as of March 31, 2011 and 2010 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
June 30, 2011

BELIZE WATER SERVICES LIMITED

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2011 AND 2010

ASSETS	Notes	2011	2010
Tangible fixed assets – net	1(g), 2	**$140,269,505**	$136,496,323
Current assets:			
Inventories	1(h), 3	**6,240,985**	4,801,141
Accounts receivable and prepayments	1(i-j), 4	**4,126,267**	3,379,388
Short term investments	1(l)	**1,706,202**	1,570,274
Cash and cash equivalents	1(m), 5	**3,948,273**	4,924,631
Total current assets		**16,021,727**	14,675,434
TOTAL ASSETS		**$156,291,232**	$151,171,757
LIABILITIES AND EQUITY			
Long term loans	6	**$ 47,853,945**	$ 49,622,137
Current liabilities:			
Accounts payable		**1,318,150**	1,369,041
Security deposits	1(n)	**2,390,910**	2,228,360
Current portion of long term loans	6	**4,314,650**	3,252,145
Provisions	7	**2,163,720**	2,163,720
Dividends payable		**1,035,866**	1,029,879
Other liabilities and accruals		**912,217**	927,860
Total current liabilities		**12,135,513**	10,971,005
EQUITY:			
Share capital	8	**60,000,001**	60,000,001
Capital reserve	9	**15,276,362**	15,276,362
Contributed capital	10	**11,714,281**	10,440,985
Retained earnings		**9,311,130**	4,861,267
Total equity		**96,301,774**	90,578,615
TOTAL LIABILITIES AND EQUITY		**$156,291,232**	$151,171,757

The financial statements on pages 3 to 6 were approved and authorized for issue by the Board of Directors on July 18, 2011 and are signed on its behalf by:

______________________________)
)
) Directors
)
______________________________)

The notes on pages 7 to 27 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2011 AND 2010

	Notes	2011	2010
CONTINUING OPERATIONS			
OPERATING REVENUES:			
Measured water revenues – net	1(o)	**$33,646,004**	$29,686,068
Charges and fees		**799,757**	873,659
Interest income		**280,125**	210,841*
Other income		**142,682**	487,282
Total operating revenues		**34,868,568**	31,257,850
OPERATING EXPENSES			
Materials and other external costs	11	**6,698,434**	6,471,683
Staff costs	12	**7,744,668**	6,816,431
Depreciation	2	**3,362,899**	3,436,040
Other operating charges	13	**7,366,415**	5,206,113
Financial expenses (net)		**3,635,404**	3,913,791*
Total operating expenses		**28,807,820**	25,844,058
Profit before taxes		**6,060,748**	5,413,792
Business tax	16	**(603,818)**	(535,779)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**5,456,930**	4,878,013
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 5,456,930**	$ 4,878,013
Profit from continuing operations attributable to:			
Owners of the Company		**$ 5,456,930**	$ 4,878,013
EARNINGS PER SHARE	14		
From continuing operations:			
Basic and diluted		**$0.14**	$0.12

*Reclassified for comparative purposes
The notes on pages 7 to 27 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED MARCH 31, 2011 AND 2010

	Share Capital	Capital Reserve	Contributed Capital	Retained Earnings	Total
April 1, 2009	$60,000,001	$15,276,362	$ 7,981,708	$ 990,321	$84,248,392
Profit for the year from continuing operations	-	-	-	4,878,013	4,878,013
Dividends Declared and paid (see note 19)	-	-	-	(1,007,067)	(1,007,067)
Contributed Capital (see note 10,19)	-	-	2,459,277	-	2,459,277
March 31, 2010	60,000,001	15,276,362	10,440,985	4,861,267	90,578,615
Profit for the year from continuing opertions	-	-	-	5,456,930	5,456,930
Dividends declared (see note 19)	-	-	-	(1,007,067)	(1,007,067)
Contributed Capital (see note 10,19)	-	-	1,273,296	-	1,273,296
March 31, 2011	**$60,000,001**	**$15,276,362**	**$11,714,281**	**$9,311,130**	**$96,301,774**

