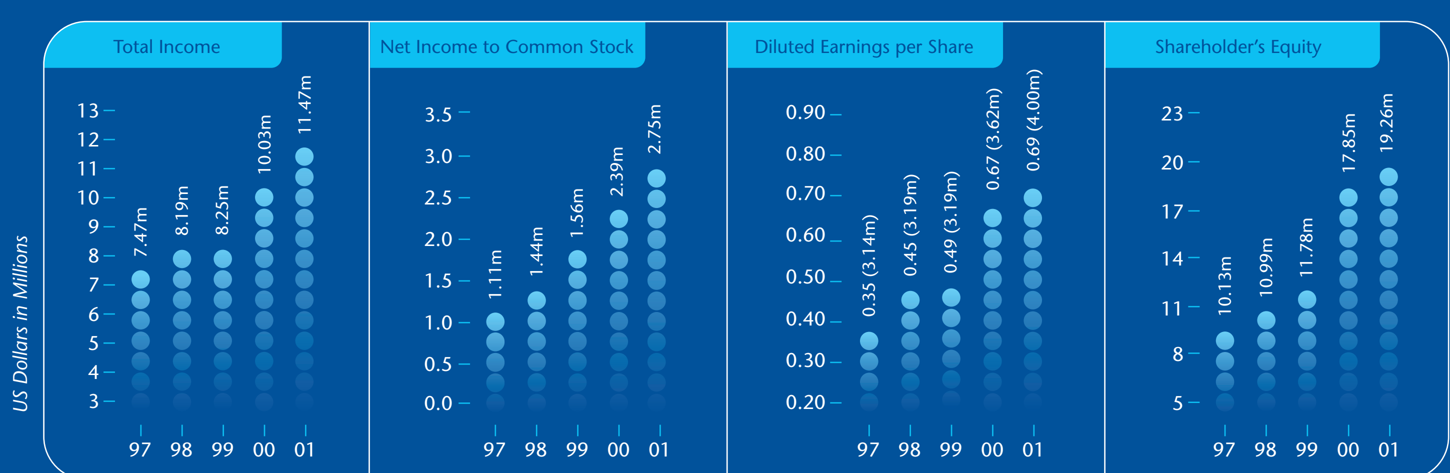
CONSOLIDATED WATER

Annual Report 2001

Financial Highlights for year ended December 31st

	2001*	Change	2000*	Change	1999**
Total income	$ 11,473,706	14.4%	$ 10,025,686	21.5%	$ 8,249,988
Earnings before interest, taxes, depreciation and amortization (EBITDA)	4,142,689	13.1%	3,661,697	42.4%	2,571,805
Operating income	2,317,790	18.5%	1,956,093	42.4%	1,373,423
Net income to common stock	2,753,779	15.2%	2,390,600	53.1%	1,561,231
Net cash from operating activities	4,193,921	6.9%	3,922,712	55.1%	2,528,921
Total stockholders' equity and debt	20,833,744	4.7%	19,901,490	32.8%	14,986,967
Stockholders' equity	19,264,100	7.9%	17,846,593	51.5%	11,778,299
Dividends declared per share	0.40	17.6%	0.34	70.0%	0.20
Basic earnings per share	$ 0.71	4.4%	$ 0.68	33.3%	$ 0.51
Based on number of shares	3,897,969	10.3%	3,532,501	16.0%	3,044,293
Diluted earnings per share	$ 0.69	3.0%	$ 0.67	36.7%	$ 0.49
Based on weighted number of shares	3,999,691	10.6%	3,616,271	13.4%	3,188,048
Percentages of Revenue Dollar					
EBITDA	36.1%	(1.1%)	36.5%	17.0%	31.2%
Operating income	20.2%	3.6%	19.5%	17.5%	16.6%
Net income to common stock	24.0%	0.8%	23.8%	25.9%	18.9%
Net cash from operating activities	36.6%	(6.4%)	39.1%	27.4%	30.7%
Rates of Return					
Operating income on total stockholders' equity and debt	11.1%	13.3%	9.8%	6.5%	9.2%
Return on stockholders' equity	14.3%	6.7%	13.4%	0.8%	13.3%
Capital Intensity					
Revenue per dollar of stockholders' equity and debt	$ 0.55	10.0%	$ 0.50	(9.1%)	$ 0.55

* Includes the results of our wholly-owned subsidiary Belize Water Ltd. which was acquired on July 21, 2000.
** During the year ended December 31, 2000 there was a cumulative change in accounting principle which reduced 1999 net income by $117,576.



highlights

the locations

The Cayman Islands is situated in the northwest Caribbean Sea, approximately 480 miles south of Miami, Florida, and is comprised of three islands; Little Cayman, Cayman Brac, and the largest island Grand Cayman. The capital city of George Town is located on the west coast of Grand Cayman. The resident population of the islands is approximately 45,000, comprising a balanced mix of locals and expatriates from over 78 countries.

The Cayman Islands, a United Kingdom Overseas Territory, is regarded as one of the world's premiere international financial centers. The Caymans provide a stable and well-regulated business environment, supported by the world's leading accounting, legal, communications and investment firms. Currently there are just under 600 banks and trust companies in the Cayman Islands, including 43 of the world's 50 largest banks. With a tropical climate averaging 80 degrees year round, beautiful white-sand beaches, and peaceful surroundings, it is no surprise that Cayman's other major industry is tourism. In 2001 over 1.5 million cruise ship and airline passengers chose the Cayman Islands as their vacation destination because of the convenience of travel from the United States and their friendly people. Consolidated Water's corporate offices are situated on the famous Seven Mile Beach, where the company has been the exclusive provider of drinking water since 1973.

Ambergris Caye, Belize; which recently gained notoriety in Fox TV's "Temptation Island" reality TV series, is located about 36 miles northeast of Belize's largest city, Belize City and, having the second longest barrier reef in the world, is a prime tourist destination for scuba divers and tourists looking for a quiet getaway. The country of Belize is located on the Caribbean coast of Central America, bordered on the north by Mexico and on the west and south by Guatemala. Ambergris Caye has a population of about 4,500 people and is the largest coastal island in Belize. During the last decade, Ambergris Caye's resident population has grown more than 144%, and the incredible natural beauty of the island and its surrounding marine environment has led to a large growth in Belizean scuba diving and eco-tourism. Consolidated Water's wholly owned subsidiary, Belize Water Limited, provides desalinated drinking water in bulk to the public water utility on Ambergris Caye.

The Biminis, an island group in the Commonwealth of the Bahamas, are known as the "Game fish Capital of the World". The Biminis, which are actually two islands separated by a narrow channel no more than 300 yards wide, are the closest islands in the Bahamas group to the United States, lying only 48 miles east of Miami, Florida.The islands have been renowned since the days of Ernest Hemingway for their excellent sport fishing, and more recently for yachting and scuba diving. Consolidated Water produces and distributes desalinated drinking water to the Bimini Sands Resort, a full-service marina and condominium development on South Bimini.

Trading in our Shares in 2001

Share Volume	2,398,773	Year
Number of Trades	5,068	Year
Low Share Price	$ 6.875	Year
High Share Price	$ 12.000	Year
Low Share Price	$ 9.950	4th Quarter
High Share Price	$ 12.000	4th Quarter
Closing Share Price	$ 11.340	December 31, 2001

the company

Cayman Water was established in 1973 and has grown at the same rapid pace as development on Grand Cayman. In December 1998 the company changed its name to Consolidated Water Co. Ltd., but still trades in the Cayman Islands as Cayman Water. The company, which initially provided water and sewage services to a small residential development in Grand Cayman, now pipes desalinated drinking water under the terms of an exclusive twenty year franchise, to the famous Seven Mile Beach resort area and the town of West Bay, Grand Cayman. Over the past two years the company has started desalinated water supply operations in two other Caribbean nations, Belize and the Bahamas.

In July 2000 Consolidated Water acquired Belize Water Limited, which operates a seawater desalination plant on Ambergris Caye, Belize, Central America. Belize Water Limited supplies up to 420,000 US gallons of drinking water per day to the public water utility company, who in turn distributes this water to the residents of the island. The public water utility, Belize Water Services, was privatized by the Government of Belize in February 2001, and is now majority owned by CASCAL, a joint venture between Biwater Plc in the United Kingdom and NV Nuon ENW of Holland.

Consolidated Water started to supply drinking water in July 2001 to the Bimini Sands Resort in South Bimini, Bahamas from the company's 115,000 US gallon per day seawater desalination plant, under the terms of a ten year water supply agreement with the Resort's owner/developer. Development of the Bimini Sands Resort is on-going and it is expected that an additional two phases, a total of 36 additional condominium units, will be completed in 2002.

In January 2002 Consolidated Water completed the purchase of a seawater desalination facility from the developers of the Hyatt Regency Hotel and Britannia Golf Course in Grand Cayman. The acquisition increases Consolidated Water's overall water production capacity in Grand Cayman by 22.5%, and is expected to generate additional water sales of more than $1,000,000 annually.

Consolidated Water continues to actively pursue water projects and acquisition opportunities in the Caribbean and Central America, and believes that excellent business opportunities exist in these and other areas of the world where natural supplies of fresh water are scarce or non-existent.

the chairman's report

Dear Fellow Shareholders,

Although we are a British Dependant Territory, the Cayman Islands have enjoyed a close affiliation and affinity with the United States from the days of the sailing schooners, through the merchant marine of WW II, the manning of the National Bulk carrier fleet and, now, as a tourism and financial centre. Following September 11th there was a tremendous outpouring of sympathy and support in these Islands for the U.S.A. that continues to this day. For what it's worth, President Bush can proceed in his endeavors safe in the knowledge that the Cayman Islands are behind him.

