

PUBLIC UTILITIES COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2011

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners of the
Public Utilities Commission:**

Report on the Financial Statements

We have audited the accompanying financial statements of Public Utilities Commission, which comprise the statements of financial position as of March 31, 2011 and 2010, the statement of activities and changes in general fund, and the statement of cash flows for the year and 15 months, respectively, then ended, along with 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 which are free from material misstatements, 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. Except for the matter discussed in the following section, 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 about whether the financial statements are free of material misstatement.

Independent Auditor's Report

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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 judgement, 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 controls 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 controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

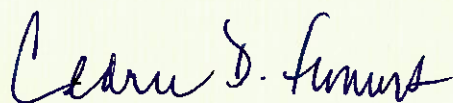
Basis for Qualified Opinion

Fixed Assets and Other

We are unable to confirm the existence of fixed assets at March 31, 2011 owing to the time of our appointment, and could not satisfy ourselves using alternative procedures. Additionally, and as more fully described in Note 11 to the financial statements, the Commissioners approved a change of the fiscal reporting period that resulted in a 15-month initial report. As a consequence, comparability of these financial statements is affected.

Qualified Opinion

In our opinion, except for the effects of adjustments which might be required in relation to the matter described in the **Basis for Qualified Opinion** paragraph, the financial statements present fairly, in all material respects, the financial position of the Public Utilities Commission as of March 31, 2011 and 2010 and the results of its activities and changes in general fund, and cash flows for the year and 15 months, respectively, then ended in accordance with International Financial Reporting Standards.



Certified Public Accountant

July 18, 2014

Public Utilities Commission
Balance Sheets
(In Belize Dollars)

| March 31, | 2011 | 2010 |
|--|------------------|------------------|
| ASSETS | \$ | \$ |
| Current Assets | | |
| Cash and Bank (Note 3) | 856,813 | 904,494 |
| Short-term Investments (Note 4) | 0 | 2,240,442 |
| Accounts receivable and prepayments (Note 5) | 13,028 | 47,112 |
| Total current assets | 869,841 | 3,192,048 |
| Net Fixed Assets (Notes 2g, 6) | 4,791,922 | 1,370,124 |
| TOTAL ASSETS | 5,661,763 | 4,562,172 |
| LIABILITIES & FUND BALANCE | | |
| Current liabilities | | |
| Accounts payable and accruals | 26,394 | 17,499 |
| Total current liabilities | 26,394 | 17,499 |
| FUND BALANCE | | |
| General Fund | 5,635,369 | 4,544,673 |
| TOTAL LIABILITIES & FUND BALANCE | 5,661,763 | 4,562,172 |

The accompanying notes form an integral part of these financial statements.

Approved:

Chairman



Commissioner



Date

26.2.15

Date

28.2.15

Public Utilities Commission
Statements of Activities and Changes in General Fund Balance
(In Belize Dollars)

| | <i>Year Ended March 31, 2011</i> | <i>15 Months Ended March 31, 2010</i> |
|---|--|---|
| REVENUES AND SUPPORT | \$ | \$ |
| <i>Fees on public utility providers' sales</i> | <i>2,195,423</i> | <i>3,952,591</i> |
| <i>Spectrum fees</i> | <i>519,757</i> | <i>313,636</i> |
| <i>Public Utility providers license fees</i> | <i>448,392</i> | <i>526,206</i> |
| <i>Other revenues and support (Note 7)</i> | <i>182,380</i> | <i>451,701</i> |
| TOTAL REVENUES | 3,345,952 | 5,244,134 |
| COST AND EXPENSES | | |
| <i>General and administrative expenses (Note 8)</i> | <i>5,524,621</i> | <i>4,176,728</i> |
| <i>Salaries & Wages</i> | <i>1,204,420</i> | <i>1,411,365</i> |
| <i>Depreciation</i> | <i>480,669</i> | <i>221,923</i> |
| TOTAL EXPENSES | 7,209,710 | 5,810,016 |
| NET EXPENSES | (3,863,758) | (565,882) |
| <i>Beginning balance, general fund</i> | <i>4,544,673</i> | <i>3,353,750</i> |
| <i>Prior period adjustment (Note 11)</i> | <i>4,954,454</i> | <i>1,756,805</i> |
| Ending balance, general fund | 5,635,369 | 4,544,673 |

The accompanying notes form an integral part of these financial statements.

