Branches

Corozal
66-4th Ave
Tel: 501 422 2101
Fax: 501 422 3905

Orange Walk
5 Stadium Street
Tel: 501 322 2382
Fax: 501 322 0157

San Pedro
Manta Ray Street
Ambergris Caye
Tel: 501 226 2749
Fax: 501 226 3450

Caye Caulker
Tel: 501 226 0119

Head Office ★
Belize City
7 Central American Blvd.
P.O. Box 150
Tel: 501 222 4757
Fax: 501 222 4759

Belmopan City
3 Mountain View Plaza
Tel: 501 822 2400
Fax: 501 822 0653

San Ignacio/
Santa Elena
8 Liberty Street
Tel: 501 824 2154
Fax: 501 824 4251

Dangriga
Market Square
Tel: 501 522 2068
Fax: 501 522 3326

Punta Gorda
New Compound Area
Tel: 501 722 2176
Fax: 501 722 2936

BWS

Chairman's Report

Alberto August
Chairman

Most businesses reach maturity after about 10 years in operation. I am proud to say that the Belize Water Services Limited, having been in full operation for eleven years, is a mature company and one that has clearly shown that a majority Government-owned utility can succeed in every way. BWS has excelled, especially operationally, financially, and in meeting customer satisfaction.

The year April 2011 through to March 2012 was the second year of the five-year Second Business Plan (2010-2015) as approved by the regulator, the Public Utilities Commission. The period of this second Business Plan commenced with a much needed 12.1% tariff increase which was geared towards assisting the company of finance investments required to meet the Millennium Development Goals (to bring potable water to 99% of the population in our service areas) and the required maintenance of existing assets to ensure continuity of supply.

By utilising its Strategic Business Plan to ensure initiatives are aligned to key objectives, the company has had another successful year; profit held steady - $ 5.391 Million ($ 5.457M previous year) and the customer base increased by 2.1% to 47,906 up from 46,936 in 2010/11. Revenue for the year increased from $34.869M the previous year, to $35.327M. Due to the continuation of the much needed overdue maintenance program, Total Expenses increased from $29.412M to $29.937M in this reporting year. Water expansions continued countrywide, resulting in, as well as the increase in customers, the installation of an additional 30 miles of water mains; the year ended with 734 miles of mains (704 previous year).

The Board of Directors, appointed by the Government of Belize and the Social Security Board, practices good governance and maintains fiduciary responsibility to all stakeholders. The Board continued to be proactive and involved in guiding the strategic direction of the company. The Board and its Audit and Procurement Committees met throughout the course of the year to review and approve various activities and projects, ensuring adherence to policies and alignment with the company's mission and vision.

The Belmopan Sewer Treatment expansion, a project in excess of $2 million, is almost complete but has been delayed by the onset of the rainy season. Water system expansions included the completion of the Cotton Tree/St. Matthews/Frank's Eddy expansion and Government-financed expansions in every service area country-wide. BWS also did major replacement of older galvanized water mains in the southside of Belize City and in Dangriga.

Replacement of aged pipes in progress

The resulting increase in connections and improved pressure, led to an increase in the volumes of water produced and consumed. Due to the significant amount of remedial and replacement water works, BWS was challenged to maintain its Non-Revenue Water ratio; the NRW percentage slipped from 26.7% in the previous year to 27.0% in this reporting period. However, this level of NRW remains unmatched in this region and given the large number of replacement works and the flushing of lines, I recognise the level of effort required and applaud BWS' staff for this accomplishment.

The company, ever cognizant of the importance of customers, determined that one of its key objectives is to improve customer satisfaction. In line with this, BWS targeted a number of Customer Service initiatives to provide better response and more accurate information to customers. Customers have commended the company on its e-mail and text reminder services and on the Read-Your-Own-Meter programme to facilitate those with secure premises. Extra efforts were made to ensure that responses to customer requests were expedited.

Employees, as the key resource and one of the primary stakeholders, were not forgotten, as a growing number of employees received development, training, and counselling and several initiatives were put in place to help achieve the key objective of improving staff morale and satisfaction.

Upgrade of Water Mains on Daily Street

Never satisfied to stand on our laurels, BWS is looking forward to more challenges - the Belize River Valley Project, the Placencia Peninsula Sewer Project and major expansion works for Ambergris Caye are in various planning stages; while country-wide expansion, replacement and improvement of outdated mains, service lines and improvement of treatment facilities as well as required maintenance, must continue.

All this good news however, is dampened by the PUC mandated 7.2% reduction in tariff effective April 2012. This reduction poses severe challenges to the company, especially since, in addition to all the works already planned, the company is now faced with having to undertake projects not budgeted for with the replacement of vast quantities of older water lines due to a number of urgent municipal street improvement projects countrywide. The Government of Belize (GOB), our majority shareholder, continued to contribute to BWS and to the minority shareholders; GOB has again waived its share of dividends and agreed for it to be paid out to minority shareholders. I am therefore extremely pleased to be able to announce the payment of dividend, for the third consecutive year, of $0.15 (15 cents) per share to our minority shareholders. Unfortunately, I must temper this good news by reiterating, that the 7.2% reduction in tariff will obviously result in a reduction in revenues for the financial year in progress - the dividend for this financial year is therefore uncertain.

On behalf of the Board, I take this opportunity to extend gratitude to the Government of Belize, the Social Security Board and other stakeholders for their contributions and kind considerations which helped to make the year a success.

I also extend much appreciation to the individual members of the Board, and to Management and Staff of the company for their joint efforts to ensure that BWS continues to improve the lives of consumers by providing quality and cost effective water and waste water serves in an environmentally responsible manner, while promoting employee excellence, fulfilling our social responsibility and providing a fair return to shareholders.

Chief Executive Officer's Report

Alvan Haynes
Chief Executive Officer

Overview of Performance

Financial Year 2011/2012 was the eleventh year of operation for Belize Water Services Limited (BWS) and the second year of the Second Full Business Plan Period (2010-2015), as approved by the Public Utilities Commission (PUC) in April 2010. Our Strategic Business Plan, aimed at ensuring continued improvement in the performance and effectiveness of the company, continued to be developed and implemented and contributed very positively to the notable financial and operational results described below and in subsequent sections. BWS continues to achieve success, despite a number of major constraints facing the company.

"Good financial performance and GOB's benevolence again benefited Minority Shareholders."

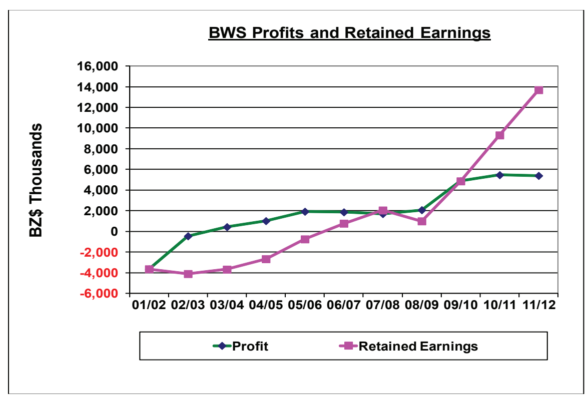
The Government of Belize, our majority shareholder, continued its financial and other support of the company, and of minority shareholders, who again have received dividends well above the market norm.

With contributions and efforts from all major stakeholders, BWS attained its second highest profit ever - $5.391 Million ($5.457M previous year). Annual Revenue of $35.237 million was an increase of 1.3% over the previous year ($34.869).

As a result of required on-going overdue maintenance, as well as cost increases due to inflation and oil prices, total expenses increased by $0.524M, from $29.412M in the previous year to $29.936M. The main contributor to Revenue, Water-related Sales, increased by 1.7% to $35.05M ($34.45M in 2010/11), driven by a 2.1% increase in customers and an increase of 1.9% in volume of water sold. The company ended the year with 47,906 active customer connections (46,936 in previous year).

Financial Results

For this eleventh year of business, despite aggressive expenditure on overdue maintenance, the company managed to maintain its profit level. The $5.391M profit achieved is only marginally lower than the previous year's profit of $5.547M. Given additional overdue maintenance expenses of $2.5M ($1.8M previous year), this level of profits was indeed commendable.



BWS Profits and Retained Earnings 2001-2012

The company achieved a $0.459M (1.3%) increase in revenue over the previous year. The Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the year were $11.654M, down from the previous year ($13.059M). This change is reflective of the increases in costs mentioned above.

As it has for the two previous years, the Board was again able to approve higher dividends to the minority shareholders only, based on the Government of Belize, the majority shareholder, having formally agreed to grant its dividend payments to the minority until 2015 in order to assist both the company and the minority shareholders. The total dividend of $1.010M was therefore distributed solely to minority shareholders who 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 2011/12, GOB again assisted by contributing to Debt Repayment, 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, given the recent (April 2012) 7.2% tariff reduction, it is now extremely cash short. In order to achieve its mandate to provide improved services to more, it will require millions of dollars to continue to finance expansion of water and sewer systems and asset replacement. Recently, an increased number of municipal and other road and street infrastructure projects across the country has resulted in expenditure excess of $2.5M to replace water lines and services, leaving the company extremely cash short.

Asset Expansion and Improvement

With some financial assistance from the Government of Belize and contributions from private developers, investments in new assets totalling $7.3 million were undertaken. The Expansion to Cotton Tree, St. Matthews and Franks Eddy villages was completed as were smaller expansions in each service area country-wide. Significant replacement of mains and service lines were completed in Belize City (Neals Pen Road and Collet Canal) and in Dangriga, with a much more already identified due to planned municipal and other infrastructure works. Investment also included improvements in Production and Distribution Systems, 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 $11.1 million in 2011/12 ($13.6M in previous 2010/11).