The notes on pages 7 to 27 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
OPERATING ACTIVITIES:		
Profit for the year from continuing operations	**$ 5,456,930**	$ 4,878,013
Adjustments for:		
- Depreciation	**3,362,899**	3,436,040
- Loss on disposal	**12,971**	102,600
- Provision for doubtful debts	**236,382**	114,336
- Business tax	**603,818**	535,779
- Financial expenses	**3,635,404**	3,913,791
Operating profit before working capital changes	**13,308,404**	12,980,559
(Increase) decrease in accounts receivable and prepayments	**(983,261)**	182,167
Increase in inventories	**(1,439,844)**	(501,092)
(Decrease) increase in accounts payable and accruals	**(366,685)**	167,665
Cash provided by operations	**10,518,614**	12,829,299
Business tax paid	**(554,108)**	(491,679)
Financial expenses paid	**(3,216,426)**	(3,464,526)
Net cash provided by operating activities	**6,748,080**	8,873,094
INVESTING ACTIVITIES:		
Purchase of investments	**(135,928)**	(1,570,274)
Additions of tangible fixed assets	**(10,112,656)**	(7,059,007)
Proceeds from disposal of tangible fixed assets	**80,400**	-
Net cash used in investing activities	**(10,168,184)**	(8,629,281)
FINANCING ACTIVITIES:		
Dividends paid	**(1,007,067)**	(515,811)
Proceeds from long term loans	**2,643,693**	43,739
Repayment of long term loans	**(2,076,884)**	(460,989)
Contributions to tangible fixed assets	**2,883,204**	3,005,884
Net cash provided by financing activities	**2,443,746**	2,072,823
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(976,358)**	2,316,636
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,924,631**	2,607,995
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,948,273**	$ 4,924,631

The notes on pages 7 to 27 are an integral part of these financial statements.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES

Status - Belize Water Services Limited (the "Company") was incorporated by the Government of Belize on January 22, 2001 as the successor company to the Water and Sewerage Authority ("WASA"). Belize Water Services Limited was vested with the Assets and Liabilities of WASA on March 23, 2001. The Company's principal activity is the provision of potable water and wastewater services. The Company was a majority owned subsidiary of CASCAL B.V. of the Netherlands from April 2001 through to October 2005. On October 3, 2005 the Government of Belize signed an agreement for the repurchase of the Company's majority shares from Cascal B.V. The Company is majority owned by the Government of Belize at March 31, 2011.

Significant Accounting Policies -

a. Statement of compliance – The financial statements have been prepared from records maintained in the financial accounting system of the Company, in accordance with International Financial Reporting Standards (IFRS).

b. Basis of preparation – The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Functional and presentation currency – The financial statements are presented in Belize dollars, which is the Company's functional currency.

d. Significant accounting judgments – In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant use of judgment and estimates are as follows:

- Going concern
  The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Adoption of New Standards, Amendments and Interpretations Effective from January 1, 2010:

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2009) – The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

  This *amendment* has had no effect on the amounts reported in the current or prior years because the Company has not issued instruments of this nature.

- Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009) – The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset. The adoption of this amendment has had no impact on the Company's financial statements since we have not incurred any development costs.

- Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010) – The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Company has elected not to early adopt the amendments in advance of *their* effective date (annual periods beginning on or after 1 January 2011).

- *Amendments* to IAS 1 *Presentation of Financial Statements* (as part of *Improvements to IFRSs* issued in 2010) – The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments had been applied retrospectively.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements and IFRS1 First-Time adoption of International Financial Reporting Standards with reference to cost of investments in subsidiaries, joint ventures and associates* – This amendment mainly addresses the issue that the cost of investments in subsidiaries, associates and joint ventures, in the standalone financial statements of an entity, is no longer affected by profit distribution formulated prior to the purchase date of these investments. This amendment has also led to changes in IAS 36: «Impairment of Assets», with the addition of indications on the impairment of investments based on the effect on equity due to dividend distribution of such companies to companies that have invested in them. As far as first-time adoption of IFRSs is concerned and in terms of simplifying the process of producing these financial statements, the amendment offers alternative ways for determining the cost of investments in subsidiaries, joint ventures and associates based on the fair value of these investments or their nominal value from previously effective accounting standards. The adoption has had no impact on the Company's financial statements since the Company does not have ownership interests in subsidiaries.

- IAS 28 (revised in 2008) *Investments in Associates* – The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

  As part of *Improvements to IFRSs* issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. The Company's has elected not to early adopt the amendments to IAS 28(2008) as part of *Improvements to IFRSs* issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010).

New and revised IFRSs applied with no material effect on the Company's financial statements:

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2009) – The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

  The amendment affects presentation only and had no impact on the Company's financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* – The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* – The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

- IFRIC *18 Transfers of Assets from Customers* – The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.