Public Utilities Commission
Statements of Cash Flow
(In Belize Dollars)

| | <i>Year Ended</i> <i>March 31,</i> <i>2011</i> | <i>15 Months Ended</i> <i>March 31,</i> <i>2010</i> |
|---|--|---|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Cash received from utility providers and others</i> | 8,334,490 | 7,366,583 |
| <i>Cash paid for expenditures</i> | (6,720,146) | (5,582,848) |
| <i>Net cash provided by operating activities</i> | 1,614,344 | 1,783,735 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| <i>Purchase of property and equipment</i> | (3,902,467) | (1,235,427) |
| <i>Net cash used by investing activities</i> | (3,902,467) | (1,235,427) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | 0 | 0 |
| <i>Net cash provided (used) by financing activities</i> | 0 | 0 |
| <i>Net (decrease) increase in cash</i> | (2,288,123) | 548,308 |
| <i>Cash and Equivalents, beginning of period</i> | 3,144,936 | 2,596,628 |
| <i>Cash and Equivalents, end of period (Note 2c)</i> | 856,813 | 3,144,936 |
| <i>Reconciliation of net revenues and receipts to net cash provided by operating activities:</i> | | |
| <i>Net Revenues (expenses)</i> | (3,863,758) | (565,882) |
| <i>Add (deduct) items not using (providing) cash:</i> | | |
| <i>Prior period adjustment</i> | 4,954,454 | 1,756,805 |
| <i>Depreciation</i> | 480,669 | 221,923 |
| <i>Decrease(increase) in account receivable & prepayment</i> | 34,084 | 365,644 |
| <i>Increase (decrease) in accounts payable</i> | 8,895 | 5,245 |
| <i>Net cash provided by operating activities</i> | 1,614,344 | 1,783,735 |

The accompanying notes form an integral part of these financial statements.

Public Utilities Commission - March 31, 2011

Notes to Financial Statements

(In Belize Dollars)

1. STATUS

The Public Utilities Commission (the Commission) is a statutory body which came into existence with the enactment of the Public Utilities Act, 1999 (the Act). The Commission was established to be the primary economic regulatory agency with jurisdiction over public utility providers in Belize, in the areas of electricity, telecommunications and water.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of Preparation

These financial statements are presented in Belize Dollars and have been prepared in accordance with International Financial Reporting Standards.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

b. Basis of Accounting

The General Fund represents the general operating fund of the Commission. All financial resources are accounted for in the General Fund. The operations are summarized by providing a separate set of self-balancing accounts which includes its assets, liabilities, fund balance, revenues and expenses.

c. Cash and Cash Equivalents

Cash and cash equivalents may include petty cash, and term deposits with maturity dates of one year or less. As a result of the short-term maturity of these financial instruments, their carrying values are approximately equal to their fair market value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. Budget

In accordance with section 39(1) of the Public Utilities Act, the Commission is required to submit its annual budget to the Minister of Finance for presentation to the National Assembly. Expenditures for amounts other than provided in the budget must be approved by the Minister of Finance.

e. Revenue Recognition

The Commission charges and collects various fees in accordance with the provisions of licenses issued to public utility providers. Additionally, and in accordance with section 54 of the Act, the Commission prescribes and collects fees in respect of those matters within its jurisdiction.

The modified cash basis of accounting is used by the Commission to recognize (record) its revenues. Under the modified cash basis of accounting, certain revenues, such as license fees from utility providers, are recognized when "measurable" and "available". Measurable means the amount of the transaction can be determined; available means collectible within the current period or for a reasonable time thereafter to pay liabilities of the current period. Other revenues are not susceptible to accrual because generally they are either not measurable or available and are therefore recorded in the accounts when received.

Expenses are recorded when the related fund liability is incurred.

f. Foreign Currency Transactions

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, if any, are included in the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g. Property and Equipment

Fixed Assets are carried at cost and, with the exception of land, are depreciated on the straight-line basis over their maximum estimated useful lives as follows:

| | |
|--|-----------------|
| <i>Motor vehicles</i> | <i>4 years</i> |
| <i>Furniture, fixtures and equipment</i> | <i>10 years</i> |

Maintenance, repairs and renewals are charged against revenues in the statement of activities during the year the expenses are incurred; major renewals and improvement expenditures are capitalized.