Repair of Water Mains in Corozal

Operations

Due to aging infrastructure and the ongoing street infrastructure projects by a number of agencies, BWS' ongoing staunch Non-Revenue Water (NRW) loss reduction programme, was taxed heavily. The total water production volumes increased by 1.8%, from 2,659 million US gallons (MUSG) the previous year to 2,707 MUSG, while providing more water to 2.1% more customers. Unfortunately, the water sales volume only increased by 1.4% - from 1,948 MUSG the previous year to 1,975 MUSG. This resulted in a slight increase in the NRW (water loss) percentage.

"Despite major challenges, BWS' NRW Programme proves extremely robust"

Non-Revenue Water (NRW) volume was 731 MUSG or 27.0% of total production, up from 711 MUSG and 26.7% respectively in 2010/11. This figures represents the second lowest NRW level in the company's history. This achievement is even more commendable given that BWS has not only provided expansion of water systems, but also improvements in water pressure and consistency of supply in all service areas. The level of NRW indicates that

BWS' water loss programme is extremely robust, given the challenges faced during the year.

Customer Services and Billing

BWS maintained a strong performance in 2011/12. Our main focus was improvement in our response time to customers' requests. To achieve this objective, the company continued to invest in employees' training and development and in improvement of processes.

During the year, in an effort to improve the services and timeliness, the company launched two new initiatives to our customers. The first was the Read-Your-Own-Meter programme. The company actively encouraged those customers with fenced or protected premises to register and submit their own readings. At year end, subscribers amounted to 271, which meant that many less estimated bills each month. The other initiative was the electronic payment reminder and disconnection notices via SMS (text) messages and email. By the end of the year, the number of customers receiving reminder through this medium was in excess of 6,000 or approximately 12.5% of the customer base.

Human Resources

During 2011/12, as part of the company's strategic planning, management and staff were called upon to refocus, rethink and execute new strategic objectives. In this regards, a new strategic planning team, comprised of a wide cross section of staff, was formed. This team, having polled staff and customers via surveys, revamped the company's mission, vision and core value statements.

New initiatives included the appointment of corporate communications ambassadors, and improvement in training and development. To align these initiatives further, a new Human Resources Strategy is being developed and will be adopted and applied throughout the whole company. This will support improved management of human resources and connect long-term people goals and macro concerns about structure, quality, culture, values and commitment. It sets out the direction the company will follow to secure and develop our invaluable human resources to deliver a sustainable and successful company.

This financial year ended with 247 permanent employees (previous year 242), a planned increase aimed at delivering exceptional services to improve the lives of consumers and other stakeholders.

Support Services

During the year, the IT & Security Department's efforts were focused on upgrading network infrastructure and service delivery capabilities. Major upgrades were carried out to the network backbone and on the billing system which keeps our critical business systems in step with current technical developments. New bill printing equipment was also acquired and installed. Security upgrades included the installation of security surveillance systems at treatment plants in Belmopan and at the Double Run, Belize District. Belize City office saw the implementation of an access control system. Wireless networking equipment was installed in the district offices to accommodate the deployment of a new meter reading system

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 continued to execute its due diligence duties by monitoring operations country-wide and recommending improvements whenever possible.

Focus Moving Forward

The Company has adopted a formal Strategic Planning Process to manage improvement, growth and the challenges of the future. This process includes identifying key objectives to assist with attaining the company's mission and vision, and identifying and implementing various initiatives or projects to help achieve the objectives. Improving communication to all employees and stakeholders has been identified as one key objective to gain buy-in and support for the strategies. Specific measures and targets are being set for a number of Key Performance Indicators (KPIs) at company, department and employee level.

Operations Report

Dave Pascascio
Operations Manager

Introduction

Providing exceptional services and enhancing lives; quite aptly the focus of the Operations Department in Year 2011/2012 and the start of the second decade of a young company very focussed on increasing efficiency and quality of service.Major emphasis was placed on Health and Safety and significant resources was expended on safety equipment and training.

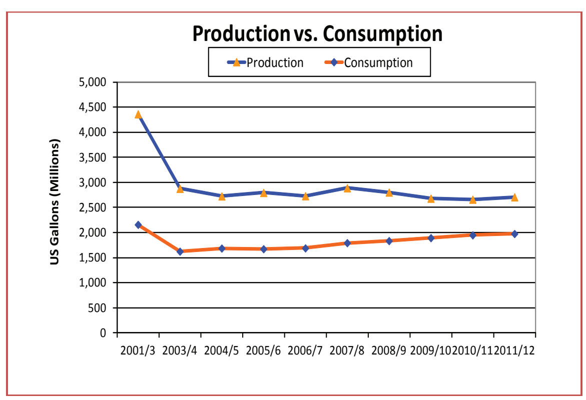
During financial year 2011/12, investments made in the replacement of aged assets resulted in a 99.90% continuity of supply which is 7.34% increase from previous year and 2.90% more than was projected. Additionally pressures were increased by 11% with the ultimate goal to maintain 20psi minimum distribution pressure. The comparison of reporting year to previous year key performance indicators (KPIs) is listed below:

- **1.8% increase in production volume** - 2,707 Million US Gallons (MUSG) for the year as compared to 2,659 MUSG for 2010/2011.
- **1.4% increase in Sales volume** – 1,975 MUSG (previous year: 1,948 MUSG).
- Marginal increase in the overall annual NRW figure by 0.3 percentage points (from 26.7% to 27.0%).
- **20.3%** reduction in Chemical usage helped to reduce direct production costs.
- **12.4%** increase in electricity consumption which is a direct result of the increase in production and first full year of operation of the Reverse Osmosis Plant in Caye Caulker.

Resources were also expended under the overdue maintenance program to improve wastewater collection and treatment systems.

Production and Consumption

The water production for this financial year totalled **2.7107 billion US gallons** – this represents a 1.8% increase when compared to the previous year (2.659 BUSG). The increase in production was as a result of the inclusion of production figures for Forest Home/Elridge for the first time, the first full year production for Caye Caulker and providing water to 2.1% more customers. The improvement in continuity of supply, increases pressures and production volume resulted in a 1.4% in sales volumes since customers consumed **1.975 billion US gallons** of potable water when compared to the previous financial year (1.948 BUSG). The increase in consumption is also attributed to our expansion program and the focus to ensure the accuracy of customer meters. The Chart below shows water production and consumption for the last eleven (11) years history of the company.



Water Production and Consumption in US gallons

The table below shows water production percentage for each system.

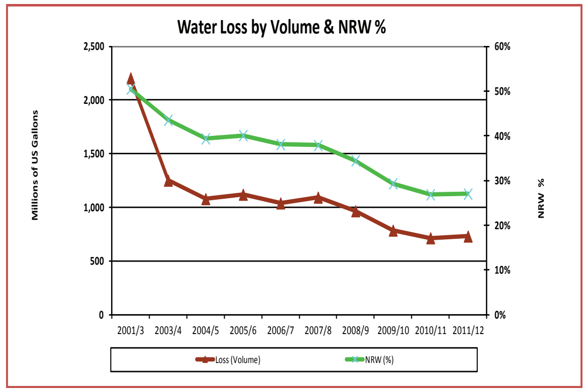
Production By Location	MUSG	%
Belize City	1,206	44.6%
Hattieville	46	1.7%
Corozal	219	8.1%
Orange Walk	193	7.1%
Belmopan	322	11.9%
San Ignacio	241	8.9%
Benque Viejo	79	2.9%
Dangriga	139	5.2%
Punta Gorda	81	3.0%
San Pedro	148	5.5%
Caye Caulker	20	0.8%
Forest Home/Elridge	11	0.4%
Total	**2,707**	**100.0%**

Non-Revenue Water (NRW) Losses

Water loss by volume increased from **7.11 Million US Gallons** the previous year to **731 million US Gallons** for this financial year. The increase in volume lost is a direct result of the major emphasis placed on increasing pressure, improvement in continuity of service and the increase in illegal use of water from theft.

The water loss reduction programme 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 increase in NRW volume resulted in a minor increase of the overall NRW percentage from **26.7%** in the previous year to a current figure of **27.0%.** This represents the second lowest NRW in the company's eleven-year history and is still well below many water systems in even the most developed countries.

Illegal Connection found in Ladyville



Water Loss by Volume and Percentage

During the year, as part of our water loss reduction programme, BWS found and removed 457 unauthorized connections in 2011/12 as compared to 414 in 2010/11 fiscal year. It is estimated that unauthorized connections accounted for some 127.3 million gallons or 19.2% of total annual water loss.

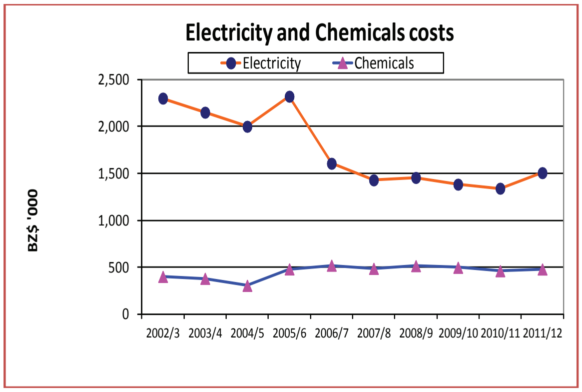
The chart above shows water loss by volume for the eleven (11) year of history of the company.

Production Management

Even with the increase in production, we achieved a 20.3% decrease in chemicals usage. However the result was not the same for electricity consumption where there was a 12.4% increase in electricity consumption. The inclusion of the first full year electricity consumed at the Caye Caulker Plant contributed to the increase as this plant consumes significantly more electricity to produce water in comparison to the conventional water treatment plants.