- IFRS 3 (revised in 2008) *Business Combinations* – IFRS 3(2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its adoption has affected the accounting for business combinations in the current year.

  The impact of the application of IFRS 3(2008) is as follows:

  - IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. The application of IFRS 3(2008) has no impact of the financial statements of the Company.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

- As part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

- In addition, as part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (‘market-based measure’).

New standards, amendments, and interpretations in issue in 2010 but not yet effective:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – Effective for annual periods beginning on or after 1 July 2010.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* – Effective for annual periods beginning on or after 1 July 2011. The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- It is not anticipated that these amendments to IFRS 7 will have a significant effect on the Company's disclosures regarding transfers of trade receivables. However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- IFRS 9 (as amended in 2010) *Financial Instruments* – Effective for annual periods beginning on or after 1 January 2013. IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

  - IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

  - The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

It is anticipated that IFRS 9 that will be adopted in the Company's financial statements for the annual period beginning 1 January. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IAS 24 (revised in 2009) *Related Party Disclosures* – Effective for annual periods beginning on or after 1 January 2011. IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

  The disclosure exemptions introduced in IAS 24 (as revised in 2009) affects the Company because the Company is a government-related entity.

- Amendments to IAS 32 *Classification of Rights Issues* – Effective for annual periods beginning on or after 1 February 2010. The amendments to IAS 32 address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Company has not entered into any arrangements that would fall within the scope of the amendments. However, if the Company does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* – Effective for annual periods beginning on or after 1 January 2011.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – Effective for annual periods beginning on or after 1 July 2010. IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Company has not entered into transactions of this nature. However, if the Company does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

f. <u>Foreign currency transactions\translation</u> – Transactions in foreign currencies during the year are translated into Belize dollars at the rates ruling on the dates of the transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates ruling on that date. Gains or losses on ordinary foreign exchange transactions are included in the results of operations.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Tangible fixed assets – Tangible fixed assets are stated at cost less accumulated depreciation.

Freehold and leasehold properties, excluding land, are depreciated on a straight line basis over their estimated useful lives from 25 to 40 years.

Infrastructure assets comprise a network of underground systems. Expenditure on infrastructure assets relating to increases in capacity or enhancement of the network and on maintaining the operating capacity of the network in accordance with defined standards of service is treated as an addition and included at cost and any grants and contributions are amortized over the life of the asset. Infrastructure assets are depreciated over their estimated useful lives of 75 years.

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives from 3 to 10 years.

h. Inventories – Inventories are valued at the lower of cost and net realisable value, cost being determined on the weighted average cost method.

i. Accounts receivables – Accounts receivables are stated initially at transaction price less any provision for doubtful debts and exclude receivables sold or discounted without recourse.

j. Provisions – Provision for doubtful debt is recognized using the allowance method. Management determines the provision based on experience of collectability of accounts over 90 days.

Short-term provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial instruments –is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalent, short-term investments, equity investments, loans and other receivables. Financial liabilities have been determined to include accounts payable and accruals.

The Company classifies its investments in debt and equity securities as financial assets or financial liabilities at fair value through profit or loss (FVTPL). This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading:
A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception:
Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Management to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. These financial assets and liabilities are expected to be realized within 12 months of the balance sheet date.

Recognition, derecognition and measurement
Regular purchases and sales of investments are recognized on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the income statement within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial instruments (continued) -

Dividend income from financial assets at fair value through profit or loss is recognized in the income statement within dividend income when the Company's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the income statement within interest income based on the effective interest rate.

Fair value estimation
The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Offsetting financial instruments - Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

l. Short-term investments – Investment in term deposits and certificate of deposits held for a period of four months and longer.

m. Cash and cash equivalents – Investments with maturity of three months or less from the date of acquisition are recognized as cash and cash equivalents.

n. Security deposits – Security deposits are recognize as a liability upon activation of new customer accounts. Security deposits are applied to accounts in arrears after Management has deemed the account as non-billable after a suitable timeframe has elapsed where the Company has actively pursued collection without recourse. Security deposits not applied to arrears are refunded upon closing of the account.

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Sales determination and revenue recognition – Revenue comprises the value of water supplied net of discounts plus income from other related services. Revenue is recognized when earned.