The truly horrendous events of last September affected us both psychologically and financially, but I believe that our long-standing relationships, coupled with the fact that the Cayman Islands are a close and safe tourist destination, served to ameliorate their impact. Tourism undoubtedly suffered, badly initially, but has improved quite dramatically in recent months. The two or three percentage point decline in demand that might be attributed to lower tourism has been more than offset by growing demand for water from our domestic residential and commercial customers. In summary, we achieved another record year and can express general satisfaction at progress in the most significant areas of our business.

Total Revenue for 2001 increased 14.4% to $11.5 million, compared with $10.0 million in the previous year. This growth resulted from a 6.6% gain in Revenue in the Cayman Islands, the inclusion of a full year of Revenue from our Belize operations (acquired in July 2000) and a small contribution from our fledgling operation in the Bahamas that commenced mid-year 2001.

Our 2001 Net Income, at a record $2,764,573, was up 15.0% from 2000. This reflected the net effect of a number of factors, positive and negative. Continuing the trend of prior years, gross margins in our Cayman operations, which still represent 88.6% of total sales, improved by a full two percentage points. The 2001 gross margins in our Belize operations fell by 4.5 percentage points, when compared with the levels achieved for the partial year 2000, and we incurred a small start-up loss on our Bahamas operations. Indirect Expenses, expressed as a percentage of total revenue, increased by only 0.75%, including costs related to management's ongoing business development efforts in a number of countries.

In the year 2001 we reflected the full annual impact of our public stock offering in May 2000 and the weighted average number of fully diluted shares outstanding increased by 10.6% to 3,999,691. Nonetheless, the 2001 Fully Diluted Earnings per Share increased 3.0% to a record $0.69, versus the previous record of $0.67 that was achieved in 2000.

Our Balance Sheet continues to reflect the financial strength of the Company. We now have a positive Current Ratio, and our percentage of Long Term Debt to Stockholders' Equity has remained essentially flat at an exceedingly low 6.8%. EBITDA increased to $1.04 per weighted average fully diluted share in issue last year compared with $1.01 per share on the 10.6% fewer shares in issue in 2000.

What now of the future?

A modest recovery in tourism, coupled with solid domestic demand, should see our Cayman market surpass prior levels in 2002. Construction of pilings and foundation work is well advanced for the new Ritz Carlton Hotel, Condominium and Golf Course Development with opening scheduled for late 2003. In the meantime we are supplying water for construction purposes. The proposed $400 million Dart

Development is in what appears to be the final stages of the planning approvals process. We are currently, and expect to continue through the end of the season, supplying quite significant volumes of water to the government owned Water Authority – Cayman, the plants of which cannot meet current demand. Finally, we recently (February 1, 2002) completed, the purchase of the Hyatt water plant. This purchase and the attendant demand from the Hyatt Hotel and adjacent Britannia Residential Development should be immediately profitable. More importantly from a long-term perspective, the Hyatt plant's excess capacity relative to the demand from the properties it has supplied, together with the storage and pumping capacity, will provide Consolidated Water added flexibility in the operation of our three plants on Grand Cayman and the ability to meet growing demand well into the future.

Sales on Ambergris Caye in Belize continue at levels far in excess of the minimum demands specified in our contract, and we will endeavor to reach agreement on a new contract for these higher levels for an extended period. During the second half of 2001, we experienced a number of equipment failures in Belize and such breakdowns played a role in Belize's reduced gross profit margins for the year. Our staff has worked diligently to ensure that these problems do not recur.

Our operations on South Bimini in the Bahamas are now at cash break even levels and, with the anticipated doubling of the number of completed condominium units in the next twelve months, we anticipate that this operation will move toward profitability. It should be borne in mind that, even with these completions, the project will be at less than one quarter of its eventual size. The general population on North and South Bimini still have no reliable source of acceptable potable water, and we hope that 2002 will see a resolution of their plight.

We continue to pursue a number of very significant new projects and expect to close at least one of these transactions during the current year. Worldwide demand for clean potable water is not diminishing, and we see our experience and expertise in the operation of seawater desalination plants will become increasingly valuable in the future.

During 2001, the NASDAQ Composite Index was down 21% and the DJ Utilities Index declined 29%. However, the equity markets at long last heeded our plaintiff cries over these past many years, and the price of CWCO shares increased by 62% for which we, and no doubt you, are eternally grateful. We do not, however, regard that as an end. Based on 2001 earnings, our P/E still trails other members of our peer group whilst our Debt-to-Equity ratio is less than one fifteenth the average of our peers. Moreover, our Return on Equity (ROE) is higher, our Return on Assets (ROA) is four times higher than the average for our peer group and our projected growth rate significantly exceeds that of the water industry. We expect the market to fully recognize the value of new projects, financed with an appropriate level of debt, going forward.

In closing, I would like to offer my sincere thanks for another successful year to our Consolidated Water family: to our small but dedicated staff who continue to perform miracles, to our Board for their hard work and support of that staff and lastly, but by no means least, to our shareholders for the trust you have placed in us. We face the future with great optimism and look forward to your continued support of our Company.

Yours sincerely,
CONSOLIDATED WATER CO. LTD.

Report of Independent Accountants

To the Board of Directors and Stockholders of Consolidated Water Co. Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Consolidated Water Co. Ltd. and its subsidiaries (the "Group") at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Group's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers
Grand Cayman, Cayman Islands
March 13, 2002

financial statements 2001

CONSOLIDATED WATER CO. LTD.

CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

	December 31, 2001	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents (Note 8)	516,446	250,837
Accounts receivable (Note 3)	1,323,156	1,488,729
Spares inventory	271,134	120,014
Inventory of water	48,377	34,219
Prepaid expenses and other assets	319,900	299,499
Total current assets	2,479,013	2,193,298
Property, plant and equipment (Notes 4 and 15)	18,414,935	17,643,891
Intangible asset (Note 5)	1,814,780	2,008,483
Investment (Note 6)	12,450	-
Total assets	$22,721,178	$21,845,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts (Note 8)	-	703,331
Dividends payable (Note 7)	499,383	401,965
Accounts payable and other liabilities	1,087,470	1,067,514
Stock compensation liability (Note 17)	210,324	380,850
Current portion of long term debt (Note 8)	355,840	219,580
Total current liabilities	2,153,017	2,773,240
Long term debt (Note 8)	1,213,804	1,131,986
Security deposit (Note 16)	52,763	52,763
Advances in aid of construction	37,494	41,090
Total liabilities	3,457,078	3,999,079
Stockholders' equity		
Common stock (Note 9)	4,704,077	4,635,774
Additional paid-in capital (Note 9)	6,896,753	6,726,749
Vested redeemable preferred stock (Note 9)	2,841	11,983
Non-vested redeemable preferred stock (Note 9)	27,393	28,378
Retained earnings	7,633,036	6,443,709
Total stockholders' equity	19,264,100	17,846,593
Total liabilities and stockholders' equity	$22,721,178	$21,845,672

______________________)
______________________) Directors
______________________) Date: 13 March 2002

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

CONSOLIDATED WATER CO. LTD.

CONSOLIDATED STATEMENTS OF INCOME

(Expressed in United States dollars)

	For the year ended December 31, 2001	2000	1999
Water sales (Note 16)	11,026,923	9,576,959	7,936,118
Cost of water sales (Note 10)	(6,109,117)	(5,423,297)	(4,770,179)
Gross profit	4,917,806	4,153,662	3,165,939
Indirect expenses (Note 10)	(2,600,016)	(2,197,569)	(1,792,516)
Income from operations	2,317,790	1,956,093	1,373,423
Other income:			
Interest income	28,584	32,314	594
Other income	418,199	416,413	313,276
	446,783	448,727	313,870
Income before accounting change	2,764,573	2,404,820	1,687,293
Cumulative effect of a change in accounting principle	-	-	(117,576)
Net income	$ 2,764,573	$ 2,404,820	$ 1,569,717
Basic earnings per share (Note 11)			
Income before accounting change	0.71	0.68	0.55
Accounting changes	-	-	(0.04)
Net income	$ 0.71	$ 0.68	$ 0.51
Diluted earnings per share (Note 11)			
Income before accounting change	0.69	0.67	0.53
Accounting changes	-	-	(0.04)
Net income	$ 0.69	$ 0.67	$ 0.49
Weighted average number of common shares used in the determination of:			
Basic earnings per share (Note 11)	3,897,969	3,532,501	3,044,293
Diluted earnings per share (Note 11)	3,999,691	3,616,271	3,188,048

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

CONSOLIDATED WATER CO. LTD.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2001

(Expressed in United States dollars)

	Common stock	Additional paid-in capital	Shares repurchased	Vested redeemable preferred stock	Non-vested redeemable preferred stock	Retained earnings	Total stockholders' equity
Balance at December 31, 1998	3,657,866	2,912,646	-	8,486	44,200	4,370,193	10,993,391
Issue of share capital (Note 9)	127,494	488,387	-	(7,365)	3,949	-	612,465
Repurchase of shares (Note 9)	-	-	(758,928)	-	-	-	(758,928)
Cancellation of shares repurchased (Note 9)	(123,302)	(635,626)	758,928	-	-	-	-
Net income for the year	-	-	-	-	-	1,569,717	1,569,717
Dividends	-	-	-	-	-	(638,346)	(638,346)
Balance at December 31, 1999	3,662,058	2,765,407	-	1,121	48,149	5,301,564	11,778,299
Issue of share capital (net of issue costs) (Note 9)	1,068,636	4,360,797	-	10,862	(19,771)	-	5,420,524
Repurchase of shares (Note 9)	-	-	(494,375)	-	-	-	(494,375)
Cancellation of shares repurchased (Note 9)	(94,920)	(399,455)	494,375	-	-	-	-
Net income for the year	-	-	-	-	-	2,404,820	2,404,820
Dividends	-	-	-	-	-	(1,262,675)	(1,262,675)
Balance at December 31, 2000	4,635,774	6,726,749	-	11,983	28,378	6,443,709	17,846,593
Issue of share capital (Note 9)	98,303	411,599	-	(9,142)	(985)	-	499,775
Repurchase of shares (Note 9)	-	-	(271,595)	-	-	-	(271,595)
Cancellation of shares repurchased (Note 9)	(30,000)	(241,595)	271,595	-	-	-	-
Net income for the year	-	-	-	-	-	2,764,573	2,764,573
Dividends	-	-	-	-	-	(1,575,246)	(1,575,246)
Balance at December 31, 2001	$ 4,704,077	$ 6,896,753	$ -	$ 2,841	$ 27,393	$ 7,633,036	$19,264,100