This is reflected in a 9.4% decrease in efficiency based on the gallons produced per unit kWh consumed. For 2011/12, we produced an average of 647.6 US gallons for each kWh as compared to 706.0 US gallons per kWh the previous year.

The following chart shows the electricity and chemical cost for the financial year reporting 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 increasing the continuity of service to 99.90%.
- Replacement aged water infrastructure in Dangriga Town and Belize City resulting in the significant increase in continuity of supply.
- Continued upgrade to sewer manholes in Belize City and Belmopan and improvement in reduction of odour at the sewer pumping stations in Belize City.
- Program for flushing of sewer mains in Belize City continued with major accomplishment.
- Training of staff in safety on the job.
- Training of staff in traffic management/control and all aspects of safety including working in trenches and confined space entry.

BWS Personnel with Protective Gears

Ongoing and Future Works

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

Confined Spaces Entry Trailer

Sewer Mainline Repair in Belmopan

Technical Services Report

The Technical Services Department provides engineering, maintenance, construction and laboratory services to the company. Accomplishments for the year are described briefly below.

The year 2011/12 was very successful in terms of the maintenance of our assets and their development.

Distribution System and Watermains

The distribution system in almost every district was significantly expanded. Thirty miles of pipe were laid resulting in an increase of 2,244 service connections. One main component of this expansion work was the restoration of potable water service to St. Matthews and Franks Eddy villages. The existing network was completely pressure tested, services added for new customers and re-sterilised.

We are working with the Fire Department on a program to install new fire hydrants. The Fire Department contribute the materials and BWS provide the labour and machinery. To date Belize City, on the Northern Highway, and Dangriga have benefited from the cooperation. San Pedro will take place soon and Belmopan will follow.

New Fire Hydrant

The replacement of old transmission lines and galvanized pipe services is fully underway in Belize City. BWS is working with the Ministry of Works, Town Councils and the Sustainable Tourism Project to replace the old infrastructure

Keith Hardwick
Technical Services Manager

before the streets are re-surfaced. To date we have completed Collet Canal and Neal Pen Road, amongst others, reducing the loss of water through leaks and giving consumers better pressure. The estimate to complete these projects is $2.5M. BWS is also working with other agencies countrywide to upgrade the watermain infrastructure.

The Construction Section operates throughout the country installing mains supervised by the Engineering Section. An excavator

New Excavator Cleaning Sewer Canal

has been acquired to assist with the works. The laboratory, in addition to its national reporting obligations, test the water quality in each distribution system before allowing customers to receive water.

Maintenance

Maintenance is required to ensure asset performance and by its nature and frequency can be a guide towards upgrade and replacement. Reliability, water quality and efficiency are key goals of BWS and are the result of proper selection and sizing of equipment at initial installation and regular maintenance.

BWS continues to maintain and upgrade our facilities. Variable speed pumping was installed for Hattieville and San Pedro; additional standby pumps were added in Santa Cruz, Cayo and at the Belmopan Water Treatment Plant (WTP); the entire electrical supply at Dangriga WTP was replaced with an underground service, new motor control center and a soon-to-be-commissioned standby generator. Mechanical and Electrical works planned for this year include the upgrade of all BWS electrical earthing installations, the installation of generators in Punta Gorda, San Ignacio and Orange Walk; installation of control and monitoring equipment nationwide and a programme of upgrading well-head pipework and relocation of chemical dosing equipment away in seperate buildings.

New Generator Room, Dangriga WTP

Capital Works

BWS has invested heavily in water treatment facilities. New clarifiers were added at the Belmopan Water Treatment Plant provides improved water quality. Currently we are working on a $1.2M 500,000 gallon water storage tank to increase storage for the villages and lower subdivisions of Belmopan.

Dangriga now has a brand new flocculation facility which improves the quality of water even further. We are also replacing the entire plant building and adding new filters.

In addition to the above, we plan to supplement treatment and storage in San Ignacio at ($2.5M) and refurbish the river crossing to the Benque spring and construct a new San Pedro Office.

New Belmopan Storage Tank under construction

Sewer

The department is working on several wastewater projects. The provision of sewer lagoons in Belmopan will greatly enhance the quality of effluent. This project costs some $2M and is expected to be completed in 2012/13. The Government of Belize has appointed BWS as the executing agency for the Placencia Peninsula Wastewater Project due to commence shortly.

Sewer Lagoon Works in Belmopan

Customer Services Report

Desiree Tillett
Customer Services Manager

In 2011/2012, BWS again showed strong performance; our main focus was improvement in our response time to customers' requests and in quality of services offered to our customers. To achieve these objectives, during the year the company continued to invest in our employees through training and development, and new technology and equipment in an effort to enhance the services that we offer to our customers.

As part of our committment to improving efficiency and customer satisfaction, the company launched two new initiatives to improve the services to our customers. The first was the Read-Your-Own-Meter program. Through this initiative the company actively encouraged customers to register for this program in to avoid estimated billing when we were unable to access their premises. At the end of the year subscribers to this program was 35 percent of the targetted customers. The other initiative was payment

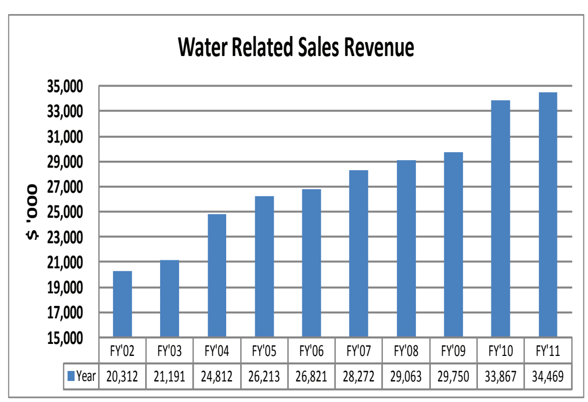
Call Centre at Work

reminder and disconnection notices via SMS (text) messages and email. At the end of the year, the number of customers receiving reminder notices through this medium increased by 2,200 customers or 35 percent from the previous year. We also extended the hours for receiving customer complaints and requests by reinstating our 0-800 lines and offering extended person to person contact services to our customers via our call center from 6:00 am to 10:00 pm.

Sales

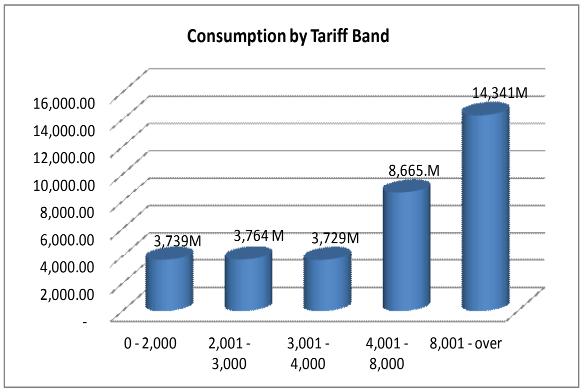
In 2011/12, our gross water sales were $34,469M, or 1.75% higher than the same period last year. Consumption increased by 1.04% which can be attributed to our customer base increasing by 2.1%, but offset by a decrease of 8.1% in average customer consumption per connection.

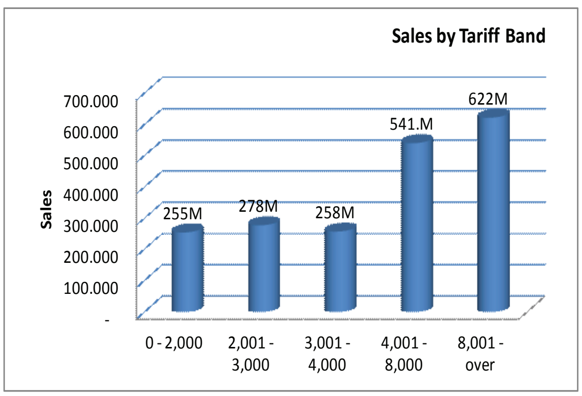
The chart below highlights the growth in Sales Revenue over the last 10 years. During the fiscal year, 40% or 792MUSG, of the company's total sales volume or (11,233 MUSG) came from 36,989 customers whose average monthly usage was 4,000 gallons or less; they made up



76% of the company's total customer base which is 47,906; 9,154 customers or 19% of the customer base consumption was between 4,000 and 8,000 gallons monthly which accounted for 542MUSG or 28% of our sales volume.

The remaining 5% or 2,678 customers monthly consumption was 8,000 gallons and over and accounted for 623MUSG or 32% of the sales volume for the year.



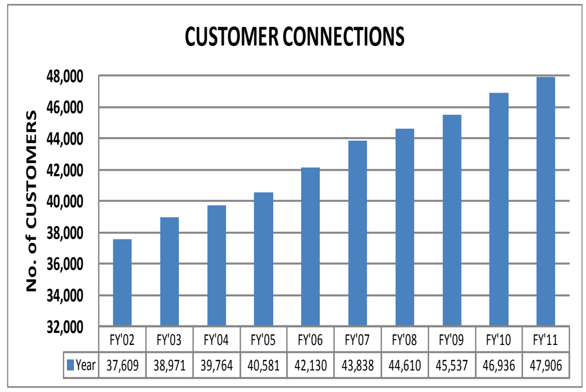


Annual Consumption and Sales by average monthly consumption bands

Customer Connections

This fiscal year closed with 47,906 active customers representing an increase of 2.1% from the previous year's figure of 46,936. During the year 2,039 customers requested discontinuation of their services. 4,769 customer connections were installed, of which 1,577 were new accounts added, down 12% from the previous year. These after the net disconnections for non-payment resulted in a net increase in our customer base of 1,041 customers. Customer Connections have grown by 27.8% over the last 10 years, with average annual growth rate of 1,036 connections.