Investment income is accounted for on the accrual basis, except for dividends, which are recognized when received.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

p. Pension costs – Pension costs are determined based on defined contributions to Plans that are funded.

q. Taxation – The Company's gross revenue is subject to a business tax rate of 1.75%.

General Sales Tax of 10% was revised to 12 ½% effective April 1, 2010. The tax currently payable is based on taxable gross revenue for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Refer to note 16.

r. Impairment – At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets for potential permanent impairment. Should a permanent impairment in the value of the assets be identified, it will be written off against earnings in the period such impairment is recognized.

Where an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recorded as income in the period the reversal is recognized.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2011 AND 2010

2. TANGIBLE FIXED ASSETS

Cost	Freehold and leasehold property	Plant & equipment	Construction in progress	Infrastructure	Total
Balance, April 1, 2010	$19,266,618	$37,799,162	$3,207,947	$98,012,875	$158,286,602
Additions	147,486	720,068	9,245,102	-	10,112,656
Disposal	(22,937)	(907,832)	-	(1,515)	(932,284)
Contributions	-	-	(1,074,301)	(1,808,903)	(2,883,204)
Transfers	-	3,449,286	(5,859,668)	2,410,382	-
Balance, March 31, 2011	19,391,167	41,060,684	5,519,080	98,612,839	164,583,770
Accumulated Depreciation					
Balance, April 1, 2010	1,111,453	10,846,198	-	9,832,628	21,790,279
Additions	152,907	1,872,281	-	1,337,711	3,362,899
Disposal	(617)	(838,228)	-	(68)	(838,913)
Balance, March 31, 2011	1,263,743	11,880,251	-	11,170,271	24,314,265
Net Book value					
March 31, 2011	**$18,127,424**	**$29,180,433**	**$5,519,080**	**$87,442,568**	**$140,269,505**
March 31, 2010	$18,155,165	$26,952,964	$3,207,947	$88,180,247	$136,496,323

3. INVENTORIES

	2011	2010
Fuel and chemicals	**$ 207,699**	$ 217,478
Meters	**33,325**	22,748
Office supplies	**72,529**	43,959
Pipework and appurtenances	**5,779,030**	4,368,551
Spares and consumables	**148,402**	148,405
	$6,240,985	$4,801,141

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011	2010
Trade accounts receivable	**$2,850,156**	$2,278,932
Provision for doubtful debts	**(151,000)**	(82,000)
	2,699,156	2,196,932
Other receivables	**1,032,827**	500,798
Prepaid expenses	**394,284**	681,658
	$4,126,267	$3,379,388

Provision for doubtful debts consists of the following:

	2011	2010
Provision, beginning of year	**$ 82,000**	$ 178,000
Charge for the year	**236,382**	114,336
Write-offs	**(167,382)**	(210,336)
Provision, end of year	**$ 151,000**	$ 82,000

5. CASH AND CASH EQUIVALENTS

	2011	2010
Current accounts	**$3,885,369**	$3,283,569
Cash on hand	**17,798**	2,853
Short term fixed deposits	**45,106**	1,638,209
	$3,948,273	$4,924,631

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2011 AND 2010

6. LONG TERM LOANS

The Company has long term loans as follows:

	2011	2010
Unsecured $16,800,000 Caribbean Development Bank loan #5 guaranteed by the Government of Belize (GOB) repayable by quarterly instalments. Variable interest rate on the loan was currently 4.09% per annum at March 31, 2011 with varying maturity dates at 2012, 2014, and 2032.	**$ 6,829,771**	$ 7,748,766
Unsecured $27,660,000 Caribbean Development Bank loan #10 guaranteed by GOB repayable by quarterly instalments. Variable interest rate on the loan was 4.09% per annum at March 31, 2011 with maturity date at January 1, 2019.	**19,824,771**	18,678,611
Unsecured loan of USD $250,000 was signed between Caribbean Development Bank, Government of Belize and the Company on July 15, 2008. The purpose of the loan is for the expansion of the water and sewerage system on Ambergris Caye. The agreement stipulated that if the Bank determines that the project is not feasible, the loan will be converted to a grant. Once fully drawn down, the loan will be repayable in 32 quarterly payments with interest of 2.5% commencing on July 1, 2011.	**43,739**	43,739
Unsecured $9,387,334 Development Finance Corporation (DFC) loan guaranteed by GOB repayable semi-annually inclusive of interest at 8% per annum. The loan matures on September 30, 2015.	**3,655,008**	4,403,166
Secured $22,000,000 Social Security Board loan. This loan was obtained in January 2007 in order to refinance the previously held Alliance Bank of Belize loan. In December 2008, SSB approved a restructuring of the loan. Under the new terms, the interest rate was reduced from 12% to 8.5% per annum. In addition, the moratorium period on principal payments was extended from December 31, 2009 to December 31, 2010. Interest continues to be payable quarterly during this period. The drawn down and unpaid balance at March 31, 2010 is $22,000,000. Commencing March 31, 2011, quarterly payments of $652,194 inclusive of principal and interest are to be paid until maturity, which was extended to December 31, 2025. The loan is guaranteed by mortgage debenture over fixed and floating assets of the Company.	**21,815,306**	22,000,000
Total long term loans	**52,168,595**	52,874,282
Less current portion	**(4,314,650)**	(3,252,145)
Long term portion	**$47,853,945**	$49,622,137