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

CONSOLIDATED WATER CO. LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

	For the year ended December 31, 2001	2000	1999
Cash flows from operating activities			
Cash receipts from customers	11,607,099	9,919,966	7,841,289
Cash paid to suppliers and employees	(7,344,692)	(5,876,811)	(5,127,240)
Cash generated from operations	4,262,407	4,043,155	2,714,049
Interest received	28,584	32,314	594
Interest paid	(97,070)	(152,757)	(185,722)
Net cash provided by operating activities	4,193,921	3,922,712	2,528,921
Cash flows from investing activities			
Purchase of subsidiary, net of cash acquired (Note 5)	-	(3,966,979)	-
Purchase of property, plant and equipment	(1,892,147)	(2,301,759)	(1,543,368)
Purchase of investment	(12,450)	-	-
Proceeds from sale of property, plant and equipment	360	-	1,920
Net cash used in investing activities	(1,904,237)	(6,268,738)	(1,541,448)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares of common stock and preference stock	210,601	5,368,945	146,060
Repurchase of ordinary shares of common stock	(271,595)	(494,375)	(758,928)
Draw down of credit facility	500,000	-	-
Increase (decrease) in bank overdraft	(703,331)	32,938	591,359
Repayment of principal on long term debt	(281,922)	(885,355)	(533,353)
Principal payments under Water Purchase Agreement	-	(320,141)	(344,304)
Dividends paid	(1,477,828)	(1,127,295)	(505,193)
Net cash provided by (used in) financing activities	(2,024,075)	2,574,717	(1,404,359)
Net increase (decrease) in cash and cash equivalents	265,609	228,691	(416,886)
Cash and cash equivalents at beginning of year	250,837	22,146	439,032
Cash and cash equivalents at end of year	$ 516,446	$ 250,837	$ 22,146

CONSOLIDATED WATER CO. LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

Footnotes to the consolidated statements of cash flows:

	For the year ended December 31, 2001	2000	1999
Reconciliation of net cash from operating activities to net income from operations:			
Net income	2,764,573	2,404,820	1,569,717
Adjustments to reconcile net income to net cash from operating activities			
Depreciation (Notes 4 and 10)	1,113,041	1,071,455	816,960
Loss (gain) on sale of fixed assets	7,702	-	(1,920)
Amortization of intangible asset (Note 5)	193,703	64,979	-
Share issue costs deferred	-	-	89,145
Stock compensation (Note 22)	289,174	51,579	377,260
Cumulative effect of a change in accounting principle	-	-	117,576
Change in assets and liabilities			
Decrease (increase) in spares inventory	(151,120)	25,278	(25,662)
Decrease (increase) in inventory of water	(14,158)	(5,235)	1,677
Decrease (increase) in accounts receivable	165,573	(56,259)	(401,926)
Decrease (increase) in prepaid expenses and other assets	(20,401)	1,647	(111,213)
Increase in accounts payable and other liabilities	19,956	320,183	203,471
Increase (decrease) in stock compensation liability	(170,526)	48,259	(101,664)
Decrease in advances in aid of construction	(3,596)	(3,994)	(4,500)
Net cash from operating activities	$ 4,193,921	$ 3,922,712	$ 2,528,921

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

1. Principal activity and status

Consolidated Water Co. Ltd. (the "Company") and its wholly-owned subsidiaries (together the "Group") use reverse osmosis technology to produce fresh water from seawater. The Group processes and supplies water to its customers in Grand Cayman, Cayman Islands, Ambergris Caye, Belize, and South Bimini, Bahamas. The Company's exclusive license in Grand Cayman allows it to process and supply water to certain areas of Grand Cayman for a period of twenty years from July 11, 1990 in addition to having a right of first refusal on the extension or renewal thereof. The Group has a contract with Belize Water Services Ltd. ("BWSL") of Belize, formally known as Water and Sewerage Authority of Belize, to supply water to BWSL in Ambergris Caye expiring in 2011. At the expiry of the contract, BWSL may at its option extend the term of the agreement or purchase the plant outright. In addition, on July 11, 2001 the Company commenced supplying water under a ten year agreement to South Bimini International Ltd., a Bahamian company, which owns and operates resort properties on South Bimini Island, Bahamas. The base price of water supplied by the Group, and adjustments thereto, are generally determined by the terms of the license and contracts, which provide for adjustments based upon the movement in the government price indices specified in the license and contracts respectively as well as monthly adjustments for changes in the cost of energy.

2. Accounting policies

Basis of preparation: As a result of a management decision the Group has voluntarily adopted accounting principles generally accepted in the United States of America ("US-GAAP") effective January 1, 2000. Previously, annual financial statements were prepared in accordance with International Accounting Standards ("IAS"). As a result all prior periods' financial statements presented in these financial statements have been prepared in accordance with "US-GAAP". The following income statement captions contain certain items, the accounting for which has changed as a result of the change from IAS to US-GAAP:

> **Income statement**: Indirect expenses include: i) recognition of stock option compensation expenses and ii) start up costs expensed following the change in accounting policy to effect the application of Statement of Position 98-5 "Reporting on the Costs of Start Up Activities."

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Group's significant accounting policies are:

Basis of consolidation: The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries Belize Water Limited, Commonwealth Water Limited, Hurricane Hide-A-Way Ltd., and Cayman Water Company Limited. The operating results of Belize Water Limited have been included in the financial statements since the date of the acquisition (July 21, 2000). All inter-company balances and transactions have been eliminated. There are no operating results for Commonwealth Water Limited, Hurricane Hide-A-Way Ltd. and Cayman Water Company Limited as these companies have been dormant since inception and have no assets and liabilities.

2. Accounting policies (continued)

Reporting currency: The functional currency of the Company and its foreign subsidiaries are their respective local currencies. The consolidated operations are reported using United States dollars. It is the intention of the Company to declare and pay dividends in United States dollars.

The exchange rate between the Cayman Islands dollar and the United States dollar has been fixed during all periods presented at CI$1.00 to US$1.20. The exchange rate between the Belize Dollar and the United States dollar has been fixed during all periods presented at BZE$1.00 to US$0.50. The exchange rate between the Bahamian Dollar and the United States dollar has been fixed during all periods presented at BAH$1.00 to US$1.00. Accordingly, no foreign currency gain or losses arise on the translation of the foreign operations due to the fixed exchange rate.

Foreign currency: Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rate ruling on the date of the transaction. Net exchange gains of $2,477 (2000: $3,812; 1999: $36,512) are included in other income.

Cash and cash equivalents: Cash and cash equivalents comprise cash at bank on call and highly liquid deposits with an original maturity of three months or less.

Spares inventory: Spares inventory, which consists primarily of replacement spares and parts, are valued at the lower of cost and net realizable value on a first-in, first-out basis.

Inventory of water: Inventory of water represents the cost of desalinated potable water produced or purchased by the Company and held in the Company's reservoirs at year end. The value of the inventory of water is based on the lower of average cost of producing and purchasing water during the year and the volume of water on hand at year end or net realizable value.

Property, plant and equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method with allowance being made for estimated residual values. Rates are determined based on the estimated useful lives of the assets as follows:

Buildings	5 to 40 years
Plant and equipment	5 to 15 years
Distribution system	3 to 40 years
Office furniture, fixtures and equipment	3 to 10 years
Vehicles	3 to 10 years
Leasehold improvements	Shorter of 5 years and operating lease term outstanding
Lab Equipment	3 to 10 years

Additions to property, plant and equipment comprise of the cost of the contracted services, direct labour and materials. Assets under construction are recorded as additions for the year upon completion of the projects. Depreciation commences in the month of completion and transfer from assets under construction into the other categories of Property, plant and equipment.

2. Accounting policies (continued)

Intangible asset: The intangible asset consists of the contract acquired on the acquisition of Belize Water Limited (Note 5) on July 21, 2000 and is being amortised on a straight line basis over the remaining period of the license, which expires in April 2011.

Investment: Investments are recorded at cost less provision for impairment, if any.

Obligations under Water Purchase Agreement: The Company assumed substantially all the benefits and risks of the plant and equipment under the Water Purchase Agreement (Note 15). The assets have been capitalized at the amount specified in the agreement.

Advances in aid of construction: The Company recognizes a liability in respect of advances in aid of construction when such advances are received from certain condominium developers in the licensed area to help defray the capital expenditure costs of the Company. These advances do not represent a loan to the Company and are interest free. However, the Company allows a discount of 10% on future supplies of water to these developments until the aggregate discounts allowed are equivalent to advances received. Such discounts are charged against advances received.

Shares repurchased: Under Cayman Island law, shares repurchased out of capital by the Company are treated as cancelled upon redemption, and the Company's issued share capital is reduced by the par value of those shares, with the difference being adjusted to additional paid up capital.

Stock and stock option incentive plans: The Company issues stock under incentive plans that form part of employees and non-executive Directors' remuneration, and grants options to purchase ordinary shares as part of remuneration for certain long-serving employees and the executive Officers.

The Company has elected to account for stock-based employee compensation plans in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS 123, "Accounting for Stock-Based Compensation." In accordance with APB No. 25, compensation expense is not recognized for stock options that have no intrinsic value on the date of grant. Compensation expense is recognized immediately for restricted stock for which future service is not required as a condition to the delivery of the underlying shares of common stock. For restricted stock with future service requirements, compensation expense is recognized over the relevant vesting period. Stock compensation expenses are recorded within employee costs.