The chart below highlights the growth in Customer Connections.



Water Theft and Water Losses

Committed to improving efficiency, we continued to focus on revenue loss due to unauthorized connections. Country-wide, BWS found and removed 392 unauthorized connections down slightly from previous fiscal year. It is estimated that unauthorized connections accounted for some 150MUSG or 20% of annual water loss of 733 Million US gallons.

One of the Winners of Customer Appreciation Raffle

Human Resources and Public Relations Report

A New Interactive Strategic Human Resource Plan Introduced

One of the more critical components of a successful company is the shaping of the work environment and corporate culture to enable better all-round company and workforce performance, job satisfaction, and employee loyalty. The new strategic direction our company has now implemented has resulted in the crafting of our new mission, vision, core values and strategic plans. Recognising that every company has its own unique culture that is a product of the values that guide the day-to-day thinking and behavior, at Belize Water Services, our workforce is guided by the standards we set for matters such as ethics, teamwork, and customer service.

All these key success factors were considered in developing BWS' strategic plan and its execution. We want to be a company that is focused more on employees, customers, performance, accountability, innovative, and change. This focus will guide us into the future and provide a more successful plan capable of meeting challenges in a more proactive way.

As a result of these changes adopted, 2011/12 saw management and staff embracing the new strategic direction which included a systematic approach in improving communication at all levels. To solidify this new strategic direction a management tool was introduced "The Balance Scorecard" which will improve the appraisal process and the overall development of staff at an individual and corporate level.

Several very informative sessions were held with staff to initiate this new direction. From the inception, staff were consulted and with their meaningful input and constant feedback we were able to rewrite the company Mission, Vision and Core Values. These statements along with other programs developed will assist in developing the type of focused work

Haydon Brown
Human Resources/Public Relations Manager

force that will enable this company to become the clear leader within the region in five years.

Staff Performance a Strategic Plan Executed

HR/PR was actively involved in organizing strategic group sessions which included staff from all departments and were geared towards developing new companywide initiative to be undertaken. During these discussions and planning sessions, communication and culture change committees were formed. Both of these strategic initiatives have been fruitful. The corporate communication committee has provided an additional corps of communicators to assist in disseminating

Staff at Strategic Planning Workshop

information on the company's plans and iniatives. Through these initiatives, we have been able to strengthen the company's strategic position, and its ability to meet the mission "to deliver quality service in an environmentally responsible manner, while promoting employee excellence through their development, fulfilling our social responsibility and providing a fair return to our valued shareholders."

Staff Development and Training

Various training and staff development initiatives were undertaken, these encompassed supervisor development, customer service standardization, safety in confined space and new technological developments for technical staff.

Sessions were held with customer services personel countrywide to develop standards to better customer service delivery. This was successful since this training was well attended as 98% of the total staff was present for this session. Another training session was the FAS Asset Accounting training for those in our finance department who manages company's asset and use. This session was useful since it provided a more technological approach to report for these assets.

The supervisory training was done in two phases and provided meaningful tools for better mentoring and coaching, and approaches to improve relationship between them and their direct reports. This training also helped to build better team spirit since key functions within the company requires departments to be supportive of each other to deliver the requisite level of service deserving of our customers.

During the period, as a direct spin off from the development of the corporate communication committee, forty two employees were selected by peers to become corporate communication ambassadors. These peer ambassadors were trained locally and empowered by the committee to become an important conduit through which all employees would be able to gain knowledge or disseminate concerns and have them resolved. This is important for the new strategic direction success.

Ambassadors were trained in areas such as their roles, purpose and on facets of good communication. All fully embraced the

BWS Corporate Communication Ambassadors

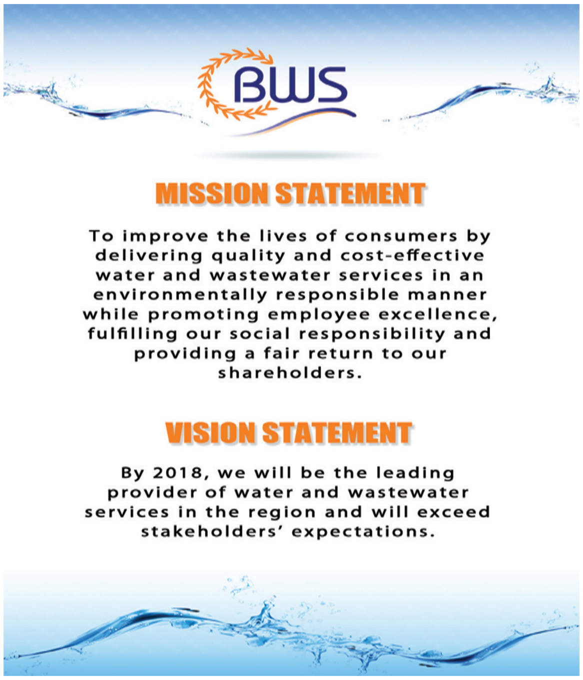
challenges that come with this level of responsibility. Another important milestone for this year was the training of staff to become peer councilors in handling those who may contract the HIV virus. Mention must be made that in the National Employers Guide on HIV and AIDS in the Workplace, BWS was highlighted as "a good role model of what is reasonable accommodation and what we can do for others". BWS, in an effort to improve our overall care for our employees, has embarked on producing a policy, with the guidance of those from the council.

HIV/AIDS Workshop

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

Staff Relations and Communications

In March 2012, a full staff conference was held during which emphasis was placed on our efficiency and delivery of excellent customer service. Emphasis was placed on the importance of working towards achieving our mission and vision and of conducting all business operations utilizing our core values.



BWS Mission and Vision Statement

Employee Wellbeing and Performance

BWS, as socially responsibly company, continued in its efforts to promote a healthy life style among employees through sports and games, healthy living, safety and group health insurance.

At the March 2012 staff conference, those with long tenure were recognized and shown appreciation for their meaningful input into the building and development of this utility. Also recognized were top performers in the previous year.

Staff Conference - Employees with over 25 years of service

Public Relations

BWS, recognising our responsibility as a corporate citizen, continued 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 Port Loyola Organization for women and Children, Stella Maris School, National Sports Council, Youths Creating Talent, Cancer Society, the Diabetes and Kidney Association.

Donation to Port Loyola Organization for Women and Children

At Belize Water Services, we pride ourselves in providing proactive service to all our stakeholders.

Donation to Youths Creating Talent

Information Technology and Security Report

Throughout the fiscal year 2010-2012, the Department's efforts were focused on upgrading network infrastructure and service delivery capabilities. Major upgrades were carried out to the network switching core, increasing the available bandwidth for database and desktop applications. A version upgrade was also completed on the billing system which keeps this critical business system in step with current development platforms. New features were also added to billing system. New bill printing equipment was also acquired to replace the aging equipment in place. Security upgrades included the installation of security surveillance systems at the treatment plant in Belmopan and at the Double Run, Belize District. Belize City office saw the implementation of an access control system, a major security enhancement.

Another accomplishment for the year included the deployment of a new meter reading system. This included installation of wireless networking equipment at the district offices to accommodate the upload and download of meter reading data. Unlike traditional meter reading solutions, this system is totally wireless and uses a Smart Server Technology (SST) that is interfaced wirelessly in the field.

All the handheld units are equipped with an 802.11 b/g wireless interface that can link to the Smart Server from the field or when brought back to the office for upload and download of route information.

Enhancements were also made to our backup and recovery systems with new software and increased capacity hardware.

Our internal communication system was upgraded to the Microsoft Exchange Server Platform. Exchange server provides enterprise-grade security and reliability and provides provides email, calendar and contacts to PCs, phone or web browser.

Dale Hulse
IT Manager

Progress is being made to re-establish our radio communication system which had gone out of use in favor of cell phones. All districts are now equipped with a base radio and handhelds. The next phase involves the setup of a repeater system to facilitate district-to-district communications.

On the customer services side, a solution developed in-house to provide SMS notifications to customers on the shut off list has proven to be very effective in reducing the number of customers that are disconnected.

The Job Tracking System was enhanced with a Meter management module which allows the life cycle of a water meter to be tracked from purchase to disposal.

Security cameras and equipment were upgraded countrywide to improve security for staff and company assets. This includes alarm systems and panic buttons in all offices.

BWS continues to provide the convenience of making payments via banks and payment agents. Total collections from the agents represent 27% of all collections, of which 24% were on-line transactions.

The IT and Security Department continues to play its part in ensuring that the stated mission and vision of BWS are realized.

Internal Audit Report

Norman Augustine
Internal Audit Manager

The Internal Audit (IA) department continued to assist the management team and the Board to ensure that shareholders investment and stakeholders' interests are adequately utilized and protected.

In 2011/2012, the ambitious goal for policy and procedural updates continued from 2010/2011 financial year. Such updates would provide improved guidance to staff and improved measures, thereby impoving the efficiency of Internal Audit.

The Internal Audit team received another round of training from Castillo Sanchez & Burrell (CSB) on Internal Audit framework. As members of the Institute of Internal Auditors, BWS continued to have access to, and utilize, the institute's information available on line.

Annual financial trend analysis is used as input in the annual audit plan for the department. This is combined with guidance from the Audit Committee to chart the direction for the next financial year.