The loans are payable as follows:

Within one year	**$ 4,314,650**
Within two to five years	**17,827,839**
Over five years	**30,026,106**
	$52,168,595

See also notes 15 and 19.ote 11 and note 15.

7. PROVISIONS

	2011	2010
Due to the nature of the business, a number of situations exist where, under certain circumstances, the operations could cause an adverse impact on the environment, or which could have an impact on public health. This provision covers the estimated cost of rectifying these situations. As of March 31, 2011 the Company is in the process of procuring financing to cover these costs.	**$2,163,720**	$2,163,720

8. SHARE CAPITAL

	2011	2010
Authorised:		
66,666,666 ordinary shares of $1.50 each	**$100,000,000**	$100,000,000
1 Special Rights Redeemable Preference Share	**1**	1
	$100,000,001	$100,000,001
Issued and fully paid:		
40,000,000 ordinary shares of $1.50 each	**$ 60,000,000**	$ 60,000,000
Special Rights Redeemable Preference Share	**1**	1
	$ 60,000,001	$ 60,000,001

Ordinary Shares are held as follows:	**2010**	2009
Government of Belize	**82.59%**	82.59%
Social Security Board	**10.00%**	10.00%
Others	**7.41%**	7.41%
	100.00%	100.00%

The Special Rights Redeemable Preference Share has the following rights:

As to income
The Special Share shall not be entitled to participate in any dividends or other distributions by the Company.

As to 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 shall be subject to the provisions of the Statutes and the articles of the Company.

As to further participation
The Special Share shall not entitle the holder thereof to participate in the profits or assets of the Company beyond such rights as are expressly set forth in the Articles of Association no. 4.

8. SHARE CAPITAL (Continued)

As to voting
The holder of the Special Share shall be 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 shall carry no right to vote or any other rights at any such meeting.

As to purchase and transfers
The Company shall not purchase (but may redeem as set out above) 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.

As to appointment of Directors

1) The holder of the Special Share shall have the right from time to time:

(a) to appoint any person who is not an existing director; or

(b) to nominate any existing director (with the consent of the director concerned) to be a director of the company ("Government Appointed Director") but so that there shall not be more than two Government Appointed Directors at any time. The holder of the Special Share may remove one or both of the same or terminate the nomination and appoint or nominate another or others in their place.

2) At any time during which the Social Security Board is the holder of Ordinary Shares amounting to 10% or more of the issued share capital of the Company the holder of the special share may appoint any Government Appointed Director as a chairman of the board and at any time thereafter may terminate such appointment by like notice in writing.

9. CAPITAL RESERVE

Upon vesting in March 23, 2001, net assets of WASA totalling $75,276,363 were received as consideration for the shares allotted by the Government of Belize totalling $60,000,001 resulting in a capital reserve of $15,276,362. This capital reserve was transferred to the Company upon formation.