When fixed assets are disposed of by sale or scrapping, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities.

h. Grants and Contributions

Donations and grants (cash or in-kind) received in recognition for specific project expenditures are recognized as income in the same period as the relevant expenses.

Grants related to depreciable assets are recorded as deferred credits and are recognized as income over the years in proportion to depreciation charged on those assets during each year.

Grants that compensate the Commission for expenses incurred are recognized as revenue in the statement of activities on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Commission for the cost of an asset are recognized in the statement of activities as revenue on a systematic basis over the useful life of the asset.

Public Utilities Commission - March 31, 2011
Notes to Financial Statements
(In Belize Dollars)

| March 31, | 2011 | 2010 |
|---|----------------|-------------|
| | \$ | \$ |
| 3. CASH & BANK | | |
| <i>Cash on hand</i> | 250 | 250 |
| <i>Current Account - foreign currency (in Bze \$)</i> | 415,258 | 398,728 |
| <i>Current Account - local currency</i> | 441,305 | 505,516 |
| TOTAL | 856,813 | 904,494 |

4. SHORT-TERM INVESTMENTS

Short-term investments consisted of two fixed deposits held with the Belize Bank Limited with terms of one year or less. The fixed deposits carried an interest rate of 9% per annum and were free of encumbrances. The aggregate amount of fixed deposit held with the bank was \$2,240,442 at March 31, 2010.

| March 31, | 2011 | 2010 |
|---|---------------|-------------|
| | \$ | \$ |
| 5. ACCOUNTS RECEIVABLE AND PREPAYMENTS | | |
| <i>Accrued interest receivable</i> | 0 | 35,708 |
| <i>Prepaid Insurance</i> | 13,028 | 11,404 |
| TOTAL | 13,028 | 47,112 |

Public Utilities Commission - March 31, 2011
Notes to Financial Statements
(In Belize Dollars)

| March 31, | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| 6. FIXED ASSETS & DEPRECIATION | | |
| <i>Cost</i> | | |
| Land | 966,175 | 0 |
| Vehicles | 4,611,511 | 1,712,556 |
| Equipment | 211,858 | 173,471 |
| Computers & accessories | 23,222 | 23,222 |
| Furniture & fixtures | 46,140 | 47,190 |
| TOTAL | 5,858,906 | 1,956,439 |
| <i>Accumulated Depreciation</i> | | |
| Vehicles | 868,950 | 416,403 |
| Equipment | 142,525 | 121,339 |
| Computers & accessories | 16,495 | 14,173 |
| Furniture & fixtures | 39,014 | 34,400 |
| TOTAL | 1,066,984 | 586,315 |
| NET FIXED ASSETS | 4,791,922 | 1,370,124 |

Public Utilities Commission - March 31, 2011
Notes to Financial Statements
(In Belize Dollars)

| | Year Ended March 31, 2011 | 15 Months Ended March 31, 2010 |
|---|---------------------------------|--------------------------------------|
| | \$ | \$ |
| 7. OTHER REVENUES AND SUPPORT | | |
| Other license fee | 17,350 | 219,151 |
| Interest income | 165,030 | 232,550 |
| TOTAL | 182,380 | 451,701 |
| 8. GENERAL & ADMINISTRATIVE EXPENSES | | |
| Contribution to Government of Belize | 3,111,962 | 1,747,522 |
| Professional fees | 496,829 | 326,089 |
| Gratuity | 195,988 | 79,342 |
| Stipend | 182,966 | 373,311 |
| Telephone and postage | 88,830 | 77,846 |
| Rent | 143,100 | 174,900 |
| Repairs and maintenance | 10,173 | 4,441 |
| Office expenses | 38,371 | 59,788 |
| Fuel and oil | 58,143 | 49,396 |
| Travel and entertainment | 480,324 | 511,220 |
| Promotion and publicity | 45,776 | 158,864 |
| Training | 211,338 | 119,510 |
| Advertising | 74,903 | 44,103 |
| Donations | 74,867 | 64,907 |
| Motor vehicle expenses | 34,324 | 31,194 |
| Dues and subscriptions | 1,692 | 3,591 |
| Insurance | 67,658 | 119,711 |
| Social security expense | 34,923 | 33,623 |
| Security | 59,946 | 74,156 |
| Electricity and water | 47,780 | 64,893 |
| Miscellaneous | 64,728 | 58,321 |
| TOTAL | 5,524,621 | 4,176,728 |