The liability for unexercised stock option compensation expense is recorded as other liabilities. On exercise of options, proceeds up to the par value of the stock issued are credited to ordinary share capital, any proceeds in excess of the par value of the stock issued are credited to additional paid in capital in the period in which the options are exercised.

Water sales and cost of water sales: The Group bills customers monthly for water delivered based on meter readings performed at or near each month end, and in accordance with various agreements which stipulate minimum monthly charges for water service. An accrual, where necessary, is made for water delivered but unbilled at year end where readings are not performed at the year end date. This accrual is matched with the associated direct costs of producing and purchasing water.

Other income: Foreign exchange gains, water meter and fire hydrant rental and recurring income from a dispute settlement agreement with Cayman Hotel and Golf Inc. are recorded as other income.

Repairs and maintenance: All repair and maintenance costs are expensed as incurred.

3. Accounts receivable

Accounts receivable comprise receivables from customers and are shown net of an allowance for doubtful accounts of $12,000 (2000: $12,000). Significant concentrations of credit risk are disclosed in Note 21.

4. Property, plant and equipment

Certain fixed assets are pledged as collateral for certain obligations of the Company, as more fully described in Note 8.

	December 31, 2000	Additions	Disposals/ transfers from assets under construction	December 31, 2001
Cost				
Land	475,679	-	-	475,679
Buildings	2,115,025	32,392	-	2,147,417
Plant and equipment	8,812,711	719,028	-	9,531,739
Distribution	11,386,877	1,449,668	-	12,836,545
Office furniture, fixtures and equipment	636,514	38,936	-	675,450
Vehicles	698,176	76,199	(23,484)	750,891
Leasehold improvements	26,032	13,448	-	39,480
Lab equipment	34,324	3,585	-	37,909
Assets under construction	701,251	1,557,154	(1,973,499)	284,906
	$ 24,886,589	$ 3,890,410	$(1,996,983)	$26,780,016

	December 31, 2000	Additions	Disposals	December 31, 2001
Accumulated depreciation				
Buildings	610,177	66,542	-	676,719
Plant and equipment	3,097,203	630,798	-	3,728,001
Distribution	2,837,004	268,189	-	3,105,193
Office furniture, fixtures and equipment	311,213	90,996	-	402,209
Vehicles	337,135	73,464	(15,422)	395,177
Leasehold improvements	20,100	6,152	-	26,252
Lab equipment	29,866	1,664	-	31,530
	$ 7,242,698	$ 1,137,805	$(15,422)	$8,365,081
Net book value	$ 17,643,891			$18,414,935

4. Property, plant and equipment (continued)

Included in plant and equipment is the reverse osmosis water production plant, which has been acquired under the Water Purchase Agreement (see Note 15). Included within additions for the year are transfers of completed projects from assets under construction comprising of buildings $7,420, plant and equipment $616,651 and distribution $1,349,428.

During the year the Company capitalized $24,764 (2000: $33,682; 1999: $35,749) of depreciation charges in relation to plant and equipment specifically purchased to continue further development of the distribution system.

At December 31, 2001, the Group had outstanding capital commitments of $1,620,000 (2000: $570,000). It is Company policy to maintain adequate insurance for loss or damage to all fixed assets that in management's assessment may be susceptible to loss. The Company does not insure its underground distribution system which totals $9,471,931 (2000: $8,791,350) and assets insured by third parties under agreement that have a total cost of $3,633,997 (2000: $3,550,897) (Note 15).

During the year ended December 31, 2001 the Company carried out an extensive engineering analysis of its potable water production and distribution equipment in Grand Cayman, which included the revision of the Company's computerized hydraulic model of the pipeline system, and updating of the Company's water meter replacement schedule. The Company's engineering analysis concluded that certain assets, including portions of the Seven Mile Beach Distribution System, the Governor's Harbour VC Building, and water meters would not need to be replaced or relocated as early as previously planned. Furthermore extensive renovation of the Governor's Harbour VC Building was completed in 2000. As a result of these circumstances, management considered it appropriate to reassess the estimated useful economic life of the Seven Mile Beach distribution system from 20 years to 40 years of which 13 years has already elapsed, the Governor's Harbour VC building from 20 to 40 years of which 21 years had already elapsed, and water meters from 5 years to 10 years of which 3 years had already elapsed. Also as a result of these circumstances, it was determined that the projected future utilization of a key piece of equipment, which the Company uses to install or replace pipelines, would be reduced. It was considered appropriate by management to reassess the useful economic life of this piece of equipment from 10 years to 20 years, of which 3 years had already elapsed.

Also during the year ended December 31, 2001 the Company carried out a review of the condition and technology of its West Bay RO Plant and concluded that the plant was now meeting performance and operational requirements consistent with those of the Governor's Harbour RO Plant. A similar review had been carried out on the Governor's Harbour RO Plant in 1994. As a result of these circumstances, it was considered appropriate by management to reassess the estimated useful economic life of the West Bay RO Plant from 10 years to 15 years, of which 3 years had already elapsed, which is now consistent with depreciation parameters used for the Governor's Harbour RO Plant.

The reassessment of the useful economic lives of these assets resulted in decreased depreciation expense on an annual basis in the amount of $197,472, which increased basic and fully diluted earnings per share by $0.05 for the year ended December 31, 2001.

5. Intangible asset

On July 21, 2000, the Company acquired all of the issued and outstanding capital stock of Seatec Belize Ltd., a company organized under the laws of Belize, for a total purchase price, less cash and cash equivalents acquired, of $3,966,979. Of this amount, $2,073,462 has been attributed to intangible assets and represents the value of the water purveyor contract (the "contract") that the acquired company has with Belize Water Services Limited. Seatec Belize Ltd., now renamed Belize Water Limited, owns and operates a reverse osmosis plant in Ambergris Caye, Belize. This acquisition has been accounted for by the purchase method and the intangible asset is being amortised on a straight line basis over the remaining period of the contract, which expires in April 2011.

	December 31, 2001	December 31, 2000
Intangible asset - contract	2,073,462	2,073,462
Accumulated amortisation	(258,682)	(64,979)
Net book value	$1,814,780	$2,008,483

6. Investment

	December 31, 2001	December 31, 2000
Investment in Belize Water Services Ltd.	12,450	-
Total investment	$ 12,450	$ -

The investment in Belize Water Services Ltd. represents less than a 1% holding of total issued and outstanding shares of Belize Water Services Ltd.

7. Dividends paid / payable

Quarterly interim dividends per share were declared in respect of both classes of shareholders on record as follows:

Dividend per share:	**2001**	**2000**	**1999**
March 31	$0.10	$0.08	$0.04
June 30	$0.10	$0.08	$0.04
September 30	$0.10	$0.08	$0.04
December 31	$0.10	$0.10	$0.08

Interim dividends for the first three quarters were paid during each respective year. The interim dividend for the fourth quarter was declared by the Board of Directors in October of each respective year. These quarterly interim dividends are subject to no further ratification and consequently the fourth quarter interim dividends have been recorded as a liability in each respective year. Included in dividends payable at December 31, 2001 are unclaimed dividends of $100,160 (2000: $10,051).

8. Bank balances and loans

	December 31,	
	2001	**2000**
Cash and cash equivalents	$ 516,446	$ 250,837

Cash and cash equivalents are not restricted as to withdrawal or use. At December 31, 2001, the equivalent of $372,688 (2000: $10,414) is denominated in Belize dollars. The Group has a guarantee from the Government of Belize to repatriate any and all of the Belize Water Ltd. earnings in United States dollars to any foreign destination.

Bank overdrafts - Royal Bank of Canada	$ -	$ 703,331
European Investment Bank:		
Long term debt	$1,132,144	$1,351,566
Royal Bank of Canada:		
Long term debt	$ 437,500	$ -

As at December 31, 2001, the total lending facility made available by the Royal Bank of Canada comprised of a) a revolving line of credit with a limit of $1,000,000, bearing interest at New York Prime plus 1%, which is convertible in $100,000 increments into a monthly revolving LIBOR note, bearing interest at LIBOR plus 1.5%, and b) term loans with a limit of $3,500,000, bearing interest at LIBOR plus 1.5%. Any amounts drawn down under the line of credit and any term loans are collateralised by a fixed and floating charge ("the first charge") of $2,500,000 (to be increased to maximum of $4,500,000). The fixed charge covers land owned by the Company and the floating charge covers all other assets of the Company, except those assets charged in connection with the Water Purchase Agreement (see Note 15). Of this facility, a bank overdraft of $nil (2000: $703,331) and a term loan of $437,500 (2000: $nil) was outstanding at December 31, 2001.

8. Bank balances and loans (continued)

During 1991, in order to fund an extension to the water distribution system, the European Investment Bank, Luxembourg (the "bank"), agreed to loan the US$ equivalent of 2 million European Currency Units (approximately US$2.5 million at that time). The loan is guaranteed by the Overseas Development Administration ("ODA") of the Foreign and Commonwealth Office of the Government of the United Kingdom and is repayable in 24 semi annual installments, which commenced on December 20, 1994. The interest rate for the entire term is fixed at the bank's prevailing lending rate, less a subsidy of 4% per annum, at the date each tranche is drawn down.

The rates of interest applicable to, and the amounts of each tranche at the current year end exchange rates are:

	Date of Drawdown		Interest Rate
Tranche 1	April 11, 1991	$ 322,814	4.25%
Tranche 2	September 8, 1992	1,018,895	3.15%
Tranche 3	February 12, 1992	847,727	3.45%
Tranche 4	March 17, 1993	362,736	3.00%
		2,552,172	
Capital repayments to December 31, 2001		(1,420,028)	
Total debt obligation as at December 31, 2001		$1,132,144	

Of the final tranche, at December 31, 2001 the equivalent of $50,437 (2000: $60,034) is repayable in pounds sterling, all other obligations under this loan are repayable in United States dollars.