10. CONTRIBUTED CAPITAL

Represents amounts contributed in excess of the par value stock by the Government of Belize. In the financial year ended March 31, 2010, $2,459,277 of contributed capital was recognized for the principal and interest payments made to the Caribbean Development Bank loan #5 and #10 on behalf of the Company for the period. These payments were forgone by Government of Belize in that financial year.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2011 AND 2010

11. MATERIAL AND OTHER EXTERNAL COSTS

	2011	2010
Chemicals expense	**$ 598,546**	$ 576,318
Electricity costs	**2,081,245**	1,958,037
Meter reading costs	**84,860**	82,357
Plant running costs	**191,531**	76,590
Water purchases	**3,742,252**	3,778,381
	$6,698,434	$6,471,683

12. STAFF COSTS

	2011	2010
Allowances	**$ 322,991**	$280,107
Group health insurance	**524,634**	515,752
Other staff costs and grants	**364,326**	246,563
Pension	**253,228**	246,343
Redundancy costs	**9,644**	11,245
Salaries and wages	**5,828,337**	5,203,922
Social security expense	**222,537**	207,899
Training and recruitment	**218,971**	104,600
	$7,744,668	$6,816,431

13. OTHER OPERATING CHARGES

	2011	2010
Advertisement and marketing	**$ 169,188**	$ 103,773
Bad debt expense	**236,382**	114,336
Collection fees	**196,638**	182,601
Electricity – office	**211,642**	208,566
Insurance	**267,737**	272,530
Licenses and taxes	**313,214**	277,163
Meeting costs	**166,968**	148,604
Office supplies and sundries	**504,520**	325,814
Other	**267,431**	213,415
Professional fees	**305,479**	92,079
Repairs and maintenance	**3,491,510**	2,305,336
Security	**734,848**	575,160
Telephone	**309,666**	249,112
Travel	**191,192**	137,624
	$7,366,415	$5,206,113

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit after tax with the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit after tax that is attributable to the shareholders by the dilutive potential of common shares.

	2011	2010
Basic earnings per share		
Profit attributable to Owners of the Company	**$ 5,456,930**	$ 4,878,013
Weighted average number of outstanding ordinary shares	**40,000,000**	40,000,000
Basic earnings per share	**$ 0.14**	$ 0.12
Diluted earnings per share		
Profit attributable to Owners of the Company	**$ 5,456,930**	$ 4,878,013
Weighted average number of authorized ordinary shares	**40,000,000**	40,000,000
Diluted earnings per share	**$ 0.14**	$ 0.12

15. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the period.

Water Sales	**2010 Beg. Balance $**	**Billed $**	**Receipts $**	**2011 End. Bal $**
Government of Belize	185,462	3,207,722	(3,168,290)	**224,894**
Loans	**2010 Beg. Balance $**	**Drawdown $**	**Payment/ Adjustment $**	**2011 End. Bal $**
Social Security Board	22,000,000	-	(184,694)	**21,815,306**

Additional transactions with Government of Belize included for the year ended March 31, 2011, principal and interest payments of $1,273,296 (March 31, 2010 - $2,459,277) towards the Caribbean Development Bank loan #5 and #10 on behalf of the Company for the period were forgone by Government of Belize. See also notes 10 and 19.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2011 AND 2010

15. RELATED PARTY TRANSACTIONS (Continued)

Key management personnel

The following information is presented only in respect of those employees of the Company who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). At March 31, 2011, the number of key management personnel was 17 (2010 - 15).

Compensations of key management personnel

The remuneration of key management during the year was as follows:

	2011	2010
Short-term benefits	**$1,512,148**	$1,316,821
Post-employment benefits	**136,446**	82,072
	$1,648,594	$1,398,893

Loans to key management personnel

As at March 31, 2011 an amount of $59,843 (2010 - $23,171) was receivable from key managerial personnel as staff loans approved to them and bear interest at a rate of 10% per annum.

16. TAXATION

A Business Tax of 1.75% is applied on gross water and sewerage revenues.

Effective April 7, 2010 General Sales Tax of 10% was revised to 12.5%. The General Sales Tax is tax on consumer spending that is collected in stages, at the point of importation of the business purchases and on the sales of goods and services when the goods are sold or services are provided in country. The sale of water is classified as a zero rated item and as such no input tax is collected on such sales. Output tax on purchases and importation are reimbursed to the company after being carried forward for 4 months as prescribed by the General Sales Tax Act 49 of 2005.

17. COMMITMENTS AND CONTINGENCIES

Commitments for capital expenditure at March 31, 2011 totaled $11,169,000 (2010 - $6,279,709).

18. PENSION SCHEME

Belize Water Services Limited operates a Defined Contribution Scheme which receives contribution from BWSL (4% of Gross Salary) and its eligible employees (3% of Gross Salary). The Scheme is administered by the Pension Fund managed by independent trustees and the funds are held separately from those of the Company. During the year under review, the Company contributed $253,932 (2010 - $246,343) to the Scheme.