Public Utilities Commission - March 31, 2011
Notes to Financial Statements
(In Belize Dollars)

9. RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity which is preparing its financial statements, i.e. the reporting entity (Public Utilities Commission).

In accordance with International Accounting Standards (IAS) 24, a person is related to the Public Utilities Commission if any one of several conditions is applicable, including IAS 24, condition (vii) which states that "... (the) person identified has significant influence over the PUC or is a member of key management (or the Board of Commissioners) of the PUC.

The PUC is required to disclose information on transactions with related parties, including outstanding balances and commitments at year end. This standard specifically exempts disclosure requirements for transactions with the Government of Belize; i.e. GOB is not considered a related party.

Related parties who had transactions with the Public Utilities Commission included the following:

- i. Kimano Barrow, Commissioner*
- ii. Michael Peyrefitte, Commissioner*

10. COMMITMENTS AND CONTINGENT LIABILITIES

a. The Public Utilities Commission was a party to several contracts, including obligations for which their financial effects were not included in these financial statements.

At March 31, 2011, commitments arose from contractual arrangements with the following entities:

- i. Sisters of Mercy contract for facilities rental, \$127,200 annually;*
- ii. Ambrose Tillett, Consultancy services, \$80,000;*
- iii. Kimano Barrow; Consultancy services;*
- iv. Barrow & Company, legal services.*

10. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

b. *In the ordinary course discharging regulatory functions, the PUC is subject to pending and threatened legal actions and proceedings. The Commission, in conjunction with legal counsel, evaluates litigation matters which may have a material effect on its financial position.*

Based on current knowledge and communication with legal counsel, the PUC is of the view that the outcome of the litigation matter(s) below would not have a material adverse effect on its financial position:

- i. *Claim # 512 of 2008, BEL vs. PUC;*
- ii. *Claim # 43 of 2009, BEL vs. PUC;*
- iii. *Claim # 98 of 2009, BEL vs. PUC;*
- iv. *Appeal # 3 of 2009, BEL vs. PUC;*
- v. *Appeal #8 of 2009, BEL vs. PUC.*

11. CHANGE OF FISCAL YEAR-END REPORTING

The Board of Commissioners of the PUC approved a change of its fiscal reporting from a December 31st period end to a March 31st period end, effective December 31, 2008. The change was determined to be necessary in order to conform with Government of Belize's reporting period and the requirements of Section 39 (1) of the Public Utilities Act.

As a consequence of the change, a 15-month financial statement was prepared for the first reporting period ended March 31, 2010. The change also resulted with inconsistencies in the matching of revenues and receipts against expenditures, since the actual timing of these transactions were not necessarily the same as their allocations over the 15-month period. Significant prior period adjustments were recorded as a consequence of differences between allocation and actual receipts or expenditures.

12. BOARD COMPENSATION

Members of the Board of Commissioners of the PUC are compensated on a per meeting basis. At March 31, 2011, the rate was \$1,250 per meeting of the Commission.

13. SUBSEQUENT EVENT

The Public Utilities Commission recognizes termination benefits in accordance with the Labour Act (the Act), Chapter 297 of the Substantive Laws of Belize. The Act was revised in April, 2011 to require that employees who have been employed for (a) five to ten years be paid severance pay of one week's pay for each year of service and, (b) employees with more than ten years be paid severance pay of two week's pay for each year of service. The Revised Act also provides that employees who had already completed ten years of service prior to the commencement of the Revision be paid a week's salary for the period served prior to the commencement of the Revision and two week's salary for the period served after the commencement of the Revision to the Act. The Revision became effective on May 1, 2011. These financial statements have not been adjusted to reflect the effects of any liabilities in relation to the termination benefits.