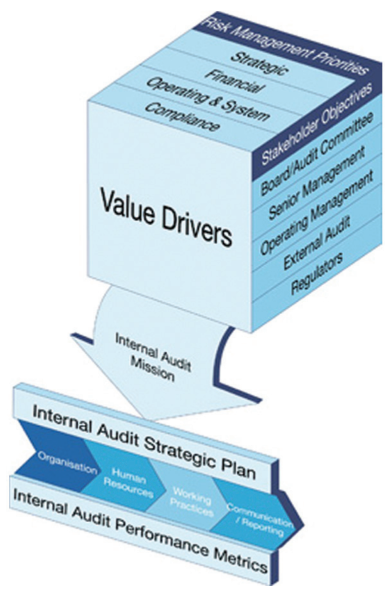
During the year, an in-depth study of inventory was carried out to ascertain if it reflects an accurate value. A number of recommendations were made to improve controls in this area.

The IA department conducted a number of other audit reviews, investigations and presentations to staff.

Internal Audit conducted audits at all the district branches, with a number of visits to Belmopan, Corozal and Orange Walk. These resulted in recommendations relating to project and operational materials, as well as cash collection management and storage of sensitive materials.

Internal Audit continues to provide support to the entire company. This is done through improvement in knowledge and modifying its approaches in conducting audits.

Current projects to take us into the new financial year include inventory management and project implementation analysis.



Internal Audit Value Breakdown
http://www.pwchk.com/home/eng/ia_creatingvalue.html

Resident Consultant Engineer's Report

Frederick Sandiford
Resident Consultant Engineer

Belize Water Services (BWS) spelt out some its goals for the financial year just ended in its last report. Essentially, the goals were:

- Policies and practices to be followed in pursuance of the millennium goals.
- Being a good corporate citizen.
- Effecting the necessary cultural change within the Company to deliver 'first world' quality service.
- Supplying the high quality potable water to the Belizean consumer.
- Educating the Belizean public on the need to recognize water as a scarce resource and the need for conservation.

These goals may be regarded as "continuing" ones that will be applicable in perpetuity as management strives for continued administrative and operational efficiencies. During the year just ended, management initiated and adopted several new policies and practices to achieve its stated goals.

On-going Projects

At the end of the last financial year, three (3) major projects, funded by the Caribbean Development Bank (CDB) were in various stages of completion. The statuses of those projects at the end of this reporting period is as set out below:

Second Water Project - Belize

This project comprised four components - the improvement of the Company's water production, storage, delivery and conservation capacity and capabilities.

During the year, all but the fourth components were fully completed. This component, the enhancement of the Double Run Water Treatment Plant capacity from 6.0 to 7.5 million gallons per day, is substantially complete, but awaits the final commissioning of the supplied plant and equipment by the supplier. This will be forthcoming shortly.

Double Run Water Reservoir Upgrade

Ambergris Caye Feasibility Study Project

This project was fully completed at March 31, 2012. The Project identified the water and sewage demands and the required expansion of the existing water and sewerage facilities to adequately and efficiently address the rapidly expanding Ambergris Caye. The Project was costed at Bz$665,000 and no cost over-runs were incurred.

Belize River Valley Project

This project targets the supply of potable water to nine (9) villages in the Belize

River Valley area and is funded by CDB and the Government of Belize (GOB). The redesign of the system will be completed by the end of the first quarter of 2012/2013. Construction should commence in the last quarter of the year and estimated time for completion is approximately 12 months thereafter.

New Projects

Detailed Design for Expansion of Ambergris Caye Water and Wastewater Facilities

Following on the heels of the Ambergris Caye Feasibility Study, a first phase expansion for water and wastewater facilities on the Caye has been identified and agreed upon between GOB and BWS for financing by CDB. The detailed design component for this new project, or first phase expansion, will be financed via a loan from CDB and in-kind contribution by BWS. Invitations for the provision of consultancy services for the final detailed design for this first phase expansion will be issued in the second quarter of the 2012/13 financial year.

The detailed design should be completed and accepted, subject to such revisions and adjustments as may be identified by both BWS and CDB, within fourteen (14) months of the award of a contract for detailed design services.

The Way Forward

BWS must operate in an economic environment that promises limited positive growth and, like any other business entity, must strive for more efficiencies in the delivery of its product and services while improving the quality of said products and services. When this reality is considered against the backdrop of recently reduced water rates and BWS's goal of increasing its customer base, the magnitude of the challenge the Company will face in the 2012/13 financial year comes sharply into focus.

Even in the face of such challenges, BWS, in the 2012/2013 financial year, proposes to introduce more quality controls that will guarantee service delivery with less interruptions while reducing loss of revenues from water leaks even further, and the delivering of potable water of higher aesthetic quality.

Wilson Street Tank

Burrell Boom Water Mains

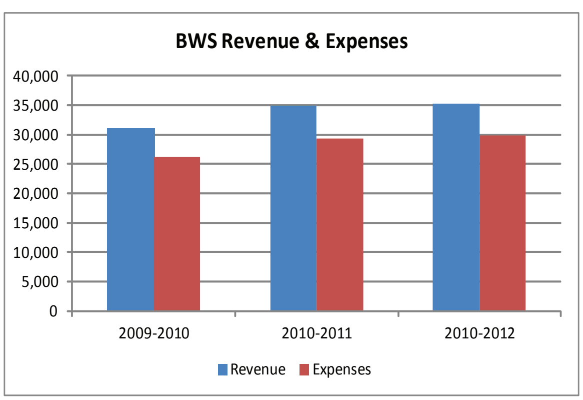
Financial Report

Earnings and Major Influences

The year 2011/2012, the eleventh year for BWS and the second year of the Second Full Business Plan as approved by the PUC, resulted in a profit of $5.391 million, the second largest net earnings since the Company was vested in March 2001. Based on the 40 million shares which have been issued, this net profit of $5.391 million equates to earnings of approximately $0.13 (thirteen cents) per share. For the fifth year in a row, the Board of Directors approved a dividend payment, with the major shareholder agreeing to grant its dividends to the minority shareholders. The total dividends declared amounted to $1,009,902 or about 18.73% of net profit.

Sales and Income

The total volume of Water Sales increased to 2,707 Million US Gallons (MUSG) for FY 2011/2012 from 1,948 MUSG in 2010/2011. Total Revenue increased to $35.327 million from $34.869 million in 2010/2011; Total Expenses increased to $29.936 million from $29.142 million primarily due to increases in direct costs. Net profit was $5.391 million, down 1.21% from the $5.457 million profit previous year. Water related sales provided income of $35.053 million ($34.869 M previous year), other services provided income of $0.158 million ($0.143M



previous year) and interest income of $0.116 million ($0.280 M previous year) resulting in total revenue for the year of $35.327 million ($34.869 M previous year). The average tariff for water sales was $17.38 per thousand US gallons (previous year $17.38).

Richard Flowers
Chief Financial Officer

Revenue	2011/12	2010/11
Water Sales (less discounts)	$34,250	$33,646
Other Water Related	$803	$800
Total Water Related Sales	$35,053	$34,446
Other Services	$158	$143
Interest Income	$116	$280
Total Turnover	$35,327	$34,869
All figures in BZ$ '000		

Major Costs and Expenses

The table insert shows the breakdown of costs for FY2011/12 as compared to the previous financial year.

Costs Summary	FY 2011/2012 Total (BZ$'000)	FY 2011/2012 Percent of Total	FY 2010/2011 Total (BZ$'000)	FY 2010/2011 Percent of Total
*Water Purchases	4,580	15.40%	3,742	12.85%
*Electricity	2,292	7.70%	2,081	7.14%
*Staff Costs	7,589	25.51%	7,062	24.24%
Other direct/Operating Costs	701	2.36%	760	2.61%
Total direct costs & Expenses	**15,162**	50.97%	**13,645**	46.84%
*Depreciation	3,597	12.09%	3,363	11.54%
*Interest expense	2,276	7.65%	3,584	12.30%
Taxes	8,712	29.29%	8,539	29.31%
Total Other Expenses	**14,584**	49.03%	**15,486**	53.16%
Total Costs and Expenses	**29,746**	100.00%	**29,132**	100.00%
***Total Major Costs**	**20,333**	68.36%	**19,832**	68.08%

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 2011/12 financial year, BWS had outstanding loans of $52.2 million. BWS signed as the Executing Agency for loan agreement CDB-55 between Caribbean development Bank (CDB) and the Government of Belize. The purpose of the US $3,480,000 facility is for water expansion to the nine villages located in the area known as the Belize River Valley. The project is scheduled to commence in Fiscal 2012/13.

At March 31, 2012 the total outstanding loans decreased to $47.4 million. The table below summarises the Loan balances and debt servicing cash requirements over the last two financial years.

Loan Movement and Debt Servicing

Net Loan Movement	2011/12	2010/11
Beginning Balance	$52,169	$52,874
Draw downs/Increases	$328	$2,157
Principal Repaid	$5,050	$2,862
Principal Balance	$47,447	$52,169
Total Debt Servicing		
Principal Repaid	$5,050	$2,862
Interest Charges	$2,276	$3,584
Total Debt Reduction	**$7,326**	**$6,446**
All figures in BZ$ '000		

Asset Condition and Asset Growth

Investments in assets totalling $7.29 million were undertaken with $335 thousand being contributed by the Government of Belize. Water main extensions were done in several parts of the country including Dangriga, Belize City, Corozal and St. Matthews Village. Numerous plant and building works were completed, including an upgrade to the Clarifier/Filter system at Double Run Water Treatment Plant and the San Ignacio Filtration Gallery. The company is continuing work on two major wastewater projects in Belmopan and Plancencia. The overall investment in assets inclusive of refurbishments and maintenance was $11.1 million in ($13.6 million in 2010/11).

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	2011/12	2010/11
Plant & Equipment	$1,788	$720
Water Expansion	$5,506	$9,393
Total New Assets	**$7,294**	**$10,113**
Developer's Contributions	$(4,071)	$(2,883)
BWS Expenditure	**$3,223**	**$7,230**
Repairs & Maintenance	$3,804	$3,492
Total Assets & Maintenance	**$11,098**	**$13,605**
All figures in BZ$ '000		

The Company has budgeted to spend a total of $3.8 million in Asset Investment in the upcoming financial year. This decrease in investment is due to the reduced revenue and cash flow caused by the 7.2% reduction in tariffs, effective April 1, 2012.