The Government of the Cayman Islands has, for a fee of 1% per annum, provided a counter guarantee to the ODA. The Company, with the approval of the Royal Bank of Canada, the holder of the first charge, has agreed to secure the counter guarantee by a second charge over all assets of the Company.

	2001
Current portion of long term debt obligation:	
Royal Bank of Canada	125,000
European Investment Bank	230,840
	$ 355,840
Long term debt obligation:	
Royal Bank of Canada	312,500
European Investment Bank	901,304
	$1,213,804

The aggregate capital repayment obligations for the next five years are as follows:

2002	355,840
2003	362,300
2004	369,000
2005	313,800
2006	168,704
	$1,569,644

9. Share capital and additional paid in capital

	2001	2000	1999
Capital stock authorized:			
9,900,000 ordinary shares of common stock CI$1.00 each	11,880,000	11,880,000	11,880,000
100,000 redeemable preferred stock of CI$1.00 each	120,000	120,000	120,000
	$12,000,000	$12,000,000	$12,000,000
Ordinary shares of common stock of CI$1.00 each issued and fully paid:			
Balance of ordinary shares at beginning of year 3,863,144 (2000: 3,154,467; 1999: 3,048,222)	4,635,774	3,662,058	3,657,866
Ordinary shares issued under public offering nil (2000: 773,000; 1999: nil)	-	927,600	-
Cancellation of repurchased shares 25,000 (2000: 79,100; 1999: 102,752)	(30,000)	(94,920)	(123,302)
Cancellation of ordinary shares 200 (2000: nil; 1999: nil)	(240)	-	-
Ordinary shares issued on exercise of options 60,000 (2000: nil; 1999: 89,010)	72,000	-	106,812
Ordinary shares issued on exercise of warrants nil (2000: 100,000; 1999: nil)	-	120,000	-
Ordinary shares issued under Directors' Share Plan 7,860 (2000: 6,890; 1999: 2,400)	9,431	8,269	2,880
Ordinary shares issued on redemption of preferred stock 14,260 (2000: 10,639; 1999: 14,835)	17,112	12,767	17,802
Balance of ordinary shares at end of year 3,920,064 (2000: 3,863,144; 1999: 3,154,467)	$ 4,704,077	$ 4,635,774	$ 3,662,058
Shares repurchased:			
Balance of shares repurchased at beginning of year nil (2000: nil; 1999: nil)	-	-	-
Shares acquired at cost 25,000 (2000: 79,100; 1999: 102,752)	(271,595)	(494,375)	(758,928)
Repurchased shares cancelled during the year 25,000 (2000: 79,100; 1999: 102,752)	271,595	494,375	758,928
Balance of shares repurchased at end of year nil (2000: nil; 1999: nil)	$ -	$ -	$ -

9. Share capital and additional paid in capital (continued)

	2001	2000	1999
Additional paid in capital:			
Balance at beginning of year	6,726,749	2,765,407	2,912,646
Additional paid in capital from ordinary shares of common stock issued under public offering	-	4,825,800	-
Share issue costs arising on ordinary shares of common stock issued under public offering	-	(790,669)	-
Reduction in additional paid in capital from cancellation of shares repurchased	(241,595)	(399,455)	(635,626)
Additional paid in capital from ordinary shares of common stock issued under Directors' Share Plan (see Note 17)	47,567	40,815	11,970
Additional paid in capital from exercise of stock options (see Note 17)	305,420	-	466,401
Additional paid in capital from exercise of warrants (see Note 17)	-	280,000	-
Additional paid in capital on preferred stock issued under employee share plan (see Note 17)	58,612	4,851	10,016
Balance at end of year	$6,896,753	$6,726,749	$2,765,407
Vested redeemable preferred stock of CI$1.00 each issued and fully paid (Note 17):			
Balance of vested redeemable preferred stock at beginning of year 9,986 (2000: 934; 1999: 7,072)	11,983	1,121	8,486
Preferred stock vested during the year 5,358 (2000: 11,400; 1999: 7,036)	6,430	13,680	8,444
Vested preferred stock redeemed and issued as ordinary shares 12,977 (2000: 2,348; 1999: 13,174)	(15,572)	(2,818)	(15,809)
Balance of vested redeemable preferred stock at end of year 2,367 (2000: 9,986; 1999: 934)	$ 2,841	$ 11,983	$ 1,121
Non-vested redeemable preferred stock of CI$1.00 each issued and fully paid (Note 17):			
Balance of non-vested redeemable preferred stock at beginning of year 23,648 (2000: 40,124; 1999: 36,833)	28,378	48,149	44,200
Preferred stock vested during the year 5,358 (2000: 11,400; 1999: 7,036)	(6,430)	(13,680)	(8,444)
Non-vested preferred stock issued 5,821 (2000: 3,415; 1999: 11,988)	6,985	4,098	14,386
Non-vested preferred stock redeemed nil (2000: 200; 1999: nil)	-	(240)	-
Non-vested preferred stock redeemed and issued as Ordinary shares 1,283 (2000: 8,291; 1999: 1,661)	(1,540)	(9,949)	(1,993)
Balance of non-vested redeemable preferred stock at end of year 22,828 (2000: 23,648; 1999: 40,124)	$ 27,393	$ 28,378	$ 48,149

9. Share capital and additional paid in capital (continued)

The redeemable preferred stock are issued under the Company's Employee Share Incentive Plan (Note 17) and carry the same voting and dividend rights as ordinary shares. The redeemable preferred stock is only redeemable with the Company's agreement. In consideration for redeemed vested preferred stock, ordinary share capital is issued on a share for share basis. Upon liquidation of the Company, the redeemable preferred stock rank in preference to the common stock to the extent of the par value of the redeemable preferred stock and any related additional paid in capital.

Outstanding non-vested preferred stock currently redeemable are as follows:

	No. of shares redeemable	Redemption price	Redemption value
Up to the year ended December 31, 2002	17,881	-	-
	872	$5.3175	4,637
	1,081	$5.7120	6,175
	1,136	$5.4720	6,216
	1,858	$5.3238	9,892
	22,828		$26,920
Up to the year ended December 31, 2003	12,791	-	-
	1,081	$5.7120	6,175
	1,136	$5.4720	6,216
	1,858	$5.3238	9,892
	16,866		$22,283
Up to the year ended December 31, 2004	6,087	-	-
	1,136	$5.4720	6,216
	1,858	$5.3238	9,892
	9,081		$16,108
Up to the year ended December 31, 2005	3,963	-	-
	1,858	$5.3238	9,892
	5,821		$ 9,892

9. Share capital and additional paid in capital (continued)

In April 1996 the Company filed a Form F-1 registration statement with the SEC in connection with the issue of 575,000 ordinary shares of common stock at $5.25 per share. Under the terms of the related underwriting agreement, the underwriter was issued a warrant to purchase 50,000 ordinary shares of common stock at $6.30 per share. Consideration of $500 was paid for the warrant which management considered to approximate fair value. The warrants were exercisable during the four year period commencing April 3, 1997 and expired on April 3, 2001. During the year ended December 31, 2001, no warrants were exercised under this agreement.

In conjunction with the private placement of ordinary shares of common stock that took place in August 1995, the Company issued warrants to purchase 100,000 ordinary shares of common stock at a price of $4.00 per share. The warrants were exercised in January and February 2000.

Under the provisions of the Land Holding Companies Share Transfer Tax Law of the Cayman Islands, tax is payable on the transfer of shares in the Company. Prior to becoming quoted on Nasdaq, the Company paid this tax on private share transfers. The Company has never paid tax on transfers of its publicly traded shares. Management believes that the likelihood that Government will seek to collect this tax on transfers of the Company's publicly traded shares is remote. Mangement, therefore, has not provided for a share transfer tax liability in these financial statements.

In August 1997 the Company established a Class 'B' stock option plan designed to deter coercive takeover tactics. Pursuant to this plan, holders of ordinary shares of common stock and redeemable preferred stock were granted options which entitle them to purchase 1/100 of a share of Class 'B' stock at an exercise price of $37.50 if a person or group acquires or commences a tender offer for 20% or more of the Company's ordinary shares of common stock. Option holders (other than the acquiring person or group) will also be entitled to buy, for the $37.50 exercise price, ordinary shares of the Company's common stock with a then market value of $75.00 in the event a person or group actually acquires 20% or more of the Company's ordinary shares of common stock. Options may be redeemed at $0.01 under certain circumstances. 30,000 of the Company's authorized but unissued ordinary shares have been reserved for issue as Class 'B' stock. The Class 'B' stock rank pari passu with the ordinary shares of common stock for dividend and voting rights. As at December 31, 2001, no Class 'B' stock options have been exercised or redeemed.

The Company purchased treasury shares of 8,000, 102,752, and 79,100 in 1998, 1999 and 2000 respectively. The Company paid $62,375, $758,928 and $494,375 in 1998, 1999 and 2000, respectively to acquire these shares. Under the Cayman Island's Companies Law, treasury shares purchased are to be treated as cancelled on purchase. Accordingly, the Company has reclassified the purchase of these treasury shares in the Consolidated Balance Sheet and the Consolidated Statement of Shareholders' Equity as cancelled on purchase for the fiscal years ended December 31, 1998, 1999 and 2000.

10. Expenses

	Year Ended December 31,		
	2001	2000	1999
Cost of water sales comprise the following:			
Water purchases	2,074,759	2,062,582	1,775,494
Depreciation	1,018,541	992,410	760,901
Amortisation of intangible asset (Note 5)	193,703	64,979	-
Employee costs	939,976	741,789	601,678
Fuel oil	91,842	81,102	-
Royalties (Note 19)	694,351	641,428	560,441
Water Purchase Agreement obligation interest (Note 15)	-	16,910	58,042
Electricity	534,919	316,135	450,451
Insurance	89,808	64,160	56,308
Other direct costs	471,218	441,802	506,864
	$6,109,117	$5,423,297	$4,770,179
Indirect expenses comprise the following:			
Employee costs	1,299,877	1,045,244	907,695
Interest	99,956	135,847	127,680
Depreciation	94,500	79,045	56,059
Professional fees	280,297	275,589	131,366
Insurance	89,328	34,829	41,083
Directors' fees and expenses	107,184	104,149	99,760
Other indirect costs	628,874	522,866	428,873
	$ 2,600,016	$2,197,569	$1,792,516

Direct expenses relate to the production and distribution of water, indirect expenses represent the administrative costs of the Company.