19. SIGNIFICANT NON-CASH FINANCING ACTIVITIES

For the year ended March 31, 2011, principal and interest payments of $1,273,296 (March 31, 2010 - $2,459,277) towards the Caribbean Development Bank loan #5 and #10 on behalf of the Company for the period were forgone by Government of Belize. See also notes 6 and 15.

20. FINANCIAL RISK MANAGEMENT

The Company's activities expose the Company to financial market risk, liquidity risk, credit risk and operational risk. The overall risk management of the Company focuses on ensuring continued business.

Market risk – It is the risk that the value of a financial asset may be reduced because of changes in interest rates, currency exchange rates, and other financial variables, as well as the reaction to political and economic events, whether by latent losses as well as potential profits.

A major deterrent of the effects of market changes is the fact that the Company still operates under a monopoly license until March 19, 2026, which provides appropriate safeguards against political and economic events.

The Company is susceptible to interest rate and currency changes on its long-term facilities but the effects are minimal as Government facilitates negotiations on interest fluctuation in order for it to not significantly impact the Company.

Liquidity risk - The liquidity risk is defined as the risk that the Company may encounter difficulties in obtaining funds to meet its commitments and obligations on time. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who periodically keeps watch on availability of liquid funds.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

IFRS 7 requires an analysis of the Company's assets and liabilities at the statement of financial position date into relevant maturity groupings based on the remaining period to the contractual maturity date. The analysis of current assets and current liabilities is as follows:

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	Total
Current Assets:					
Accounts receivable	$2,040,053	$ 327,558	$ 130,901	$ 327,621	$2,826,133
Short-term investments	-	1,706,202		-	1,706,202
Cash and bank balances	3,948,273	-	-	-	3,948,273
	$5,988,326	$2,033,760	$ 130,901	$ 327,621	$8,480,608
Current Liabilities:					
Accounts payable	$ -	$1,318,150	$ -	$ -	$1,318,150
Current portion of long-term loans	652,578	188,618	707,094	2,766,360	4,314,650
Dividends payable	1,035,866	-	-	-	1,035,866
	$1,688,444	$1,506,768	$ 707,094	$2,766,360	$6,668,666

Credit risk – The Company's exposure to credit risk is the risk that a financial loss may take place if a customer fails to meet their obligation arising mainly from credit sales. As at March 31, 2011, trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, accounts are determined to be non-billable and the security deposit is applied against the amount outstanding. In addition Management has undergone several initiatives to manage credits risk through aggressive collection practices which has provided for an average collection efficiency of 96% for the year.

The largest customer of the Company is the Government of Belize (GOB). Concentration of credit risk related to the GOB did not exceed 1% of gross monetary assets at any time during the year.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational risk - is the risk of the potential loss, directly or indirectly, related to the processes of the Company - human resources, technology, infrastructure and other external factors - that are not related to credit, market or liquidity risks, such as those arising from legal and regulatory requirements.

The objective of the Company is to manage operational risk in order to avoid financial losses and damage to the Company's reputation.

In order to manage operational risk, the Company has assigned resources to strengthen internal control and organizational structure allowing independence among business areas, risk control and record keeping The Company's internal controls are designed to provide for proper segregation of duties in the recording, reconciliation and authorization of transactions. The Company's Management ensures that internal control policies and procedures are appropriately documented and communicated to employees.

The Internal Audit Department through its activities ensures compliance with procedures and controls and monitors the severity of the related risks.

The Board of Directors has assumed an active role in the identification, measurement, control and monitoring of operational risks and is responsible for understanding and managing these risks.

* * * * * *

Management Team

Alvan Haynes
Chief Executive Officer

Richard Flowers
Chief Financial Officer

Desiree Tillett
Customer Services Manager

Frederick Sandiford
Resident Consultant Engineer

Norman Augustine
Internal Audit Manager

Haydon Brown
Human Resources/
Public Relations Manager

Dave Pascascio
Operations Manager

Keith Hardwick
Technical Services Manager

Dale Hulse
Information Technology
Manager

Board of Directors

Herman Longsworth
Chairman

Winston Michael
Director
Deputy Chairman

Alvan Haynes
Secretary

Joseph Waight
Director

Kathlyn Tillett
Director
Chairperson - Audit Committee

Alberto August
Director

Kenrick Ysaguirre
Director

Merlene Bailey Martinez
Director

Thomas Morrison
Director
Member - Audit Committee

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