Government Contributions

The Government 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 2011/12, GOB has contributed $5.4 million, made up as follows:

Government Contributions	2011/12	2010/11
Debt Cancellation	$2,592	$ -
Expansion Projects	$335	$957
Dividends Grant	$840	$838
GST Savings - Zero Rated Status	$1,628	$1,591
Total Contributions	$5,395	$3,386
All figures in BZ$ '000		

Key Performance Indicators (KPI's) - Last 10 Years

Description of KPI	UNIT	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
PROFITABILITY											
Net Turnover	$' 000	35,327	34,869	31,047	29,673	28,866	27,448	27,322	25,909	22,301	21,167
EBITDA	$' 000	11,654	13,059	12,553	10,457	10,161	10,580	10,417	9,048	7,065	6,137
EBIT	$' 000	8,058	9,696	9,117	7,264	7,509	7,905	7,789	6,421	4,752	3,909
Net Profit (Loss)	$' 000	5,391	5,457	4,878	2,069	1,693	1,863	1,919	1,010	426	(458)
EBITDA/Net Turnover	%	33%	37%	40%	35%	35%	39%	38%	35%	32%	29%
Earnings Per Share	$	0.135	0.136	0.122	0.052	0.042	0.047	0.048	0.025	0.011	(0.011)
Dividends Per Share[1]	$	0.025	0.025	0.025	0.078	0.078	0.033	0.000	0.000	0.000	0.000
Retained Earnings (Deficit)	$' 000	13,692	9,311	4,861	3,589	2,041	768	(755)	(2674)	(3684)	(4110)
LIABILITIES & EQUITY											
Long Term Liabilities	$' 000	42,970	47,854	49,622	53,135	62,653	62,956	66,117	65,310	61,977	65,411
Current Liabilities	$' 000	11,327	12,136	10,971	9,182	10,553	11,676	10,407	10,907	12,841	12,993
Total Equity	$' 000	100,682	96,302	90,578	84,251	77,317	76,157	74,521	72,603	71,592	71,166
ASSETS											
Current Assets	$' 000	15,250	16,022	14,675	10,584	9,588	8,398	7,593	10,703	11,057	8,499
Total Net Assets	$' 000	154,980	156,291	151,172	146,566	150,523	150,789	151,045	148,820	146,410	149,570
Additions to Assets	$' 000	7,294	10,113	7,059	4,742	4,212	2,746	3,907	6,097	4,529	2,232
BALANCE SHEET STRUCTURE											
Current Assets/Current Liabilities	No.	1.35	1.32	1.34	1.15	0.91	0.72	0.73	0.98	0.86	0.65
Gearing (LT Liabilities/Equity)	%	43%	50%	55%	63%	78%	83%	89%	90%	87%	92%
Total Assets/Shareholders' Equity	No.	1.54	1.62	1.67	1.74	1.95	1.98	2.03	2.05	2.05	2.10
Return on Assets(EBIT/Avg. Assets)	%	5.2%	6.3%	6.1%	4.9%	5.0%	5.2%	5.2%	4.3%	3.2%	2.6%
WATER VOLUMES											
Water Production **	Kgal	2,706,561	2,659,364	2,679,062	2,800,899	2,887,059	2,735,108	2,792,885	2,739,479	2,875,377	3,222,544
Water Sales	Kgal	1,975,129	1,948,280	1,892,508	1,841,748	1,788,433	1,694,286	1,677,077	1,659,894	1,624,507	1,494,062
Non-Revenue Water	%	27.0%	26.7%	29.4%	34.2%	38.1%	38.1%	40.0%	39.4%	43.5%	53.6%
CONNECTIONS											
Beginning Connections	No.	46,936	45,537	44,610	43,835	42,130	40,581	39,764	38,971	37,609	37,303
New Connections Added	No.	1,577	1,777	1,089	3,235	1,322	2,634	2,785	2,764	3,675	3,316
Disconnections	No.	14,693	12,365	15,138	13,061	16,153	16,109	13,916	13,546	15,877	14,856
Reconnections	No.	11,089	10,548	13,145	12,937	16,536	15,024	11,948	11,575	13,564	11,846
Ending Connections	No.	47,906	46,936	45,537	44,610	43,835	42,130	40,581	39,764	38,971	37,609
Ending Sewer Connections**	No.	10,121	10,279	10,233	10,323	10,309	10,441	10,436	10,333	10,231	10,130
BILLING											
Avg. Number of Connections	No.	47,421	46,237	45,074	44,223	42,983	41,119	40,107	39,414	38,616	37,404
Water Sales Revenue	$' 000	34,469	33,867	29,750	29,064	28,272	26,819	25,757	24,408	20,863	19,537
Consumption per Connection Monthly	Gal	3,471	3,511	3,499	3,464	3,467	3,434	3,485	3,510	3,506	3,329
Avg. Sales per Connection Monthly	$	60.68	61.09	55.00	54.77	54.81	54.35	53.52	51.61	45.02	43.53
Avg. Tariff per 1000 Gallons	$	17.52	17.39	15.72	15.78	15.81	15.83	15.36	14.70	12.84	13.08
OPERATIONAL EFFICIENCY											
Avg. No. of Staff (Permanent)	No.	246	238	229	232	228	216	215	210	223	228
Staff Per 1000 Connections	No.	5.19	5.15	5.08	5.25	5.30	5.25	5.36	5.33	5.77	6.10
Staff Costs	$'000	8,252	7,745	6,816	7,460	6,557	6,354	6,286	6,527	6,416	6,564
Staff Costs/Emp.	$	3,355	3,254	2,976	3,216	2,876	2,942	2,924	3,108	2,877	2,879
Revenue/Emp.	$	143,607	146,507	135,576	127,901	126,605	127,074	127,079	123,376	100,004	92,838
COLLECTION EFFICIENCY											
Overdue Debtors/Trade Debtors	%	15.0%	17.4%	14.2%	26.6%	26.5%	19.7%	19.2%	46.3%	45.1%	41.8%
Bad Debts Write Off/Net Turnover	%	1.1%	0.7%	0.3%	0.9%	0.2%	0.5%	1.2%	2.5%	4.1%	2.9%
INFRASTRUCTURE											
Total Length of Mains**	Feet	3,877,413	3,719,707	3,554,314	3,517,914	3,425,160	3,287,328	3,218,352	3,142,328	3,114,714	2,985,982
Length of Mains/Connection	Feet	80.9	79.3	78.1	78.9	78.1	78.0	79.3	79.0	79.9	79.4

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

BELIZE WATER SERVICES LIMITED

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Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

which comprise the statements of financial position as at March 31, 2012 and 2011, 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.

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Independent Auditors' Report
Page 2

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, 2012 and 2011 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 1, 2012

BELIZE WATER SERVICES LIMITED

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2012 AND 2011

ASSETS	Notes	2012	2011
Tangible fixed assets – net	1(g), 2	**$139,729,816**	$140,269,505
Current assets:			
Inventories	1(h), 3	**6,355,245**	6,240,985
Accounts receivable and prepayments	1(i-j), 4	**4,164,258**	4,126,267
Short term investments	1(k)	**-**	1,706,202
Cash and cash equivalents	1(l), 5	**4,730,202**	3,948,273
Total current assets		**15,249,705**	16,021,727
TOTAL ASSETS		**$154,979,521**	$156,291,232
LIABILITIES AND EQUITY			
Long term loans	6	**$ 42,970,219**	$ 47,853,945
Current liabilities:			
Accounts payable		**1,656,937**	1,318,150
Security deposits	1(m)	**2,492,364**	2,390,910
Current portion of long term loans	6	**4,535,688**	4,314,650
Provisions	7	**789,007**	2,163,720
Dividends payable	19	**1,079,936**	1,035,866
Other liabilities and accruals		**772,948**	912,217
Total current liabilities		**11,326,880**	12,135,513
EQUITY:			
Share capital	8	**60,000,001**	60,000,001
Capital reserve	9	**15,276,362**	15,276,362
Contributed capital		**11,714,281**	11,714,281
Retained earnings		**13,691,778**	9,311,130
Total equity		**100,682,422**	96,301,774
TOTAL LIABILITIES AND EQUITY		**$154,979,521**	$156,291,232

The financial statements on pages 3 to 6 were approved and authorized for issue by the Board of Directors on July 25, 2012 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, 2012 AND 2011

	Notes	2012	2011
CONTINUING OPERATIONS			
OPERATING REVENUES:			
Measured water revenues – net	1(n)	**$34,250,130**	$33,646,004
Charges and fees		**803,317**	799,757
Interest income		**116,222**	280,125
Other income		**157,606**	142,682
Total operating revenues		**$35,327,275**	34,868,568
OPERATING EXPENSES			
Materials and other external costs	10	**7,703,373**	6,698,434
Staff costs	11	**8,252,416**	7,744,668
Depreciation	2	**3,596,554**	3,362,899
Other operating charges	12	**7,717,146**	7,366,415
Financial expenses (net)		**2,053,569**	3,635,404
Total operating expenses		**29,323,058**	28,807,820
Profit before taxes		**6,004,217**	6,060,748
Business tax	15	**(613,667)**	(603,818)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**5,390,550**	5,456,930
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 5,390,550**	$ 5,456,930
Profit from continuing operations attributable to:			
Owners of the Company		**$ 5,390,550**	$ 5,456,930
EARNINGS PER SHARE	13		
From continuing operations:			
Basic and diluted		**$0.13**	$0.14