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares of common stock in issue during the year.

The net income and weighted average number of ordinary shares of common stock and potential ordinary shares figures used in the determination of the basic and diluted earnings per ordinary share of common stock are summarized as follows:

	2001	2000	1999
Net income used in determination of diluted earnings per ordinary share of common stock	$2,764,573	$2,404,820	$1,569,717
Less:			
Dividends paid on non-vested redeemable preferred stock	(9,131)	(8,040)	(8,025)
Earnings attributable to vested redeemable preferred stock	(1,663)	(6,180)	(461)
Net income available to holders of ordinary shares of common stock in the determination of basic earnings per ordinary share of common stock	$2,753,779	$2,390,600	$1,561,231
Weighted average number of ordinary shares of common stock in the determination of basic earnings per ordinary share of common stock	3,897,969	3,532,501	3,044,293
Plus:			
Weighted average number of redeemable preferred stock outstanding during the year	31,213	37,145	44,707
Potential dilutive effect of unexercised options	70,509	41,147	48,954
Potential dilutive effect of unexercised warrants	-	5,478	50,094
Weighted average number of shares used for determining diluted earnings per ordinary share of common stock	3,999,691	3,616,271	3,188,048

As detailed in Note 17, 30,000 options were granted to an investment company on December 15, 1998 with an exercise price of $7.88. In addition, 85,259 options were granted to executive directors and senior management of the Company on December 31, 2000 with an exercise price of $7.10. At December 31, 2000, these options were antidilutive for the purpose of determining diluted earnings per share. However, as at December 31, 2001 these options were no longer antidilutive and were included in the determination of diluted earnings per share.

12. Segmented information

On July 21, 2000, the Company acquired a 100% stake in Belize Water Limited (Note 5 and 16) that has been consolidated in these financial statements. In addition, on December 18, 2000, the Company entered into an agreement with South Bimini International Ltd., a Bahamian company, to provide water to property in South Bimini Island, Bahamas (Note 17) and began operations on July 11, 2001.

Under FAS 131 "Disclosure about Segments of an Enterprise and Related Information" the supply of water to Belize and Bahamas are considered by management as separate business segments. The basis of measurement of segment information is similar to that adopted for the financial statements.

As at December 31 and for the year then ended

	Cayman Islands		Belize		Bahamas		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Water sales	9,769,815	9,112,031	1,230,775	464,928	26,333	-	11,026,923	9,576,959
Other income	417,786	448,727	28,554	-	443	-	446,783	448,727
Cost of water sales	5,344,370	5,172,945	718,121	250,352	46,626	-	6,109,117	5,423,297
Indirect expenses	2,404,977	2,164,147	190,913	33,422	4,126	-	2,600,016	2,197,569
Cost of water sales and indirect expenses include:								
Interest	99,865	152,757	91	-	-	-	99,956	152,757
Depreciation	932,029	1,009,420	160,825	62,035	20,187	-	1,113,041	1,071,455
Net income (loss)	2,438,254	2,223,666	350,295	181,154	(23,976)	-	2,764,573	2,404,820
Property Plant and Equipment	15,770,560	15,735,330	1,541,795	1,601,166	1,102,580	307,395	18,414,935	17,643,891

13. Related party transactions

A company, owned by a Director, provided professional services during the year ended December 31, 2001 for which it charged $4,523 (2000: $13,369). This company was also reimbursed for communication charges made by the Director on behalf of the Company in the amount of $1,355 (2000: $nil).

The Company sells water to a company in which a Director has a significant interest. During 2001 sales totaling $9,735 (2000: $5,647; 1999: $11,621) were made to that company. Accounts receivable for such sales at year end total $934 (2000: $411; 1999: $286).

14. Commitments and contingencies

Commitments

The Company has committed to lease premises in the Cayman Islands for a period of one year from February 1, 2002 to January 31, 2003 at approximately $79,000 per annum, with the right to extend the term of this lease for two further terms of one year each ending on January 31, 2005.

The Company is subject to an ongoing obligation to supply water to new customers in the Cayman Islands within the areas in which it is licensed to operate and where the supply of such water is considered commercially feasible.

The Company is subject to a commitment in the Cayman Islands under the Water Purchase Agreement (Note 15).

The Group is subject to a commitment to supply certain minimum quantities of water under the terms of various customer supply agreements (Note 16).

The Company has entered into an agreement with Cayman Hotel and Golf Inc., a Canadian company, to purchase a seawater desalination plant, potable water storage tank and water distribution pumps, which supply water to a large hotel and golf course in West Bay Beach, Grand Cayman, Cayman Islands (Note 25). As a condition of this equipment purchase agreement, the Company has committed to an operating lease for $1 per year from Cayman Hotel and Golf Inc, for a term of 25 years, subject to renewal of Cayman Island water supply license, to lease a building and approximately 0.78 acres of land on which the water plant is situated, and to supply potable water to the Hyatt Hotel and Britannia Golf Course (Note 16). Upon commencement of supply the existing dispute settlement agreement with Cayman Hotel and Golf Inc., described in Note 2, will be extinguished.

Contingencies

The license that the Company has with the government of the Cayman Islands (the "Government") requires it to obtain approval from the Government for an issuance or transfer of shares which (a) exceeds 5% of the issued shares of our company, or (b) would, upon registration, result in any shareholder holding more than 5% of the issued share capital of the Company.

More than 5% of the ordinary shares of common stock are registered in the name of Cede and Co., the nominee for the Depository Trust Company, which is a clearing agency for shares held by participating banks and brokers. The Company does not believe that these shareholdings by Cede and Co. constitute a breach of the intent of the license. The Company believes that the purpose of this clause of the license is to allow the Government to approve significant shareholders of the Company. Cede and Co. and Depository Trust Company, however, act solely as the nominee for banks and brokers, and have no beneficial ownership in the ordinary shares of common stock. Nevertheless, the Company's Cayman Islands legal counsel ("Legal Counsel") has advised it that the shareholdings by Cede & Co. may be a technical breach of the Company's license.

In August and September 1994 and in September 1995, the Company completed private placements of an aggregate of 500,000 ordinary shares of common stock and warrants to purchase an additional 100,000 ordinary shares of common stock. In April 1996 and May 2000, the Company completed public offerings of 515,000 and 773,000 ordinary shares, respectively. Based upon the advice of Legal Counsel, the Company determined that the license did not require the Government's approval to complete these offerings. However, if a court determined that the Government's approval of these offerings was required under the license, the Company would be in breach of the license. Legal Counsel has advised the Company that in order to make this determination, a court would have to disagree with the Company's interpretation of the license and dismiss several defenses that would be available to the Company. These defenses include acquiescence and waiver on the part of the Government with respect to these offerings.

14. Commitments and contingencies (continued)

The Company received a letter dated June 1, 2000, from an official in the Government, stating that the Company's April 1996 public offering of the ordinary shares of common stock was a breach of the license. The letter is not clear as to whether the Government views the public offering completed in 2000 as a breach of our license. The Company has advised the Government that it does not believe that it is in breach of the license. The Company has been advised by Legal Counsel that the June 1st letter from the Government does not constitute a "notice of breach of the license" as contemplated in the license. In June 2000, December 2000, and January 2002 the Company met with representatives of the Government to discuss this matter. Other than providing the Company with it's June 1, 2000 letter the Government has not taken any other action in connection with the Company's license to date.

15. Water Purchase Agreement

The Company is party to a water purchase agreement (the "Water Purchase Agreement") with Ocean Conversion (Cayman) Limited ("OCL"), which expires on December 31, 2004. The Water Purchase Agreement effectively transferred the possession of a reverse osmosis ("RO") plant to the Company in 2001, although the operation and maintenance of the plant will be the responsibility of OCL until the termination of the agreement on December 31, 2004. On January 1, 2005 responsibility for the operation and maintenance of the plant will be assumed by the Company. Under the terms of the agreement, the Company must purchase a fixed minimum amount of water annually with a portion of the monthly payments to be applied toward the purchase of the plant. Implicit in the agreement are financing charges relating to the purchase of the plant, based on the Company's cost of capital at the inception of the agreement. With the purchase of the equipment in 2000 financing charges for 2001 are $nil.

As at December 31, 2001 minimum future payments are as follows:

2002	1,350,704
2003	1,350,704
2004	1,350,704
Total minimum payments	$4,052,112

The RO plant acquired under the Water Purchase Agreement is included in plant and equipment in Note 4 at a gross amount of $3,633,997 (2000: $3,550,897) and at December 31, 2001 had a net book value of $1,250,890 (2000: $1,336,126). Amortization of this plant is included in the depreciation charge for each of the three years ended December 31, 2001. During the year ended December 31, 2000 the Company fulfilled the equipment purchase obligation as calculated under the Water Purchase Agreement. Accounts payable includes $192,340 (2000: $204,076) outstanding under the Water Purchase Agreement.

16. Customer supply agreements

During 1993 the Company entered into a five year agreement to supply non-potable water to Safe Haven Limited, the developers of a golf course in the Cayman Islands. On November 1, 1997 this agreement was renegotiated and renewed for a further five year period. Under the terms of the renewed supply agreement, the Company must supply a minimum of 4 million US Gallons per month (48 million US Gallons per year). The price of the water supplied is adjusted annually based on Government Price Indices. Water sales for the year ended December 31, 2001 resulting from the supply agreement amounted to $374,965 (2000: $571,969; 1999: $444,098). At December 31, 2001 the Company holds a non-interest bearing security deposit of $52,763 (2000: $52,763) under the terms of the supply agreement.