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, 2012 AND 2011

	Share Capital	Capital Reserve	Contributed Capital	Retained Earnings	Total
April 1, 2010	$60,000,001	$15,276,362	$10,440,985	$ 4,861,267	$ 90,578,615
Profit for the year from continuing operations	-	-	-	5,456,930	5,456,930
Dividends declared and paid (see note 19)	-	-	-	(1,007,067)	(1,007,067)
Contributed Capital (see note 6 & 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
Profit for the year from continuing operations	-	-	-	5,390,550	5,390,550
Dividends declared (see note 19)	-	-	-	(1,009,902)	(1,009,902)
March 31, 2012	**$60,000,001**	**$15,276,362**	**$11,714,281**	**$13,691,778**	**$100,682,422**

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, 2012 AND 2011

	2012	2011
OPERATING ACTIVITIES:		
Profit for the year from continuing operations	**$ 5,390,550**	$ 5,456,930
Adjustments for:		
- Depreciation	**3,596,554**	3,362,899
- Loss on disposal	**166,465**	12,971
- Provision for doubtful debts	**372,060**	236,382
- Provision for obsolete inventory	**40,716**	-
- Interest income	**(116,222)**	(280,125)
- Business tax	**613,667**	603,818
- Financial expenses	**2,053,569**	3,635,404
Operating profit before working capital changes	**12,117,359**	13,028,279
Increase in accounts receivable and prepayments	**(398,037)**	(965,997)
Increase in inventories	**(154,976)**	(1,439,844)
Increase in accounts payable and accruals	**(1,332,167)**	(366,685)
Cash provided by operations	**10,232,179**	10,255,753
Interest received	**104,208**	262,861
Business tax paid	**(562,346)**	(554,108)
Financial expenses paid	**(1,802,394)**	(3,216,426)
Net cash provided by operating activities	**7,971,647**	6,748,080
INVESTING ACTIVITIES:		
Proceeds (purchase) of investments	**1,706,202**	(135,928)
Additions of tangible fixed assets	**(7,294,090)**	(10,112,656)
Contributions to fixed assets	**4,070,760**	2,883,204
Proceeds from disposal of tangible fixed assets	**-**	80,400
Net cash used in investing activities	**(1,517,128)**	(7,284,980)
FINANCING ACTIVITIES:		
Dividends paid	**(1,009,902)**	(1,007,067)
Proceeds from long term loans	**386,965**	2,643,693
Repayment of long term loans	**(5,049,653)**	(2,076,084)
Net cash (used in) provided by financing activities	**(5,672,590)**	(439,458)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**781,929**	(976,358)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**3,948,273**	4,924,631
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 4,730,202**	$ 3,948,273

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, 2012 AND 2011

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 is majority owned by the Government of Belize.

The Company's registered office is 7 Central American Boulevard, Belize City, Belize.

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. 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 application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

   The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 April 1, 2011:

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards, interpretations and amendments thereof, adopted by the Company

- **IAS 24 *Related Party Transactions* (Amendment)**
The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

  Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

  The amendment was applied prospectively as of April 1, 2011.

- **IAS 32 *Financial Instruments: Presentation* (Amendment)**
The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

  The amendment had no effect on the financial position or performance of the Company.

- ***IFRS 2 – 'Share* based *payments' (amendment)***
On 18 June 2009, the IASB issued amendments to IFRS 2 Share-based Payment that clarify the accounting for group cash-settled share-based payment transactions. The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that:

  - An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

  - In IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2–Group and Treasury Share Transactions*. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments must be applied retrospectively.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amendment had no effect on the financial position or performance of the Company.

- ***IFRS* 7 *Financial Instruments Disclosures*:**
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflects the revised disclosure requirements in Note 20.

- ***IAS* 1 *Presentation of Financial Statements*:**
The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.

- ***IAS* 34 *Interim Financial Statements*:**
The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The Company does not produce interim financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards which did not have any impact on the accounting policies, financial position or performance of the Company:

- **IFRS 3 *Business Combinations:***
Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005). Effective 1 January 2011.

- **IFRS 3 *Business Combinations:***
Un-replaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination. Effective 1 January 2011.

- **IAS 27 *Consolidated and Separate Financial Statements:***
In applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards. Effective 1 January 2011.

- **IFRIC 13 *Customer Loyalty Programmes:***
In determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme). Effective 1 January 2011.

- **IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)**
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. Effective for annual periods beginning 1 January 2011, with earlier application permitted.

BELIZE WATER SERVICES LIMITED

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011**

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards, interpretations and amendments, which might be relevant to the Company and issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. They will be adopted when required.

- ***IFRS 9 Financial instruments (classification and measurement):***
  IFRS 9, `Financial instruments', addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities. The de-recognition rules have been transferred from IAS 39, `Financial instruments: Recognition and measurement', and have not been changed.

  The Company has not yet decided when to adopt IFRS 9.

  The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- ***IFRS 10 consolidated financial statements, effective 1 January 2013:***
  The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- ***IFRS 11 joint arrangements, effective 1 January 2013:***
  The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

- ***IFRS 12 disclosure of interests in other entities, effective 1 January 2013:***
  The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate:

    - the nature of, and risks associated with, its interests in other entities
    - the effects of those interests on its financial position, financial performance and cash flows.

  IFRS 12 is required to be applied by an entity that has an interest in any of the following:
    - subsidiaries
    - joint arrangements (joint operations or joint ventures)
    - associates
    - unconsolidated structured entities

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 13 fair value measurement, effective 1 January 2013:

IFRS 13

- defines fair value
- sets out in a single IFRS a framework for measuring fair value
- requires disclosures about fair value measurements.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Apart from some additional disclosures in certain cases, adoption of the above standards, interpretations and amendments are not expected to have any material effect on the financial performance or position of the Company.

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

f. Foreign currency transactions\translation – 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.

g. Tangible fixed assets – Tangible fixed assets are stated at cost less accumulated depreciation. Additions, major renewals and improvements are capitalized. Maintenance and repairs are charged against revenue in the year incurred.

Freehold and leasehold properties, excluding land, are depreciated on the 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.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets (continued) – When items are disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is reflected in the results of operations.

An item is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

h. Inventories – Inventories are valued at the lower of cost and net realizable 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.

Short-term provisions are recognized 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 recognized 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.

k. Financial instruments – Financial assets and financial liabilities are recognized on the Company's statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition and subsequent measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial instruments (continued) –
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

The Company's financial assets include cash and short-term deposits which are classified as held to maturity financial assets, trade, and loans and other receivables are classified as loans and receivable in accordance with IAS 39.

The Company determines the classification of its investments at initial recognition. The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Method (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial instruments (continued) –

Impairment of financial assets
The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings classified as Loans and Borrowings in accordance with IAS 39.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial instruments (continued) –

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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

m. Security deposits – Security deposits are recognized 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.

n. 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 recognized 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.

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

p. 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, 2012 AND 2011

1. STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Segment reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as Executive Management.

2. TANGIBLE FIXED ASSETS

Cost	Freehold and leasehold property	Plant & equipment	Construction in progress	Infrastructure	Total
Balance, April 1, 2011	$19,391,167	$41,060,684	$5,519,080	$ 98,612,839	$164,583,770
Additions	469,581	1,317,679	5,475,407	31,423	7,294,090
Disposal	-	(263,722)	-	-	(263,722)
Contributions	-	-	(3,881,214)	(189,546)	(4,070,760)
Transfers	-	1,191,890	(5,594,207)	4,402,317	-
Balance, March 31, 2012	19,860,748	43,306,531	1,519,066	102,857,033	167,543,378
Accumulated Depreciation					
Balance, April 1, 2011	1,263,743	11,880,251	-	11,170,271	24,314,265
Additions	156,556	2,083,801	-	1,356,197	3,596,554
Disposal	-	(97,257)	-	-	(97,257)
Balance, March 31, 2012	1,420,299	13,866,795	-	12,526,468	27,813,562
Net Book value					
March 31, 2012	**$18,440,449**	**$29,439,736**	**$1,519,066**	**$ 90,330,565**	**$139,729,816**
March 31, 2011	$18,127,424	$29,180,433	$5,519,080	$ 87,442,568	$140,269,505

3. INVENTORIES

	2012	2011
Fuel and chemicals	**$ 202,495**	$ 207,699
Meters	**30,184**	33,325
Office supplies	**61,591**	72,529
Pipework and appurtenances	**5,849,650**	5,779,030
Spares and consumables	**252,041**	148,402
Less provision for obsolete inventory	**(40,716)**	-
	$6,355,245	$6,240,985

Provision for obsolete inventory consists of the following:

Beginning provision	**$ -**	$ -
Charge for the year	**40,716**	-
Write-offs	**-**	-
Ending provision	**$ 40,716**	$ -

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012	2011
Trade accounts receivable	$2,601,192	$2,850,156
Provision for doubtful debts	(328,000)	(151,000)
	2,273,192	2,699,156
Other receivables	807,232	1,032,827
Prepaid expenses	1,083,834	394,284
	$4,164,258	$4,126,267

Provision for doubtful debts consists of the following:

	2012	2011
Provision, beginning of year	$ 151,000	$ 82,000
Charge for the year	372,060	236,382
Write-offs	(195,060)	(167,382)
Provision, end of year	$ 328,000	$ 151,000

5. CASH AND CASH EQUIVALENTS

	2012	2011
Cash on hand	$ 2,931	$ 17,798
Current accounts	2,638,801	3,885,369
Short term fixed deposits	2,088,470	45,106
	$4,730,202	$3,948,273

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

6. LONG TERM LOANS

The Company has long term loans as follows:

	2012	2011
• Unsecured $16,800,000 Caribbean Development Bank loan #5 guaranteed by the Government of Belize (GOB) repayable by quarterly instalments. Variable interest rate on the loan was currently 4.09% per annum at March 31, 2012 with varying maturity dates at 2012, 2014, and 2032.	**$ 5,910,775**	$ 6,829,771
• 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, 2012 with maturity date at January 1, 2019.	**18,151,957**	19,824,771
• Unsecured $7,020,900 Caribbean Development Bank loan #55 guaranteed by GOB repayable by quarterly instalments. Variable interest rate on the loan was 2.50% per annum at March 31, 2012 with maturity date at April 1, 2026. At March 31, 2012, $141,836 has been drawn down on the facility.	**141,836**	-
• 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.	**288,868**	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.	**2,845,801**	3,655,008
• 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.	**20,166,670**	21,815,306
Total long term loans	**47,505,907**	52,168,595
Less current portion	**(4,535,688)**	(4,314,650)
Long term portion	**$42,970,219**	$47,853,945

The loans are payable as follows:	
Within one year	**$ 4,535,688**
Within two to five years	**21,112,559**
Over five years	**21,857,660**
	$47,505,907

See also notes 15 and 19.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

7. PROVISIONS

	2012	2011
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, 2012 works are underway and the provision is expected to be fully utilized within the second quarter of 2012/2013 financial year.	**$789,007**	$2,163,720

8. SHARE CAPITAL

	2012	2011
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:	**2012**	2011
Government of Belize	**83.17%**	82.59%
Social Security Board	**10.00%**	10.00%
Others	**6.83%**	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.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

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 Belize 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.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

10. MATERIALS AND OTHER EXTERNAL COSTS

	2012	2011
Chemicals expense	**$ 573,870**	$ 598,546
Electricity costs	**2,291,630**	2,081,245
Meter reading costs	**78,122**	84,860
Plant running costs	**139,231**	191,531
Water purchases	**4,579,804**	3,742,252
Obsolete inventory expenses	**40,716**	-
	$7,703,373	$6,698,434

11. STAFF COSTS

	2012	2011
Allowances	**$ 410,383**	$ 322,991
Group health insurance	**561,242**	524,634
Other staff costs and grants	**365,130**	364,326
Pension	**270,029**	253,228
Redundancy costs	**22,870**	9,644
Salaries and wages	**6,254,248**	5,828,337
Social security expense	**237,751**	222,537
Training and recruitment	**130,763**	218,971
	$8,252,416	$7,744,668

12. OTHER OPERATING CHARGES

	2012	2011
Advertisement and marketing	**$ 190,504**	$ 169,188
Bad debt expense	**372,060**	236,382
Collection fees	**220,949**	196,638
Electricity – office	**229,614**	211,642
Insurance	**287,263**	267,737
Licenses and taxes	**257,163**	313,214
Meeting costs	**71,844**	166,968
Office supplies and sundries	**692,316**	504,520
Other	**-**	267,431
Professional fees	**110,133**	305,479
Repairs and maintenance	**3,813,050**	3,491,510
Security	**758,311**	734,848
Telephone	**421,812**	309,666
Travel	**292,127**	191,192
	$7,717,146	$7,366,415

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

13. 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 the common shares.

	2012	2011
Basic earnings per share		
Profit attributable to Owners of the Company	**$ 5,390,550**	$ 5,456,930
Weighted average number of outstanding ordinary shares	**40,000,000**	40,000,000
Basic earnings per share	**$ 0.13**	$ 0.14
Diluted earnings per share		
Profit attributable to Owners of the Company	**$ 5,390,550**	$ 5,456,930
Weighted average number of authorized ordinary shares	**40,000,000**	40,000,000
Diluted earnings per share	**$ 0.13**	$ 0.14

14. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the period.

Water Sales	2011 Beg. Balance $	Billed $	Receipts $	2012 End. Bal $
Government of Belize	224,894	5,720,769	(5,733,661)	**212,002**

Loans	2011 Beg. Balance $	Drawdown $	Payment/ Adjustment $	2012 End. Bal $
Social Security Board	21,815,306	-	(1,648,636)	**20,166,670**

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, 2012, the number of key management personnel was 15 (31 March, 2011 - 15).

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

14. RELATED PARTY TRANSACTIONS (Continued)

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

	2012	2011
Short-term benefits	**$1,734,467**	$1,512,148
Post-employment benefits	**187,131**	136,446
	$1,921,598	$1,648,594

Loans to key management personnel
As at 31 March, 2012 an amount of $59,561 (March, 2011 - $59,843) was receivable from key managerial personnel as staff loans approved to them. Staff loans for medical purposes bear interest of 5% per annum and all other purposes bear interest at 10% per annum.

15. TAXATION

A Business Tax of 1.75% is applied on gross water and sewerage revenues. There is no deferred tax resulting from this business tax.

Effective July 1, 2006 the Government of Belize repealed Sales Tax of 9% on goods and services and levied a General Sales Tax of 10%. The General Sales Tax is taxes on consumer spending that is collected in stages, at the point of importation of the business purchases and on the sales of the businesses good 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 regularly after being carried forward after 4 months as prescribed by the GST Act 49 of 2005.

16. COMMITMENTS AND CONTINGENCIES

Commitments for capital expenditure at March 31, 2012 totaled $3,815,515 (2011 - $11,169,000)

17. PENSION SCHEME

Belize Water Services Limited operates a Defined Contribution Scheme Plan which receives contribution from BWSL (4% of Gross Salary) and its eligible employees (3% of Gross Salary). The Scheme is administered by Independent Trustees and the funds are held separately from those of the Company. During the year under review, the Company contributed $270,029 (2011 - $252,934) to the scheme.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

18. FINANCIAL INSTRUMENTS

The carrying amounts of cash, receivables, trade and other payables at the balance sheet date represent best estimates of fair value because of the relative short-term maturities of these assets and liabilities. Long-term obligations, with the exception of those between related parties whose terms are as disclosed in the footnotes, have been contracted at market terms and accordingly their amount approximate fair value.

19. SIGNIFICANT NON-CASH FINANCING ACTIVITIES

The Board of Directors approved a dividend distribution of $1,009,902 for the year ended March 31, 2012 ($1,007,067 - March 31, 2011). Dividends are payable to shareholders on record as of March 31, 2012 (2011 - March 31, 2011).

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. This is done by:

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, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether by latent losses as well as potential profits. Market risk management's objective is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters optimizing the risk returns.

The Company has enacted appropriate policies to assist expanding its operations to future development within the urban and rural areas in the country of Belize. Developers are required to contribute to set up of infrastructural expansion which eases the financial burden of expansion on the Company's resources. The Company operates under a monopoly license until March 19, 2026 which provides appropriate safeguards against political and economic events.

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 keeps watch on availability of liquid funds.

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

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 analyses of current assets and current liabilities are as follows:

March 31, 2012:

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	Total
Current Assets:					
Accounts receivable	$1,825,697	$ 238,475	$ 65,334	$ 364,749	$2,494,255
Short-term investments	-	-	-	-	-
Cash and bank balances	4,730,202	-	-	-	4,730,202
	$6,555,899	$ 238,475	$ 65,334	$ 364,749	$7,224,457
Current Liabilities:					
Accounts payable	$ -	$1,656,937	$ -	$ -	$1,656,937
Current portion of long-term loans	241,340	912,264	1,331,803	2,050,281	4,535,688
Dividends payable	1,079,936	-	-	-	1,079,936
	$1,321,276	$2,569,201	$1,331,803	$2,050,281	$7,272,561

March 31, 2011:

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	$ 327,558	$1,837,103	$ 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

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2010, the Company's trade receivables are concentrated within the country of Belize. The Government of Belize continues to be the largest customer with an outstanding balance as of March 2012 of $212,002 (2011 - $224,983).

Operation risk - It 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 and the behavior of generally accepted corporate standards.

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

The structure to manage operational risk has been designed to segregate duties among owners, executors, control areas and areas in charge of compliance with policies and procedures. In order to establish such methodology, the Company has assigned resources to strengthen internal control and organizational structure allowing independence among business area, risk control and record keeping. It includes a proper operation segregation of duties in the recording, reconciliation and authorization which is documented through policies, processes, and procedures that include control and security standards.

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

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

BELIZE WATER SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2012 AND 2011

21. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

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

Financial assets	**Loans and receivables**		**Held to Maturity**	
	2011	2010	**2011**	2010
Cash and bank	**$ -**	$ -	**$4,730,202**	$3,948,273
Short term investments				1,706,202
Accounts receivable and prepayments	**4,164,258**	4,126,267	**-**	-
Other current assets	**-**	-	**-**	-
Total financial assets	**$4,164,258**	$4,126,267	**$4,730,202**	$5,654,475

Financial liabilities	**Loans and borrowings**	
	2011	2010
Accounts payable and accruals	**$ 1,656,937**	$ 1,318,150
Other current liabilities	**5,134,255**	6,502,713
Borrowings	**47,505,907**	52,168,595
Total financial liabilities	**$54,297,099**	$59,989,458

22. SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their measured water services 2 reportable operating segments as follows:

- Private
- Government of Belize

Segment performance is evaluated sales performance which in certain respects is measured differently from profit or loss in the financial statements. Company operating expenses and taxes are managed on a group basis and are not allocated to individual operating segments.

	2012	2011
Measured Water Sales		
Government of Belize	**$ 2,871,735**	$ 3,012,644
Private: - Districts	**18,333,626**	17,356,649
- Belize City	**13,109,878**	13,318,782
Total Measured Water Sales	**$34,315,239**	$33,688,075

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Management Team

Board Of Directors