From October 15, 1995 the Company entered into a ten year agreement to supply a minimum of 30,000 US Gallons per day (10.95 million US Gallons per year) of potable water to Galleon Beach Resort Limited, the operator of the Westin Hotel in the Cayman Islands, which initially opened in December 1995. The price of the water supplied is adjusted annually based on Government Price Indices, and water supplied in excess of the monthly maximum of 60,000 US Gallons per day is invoiced at the Company's standard tariff rate. Water sales for the year ended December 31, 2001 resulting from this agreement amounted to $298,160 (2000: $299,333; 1999: $314,884).

From the acquisition date of Belize Water Ltd. in 2000, the Company is under contract to supply a minimum of 135,000 US Gallons per day (49.27 million US Gallons per year) to BWSL of Belize. The price of water supplied is adjusted annually based on Government indices. Water sales for the year ended December 31, 2001 resulting from this agreement amounted to $1,230,775 (2000: $464,928) (Note 12).

During the year ended December 31, 2000 the Company entered into a Water Supply Agreement with South Bimini International Ltd., a company incorporated in the Commonwealth of Bahamas. Under the agreement South Bimini International Ltd. is committed to pay for a minimum of 3,000 US Gallons of water per customer per month (36,000 US Gallons per year) on a take or pay basis in relation to the Bimini Sands Resort property in South Bimini Island, Bahamas. The price of water supplied is adjusted annually based on Government indices. On July 11, 2001 the Company began to supply water under the agreement and water sales for the period ended December 31, 2001 resulting from this agreement amounted to $26,333 (Note 12).

On December 10, 2001 the Company entered into a twenty-five year agreement to supply a minimum of 170,000 US gallons of potable water per day to Cayman Hotel and Golf Inc., the owners of the Hyatt Grand Cayman Resort and Britannia Golf Course in Grand Cayman. The price of the water supplied is adjusted annually based on Government Price Indices, and water supplied in excess of the monthly minimum of 170,000 US Gallons per day is invoiced at the Company's standard tariff rate. Water sales for the year ended December 31, 2001 resulting from this agreement amounted to $nil (Notes 14 and 25).

There are no other individually significant supply agreements.

17. Stock Compensation

The Company operates various stock compensation plans (described below) that form part of employee's remuneration. Stock compensation expenses of $169,599 are recorded in accordance with APB 25 and included within employee costs (2000: $124,772; 1999: $245,117).

17. Stock Compensation (continued)

Employee Share Incentive Plan (Preferred Stock)

The Company awards redeemable preferred stock (restricted stock) for $nil consideration under the Employee Share Incentive Plan as part of compensation for eligible employee services (excluding Directors and Executive Officers) that require future services as a condition to the delivery of the underlying shares of common stock. In addition options are granted to purchase preferred stock at a fixed price, determined annually, which will typically represent a discount to the market value of the underlying shares of common stock. In consideration for redeemed vested preferred stock, the Company issues ordinary shares of common stock on a share for share basis. Under the plan the conversion is conditional on the grantee's satisfying requirements outlined in the award agreements. The redeemable preferred stock is only redeemable with the Company's agreement. See Note 9 for the vesting schedule of outstanding preferred stock currently redeemable. The details of preferred stock and stock options granted and exercised under the Employee Share Incentive Plan is as follows:

	Year of Grant	Granted	Strike Price	Options Exercised	Options Expired
Preferred stock granted	1999	9,768	$nil	N/A	N/A
	2000	2,279	$nil	N/A	N/A
	2001	3,963	$nil	N/A	N/A
Preferred stock options granted	1999	9,768	$5.71	2,220	7,548
	2000	2,279	$5.47	1,136	1,143
	2001	3,963	$5.32	1,858	2,105

Each employee's option to purchase preferred stock must be exercised within 40 days of the annual general meeting of the Company following the date of grant.

Employee Share Option Plan (Ordinary Stock Options)

In 2001, the Company introduced an employee stock option plan for certain long-serving employees of the Company. Under the plan these employees are granted in each calendar year, as long as the employee is a participant in the Employee Share Incentive Plan, options to purchase ordinary shares of common stock. The price at which the option may be exercised will be the closing market price on the grant date, which is 40 days after the date of the Company's annual shareholder meeting. The number of options each employee is granted is equal to five times the sum of (i) the number of Redeemable Preferred Stock which that employee receives for $nil consideration and (ii) the number of Redeemable Preferred Stock option which that employee exercises in that given year. The option may be exercised during the period commencing on the fourth anniversary of the grant date and ending on the thirtieth day after the fourth anniversary of the grant date.

Non-Executive Directors' Share Plan

In 1999, the Company introduced a stock grant plan, which forms part of Directors' remuneration. Under the plan Directors receive a combination of cash and ordinary shares of common stock in consideration of remuneration for their participation in Board meetings. All Directors are eligible except Executive Officers (who are covered by individual employment contracts) and the Government elected board member. Ordinary shares of common stock granted is calculated with reference to a strike price that is set by the Board of Directors on October 1 of the year preceding the grant. Stock granted on September 30, 2001 totaled 7,860 (2000: 6,890). The strike price set on October 1, 2001 was $10.70 (October 1, 2000 $7.25).

17. Stock Compensation (continued)

Directors and Senior Management stock compensation
The Chairman and Chief Executive Officer ("CEO"), the President, Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"), the Vice President – Operations, and Director of Special Projects are entitled to receive, as part of the compensation for their services to the Company, options to purchase ordinary shares of common stock. One other director was granted options as remuneration for services rendered to the Company. Details of the options granted to and exercised by these directors and senior management are included in the table below. In addition, another member of senior management is entitled to receive, as part of compensation for services to the Group, ordinary shares of common stock of the Company. As at December 31, 2001 an amount of 3,172 shares (2000: 1,092) was due to this employee.

Non-employee
As part of an agreement for market representation, the Company issued options to purchase common stock to an investment company for $nil consideration. These options have an expiry date of one year commencing on the termination of the agreement, which management intends to formally terminate on April 3, 2002. The fair value of these options was determined by management to be $30,000, based on the fair value of the services to be received. Stock compensation expenses arising on these options were included within other indirect costs.

Summary of option plans:

Grant Date	Options Granted	Strike Price	Expiry Date	Options Exercised	Date Exercised
Chairman and CEO:					
December 31, 1999	7,786	US$2.50	20-Mar-03	-	-
December 31, 2000	26,924	US$7.10	15-Mar-04	-	-
December 31, 2001	28,507	US$10.84	10-Mar-05	-	-
President, COO and CFO:					
December 31, 2000	5,609	US$7.10	15-Mar-04	-	-
December 31, 2001	28,533	US$10.84	10-Mar-05	-	-
Vice President – Operations:					
December 31, 2000	20,193	US$7.10	15-Mar-04	-	-
December 31, 2001	20,800	US$10.84	10-Mar-05	-	-
Director of Special Projects:					
December 31, 1997	20,000	US$2.50	24-Feb-01	20,000	23-Feb-01
December 31, 1998	20,000	US$2.50	01-Mar-02	20,000	17-July-01
December 31, 1999	20,000	US$2.50	20-Mar-03	20,000	17-July-01
December 31, 2000	5,609	US$7.10	15-Mar-04	-	-
December 31, 2001	27,646	US$10.84	10-Mar-05	-	-

17. Stock Compensation (continued)

Grant Date	Options Granted	Strike Price	Expiry Date	Options Exercised	Date Exercised
Other Director:					
July 20, 1999	30,000	US$6.00	01-May-02	-	-
May 1, 2000	30,000	US$6.75	01-May-03	-	-
December 10, 2001	30,000	US$11.17	09-Dec-04	-	-
Former Officer:					
December 31, 2000	26,924	US$7.10	15-Mar-04	-	-
Non-Employee:					
December 15, 1998	30,000	US$7.88	03-Apr-03	-	-
Employees:					
July 6, 2001	22,605	US$ 9.20	04-Aug-05	-	-

Weighted average number and exercise price of options (all plans):

	2001		2000		1999	
of	Number share Options	Weighted average exercise price per of US$	Number share options	Weighted average exercise price per of US$	Number share options	Weighted average exercise price per US$
Outstanding at beginning of year	243,045	$5.73	127,786	$4.58	159,010	$3.51
Granted	162,054	$10.55	117,538	$6.98	67,554	$4.96
Exercised	(61,858)	$2.58	(1,136)	$5.47	(91,230)	$5.32
Forfeited	(2,105)	$5.32	(1,143)	$5.47	(7,548)	$5.32
Outstanding and exercisable at end of year	341,136	$8.59	243,045	$5.73	127,786	$4.58

17. Stock Compensation (continued)

The Company determines stock compensation costs according to the methodology outlined in APB Opinion No. 25. The table below summarizes the proforma effect if FASB Statement No. 123, the alternative applicable standard, was adopted:

	For the year ended December 31,		
	2001	2000	1999
Net income	$2,288,882	$2,111,755	$1,498,105
Basic earnings per ordinary share	$0.59	$0.59	$0.48
Diluted earnings per ordinary share	$0.57	$0.58	$0.47

Weighted average fair value per share under FAS 123 for options granted during the year:

	For the year ended December 31,		
	2001	2000	1999
Options granted with an exercise price below market price on the date of grant:			
Chairman and CEO	$3.78	-	$4.07
President, COO and CFO	$3.78	-	$4.07
Vice President – Operations	$3.78	-	-
Director of Special Projects	$3.78	-	-
Non-executive director	$3.89	$2.69	$3.69
Former Officer	-	-	$1.84
Employees – preferred stock	$3.88	$2.66	-
Employees – ordinary share options	$3.08	-	-
Overall weighted average	$3.71	$2.69	$3.80
Options granted with an exercise price above market price on the date of grant:			
Chairman and CEO	-	$2.57	-
President, COO and CFO	-	$2.57	-
Vice President – Operations	-	$2.57	-
Director of Special Projects	-	$2.57	-
Non-executive director	-	-	-
Former Officer	-	$2.57	-
Employees – preferred stock	-	-	-
Employees – ordinary share options	-	-	-
Overall weighted average		$2.57	-

17. Stock Compensation (continued)

In calculating the fair value for these options under FAS 123 the Black-Scholes model was used with the following weighted average assumptions:

Options granted with an exercise price below market price on the date of grant:

	2001	2000	1999
Exercise price	$10.55	$6.70	$4.37
Grant date market value	$10.97	$6.97	$6.98
Risk free interest rate	3.93%	6.56%	5.75%
Expected life	3.21 years	3.0 years	2.8 years
Expected volatility	52.79%	62.64%	72.55%
Expected dividend yield	3.67%	4.59%	3.46%

Options granted with an exercise price above market price on the date of grant:

	2001	2000	1999
Exercise price	-	$7.1	-
Grant date market value	-	$7.0	-
Risk free interest rate	-	5.0%	-
Expected life	-	3.2 years	-
Expected volatility	-	62.57%	-
Expected dividend yield	-	4.57%	-

Weighted average fair value per share under FAS 123 for shares issued during the year below market price on the date of grant:

	2001		2000		1999	
	Number of Shares	Weighted average fair value per share US$	Number of shares	Weighted average fair value per share US$	Number of shares	Weighted average fair value per share US$
Employee Share Incentive Plan	3,963	$9.00	2,279	$7.00	9,768	$5.83
Directors Share Plan	7,860	$7.25	6,889	$7.13	2,400	$6.75
Overall weighted average	11,456	$7.86	9,168	$7.09	12,168	$6.01

18. Taxation

Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company has received a tax exemption with respect to their Belize operations. The exemption expires in 2006 and is renewable in accordance with the provisions of the BWSL contract. Services to our customer in the Bahamas are provided by the Company, which is a Cayman Islands company that is not subject to taxation in the Commonwealth of the Bahamas.

19. Government royalties

Royalty expenses incurred during the year under the terms of the license to process and supply potable water, granted by the Government of the Cayman Islands, amounted to $694,351 (2000: $641,428; 1999: $560,441). In accordance with the terms of the license, royalties are payable at the rate of 7.5% of gross US gallon water sales. Payments are made monthly in arrears.

20. Pension benefits

A staff pension scheme commenced during June 1995 and was offered to all employees, both full and part-time. The scheme is administered by the Cayman Islands Chamber of Commerce and is a defined contribution plan, whereby the Company matches the contribution of the first 5% of each participating employee's salary. The total amount recognized as an expense under the scheme during 2001 was $63,740 (2000: $67,760 1999: $48,554).

21. Financial instruments

Credit risk:
Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash and accounts receivable. The majority of the Group's cash balances are placed with high credit quality financial institutions. With respect to accounts receivable, the Group's operations in Belize as described in Note 1 are concentrated with one customer. In addition, the Group's operations in Bahamas also described in Note 1 are also concentrated with one customer. As a result, the Group is subject to credit risk to the extent of any non-performance by these customers. As at December 31, 2001 the Group was owed $213,647 from the Belize customer and $448 from the Bahamian customer. Credit risk with respect to the remainder of the accounts receivable balance is limited due to the large number of customers comprising the Company's customer base and the ability of the Company to withdraw supply in the event of non-payment.

Interest rate risk:
The interest rates and terms of the Company's loans and Water Purchase Agreement are presented in Notes 8 and 15 respectively.

21. Financial instruments (continued)

Fair values:
At December 31, 2001 and 2000 the carrying amounts of cash and short term bank deposits and bank overdrafts, accounts receivable, accounts payable and accrued expenses approximated their fair values due to the short term maturities of these assets and liabilities. The Directors consider that the carrying amount for long term debt (Note 8) due to Royal Bank of Canada approximates fair value due to the characteristics of this debt. The fair value for long term debt due to European Investment Bank is approximately $1,041,000 (2000: $1,207,000) although this does not necessarily indicate that the Company could extinguish this debt for an amount lower than the carrying value. Fair value of this long term debt for which no market value is readily available is determined by the Company using predetermined future cash flows discounted at an estimated current incremental rate of borrowing for a similar liability. In establishing an estimated incremental rate, the Company has evaluated the existing transactions, as well as comparable industry and economic data and other relevant factors such as pending transactions, subsequent events and the amount the Company would have to pay a credit worthy third party to assume the liability, with the creditors legal consent.

22. Non-cash transactions

The Company made the following non-cash transactions:

	2001	2000	1999
Redemption of preferred stock and issue of replacement ordinary shares of common stock at $nil consideration (14,260, 10,639, and 14,835 shares respectively) (Note 9)	$ 17,112	$ 12,767	$ 17,802
Preferred stock issued to employees at $nil consideration (3,963, 2,279, and 9,768 shares respectively) (Notes 9 and 17)	$ 4,756	$ 2,735	$ 11,722
Redemption of non-vested preferred stock at $nil consideration (nil, 200, and nil shares respectively) (Note 9)	-	(240)	-
Ordinary shares of common stock issued under the Directors Share Plan at $nil consideration (7,861, 6,890, and 2,400, respectively) (Note 17)	56,998	49,084	14,850
Additional paid in capital from stock options	227,420	-	350,688
	$ 289,174	$ 51,579	$ 377,260
Reduction in ordinary shares and additional paid in capital from cancellation of shares repurchased (Note 9)	$ 271,595	$ 494,375	$ 758,928
Dividends declared but not paid (Note 7)	$ 499,383	$ 401,965	$ 266,585
Depreciation charges capitalized (Note 4)	$ 24,764	$ 33,682	$ 35,749

23. Impact of recent accounting pronouncements

During the year ended December 31, 2001, the Financial Accounting Standards Board issued four standards. A summary of these standards is given below:

Statement of Financial Accounting Standard No. 141, "Business Combinations" (FAS 141) addresses financial accounting and reporting for business combinations. It requires all business combinations covered by the scope of the Standard to be accounted for using the purchase method. It is effective for business combinations initiated after June 30, 2001 and business combinations completed on July 1, 2001 and later which use the purchase method of accounting. Although the Company has no pending business combinations that would be affected by this statement, the requirements of this statement will be considered in any business combination contemplated in the future.

Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (FAS 142) addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. It requires that goodwill and other intangible assets having indefinite useful lives be tested annually for impairment using a fair-value based test and prohibits amortization. Assets having finite useful lives would continue to be amortized over those lives. The Standard also provides specific guidance for testing goodwill and other intangible assets for impairment and also requires additional disclosures concerning goodwill and other intangible assets. FAS 142 is effective for fiscal years beginning after December 15, 2001 and must be applied to all goodwill and other intangible assets recognized in financial statements as of the start of that fiscal year. Impairment losses resulting from the initial application of the Standard are to be reported as resulting from a change in accounting principle. At this time, the Company does not believe the adoption of the Standard will have an impact on its financial position or results of operations.

Statement of Financial Accounting Standard No. 143, "Accounting for Asset Retirement Obligations" (FAS 143) addresses the recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement costs. It requires that an existing legal obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred and outlines the method of measuring that liability. It is effective for financial years beginning after June 15, 2002. Currently the Company has no legal obligations relating to asset retirement, however the requirements of this statement will be considered if any legal obligations relating to the retirement of long-lived assets arise in the future.

Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (FAS 144) addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. It requires that an impairment loss be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds the fair value of the long-lived asset. The Standard also provides guidance on estimating future cash flows used to test a long-lived asset for recoverability. The test for impairment should be performed whenever events or circumstances indicate that its carrying value may not be recoverable. Restoration of previously recognized impairment loss is prohibited. FAS 144 is effective for fiscal years beginning after December 15, 2001. For the year ended December 31, 2001 the Company performed an impairment test on its long-lived assets of which no impairment was found.

24. Comparative figures

Certain of the prior years figures have been adjusted to conform to the current years presentation.

25. Subsequent Event

Subsequent to the year end, on February 1, 2002 the Company acquired and took possession of the reverse osmosis plant, equipment and water storage facilities comprising the potable water production plant at the Hyatt Grand Cayman Hotel and Ellesmere Britannia Golf Course located on Grand Cayman, Cayman Islands. The consideration for the operations acquired was a cash payment of $1,500,000. (Notes 14 and 16)

Board of Directors

Jeffrey M. Parker
Chairman and Chief Executive Officer
Grand Cayman, Cayman Islands

Frederick W. McTaggart
President, Chief Operating Officer and
Chief Financial Officer
Grand Cayman, Cayman Islands

J. Bruce Bugg, Jr.
Vice Chairman of Consolidated Water Co. Ltd
Argyle Partners Ltd
Chairman and Chief Executive Officer of
Argyle Investment Co., LLC

Brian E. Butler
Property Developer, Columbus Developments Ltd
Grand Cayman, Cayman Islands

Steven A. Carr
President, Carr & Associates
Director, First National Bank of Bryan
Bryan, Texas, USA

Richard L. Finlay
Attorney at Law, Partner
Charles Adams, Ritchie and Duckworth
Grand Cayman, Cayman Islands

Clarence B. Flowers, Jr.
Real Estate Developer, Orchid Development
Company Ltd and Director of concrete block
manufacturers C.L. Flowers & Sons
Grand Cayman, Cayman Islands

Peter D. Ribbins
Director, Special Projects
Grand Cayman, Cayman Islands

Wilmer F. Pergande
Vice President Special Projects
Osmonics Inc, USA

Raymond Whittaker
Banker
Grand Cayman, Cayman Islands

Carson J. Ebanks, JP
Permanent Secretary for The Ministry of
Community Services, Woman's Affairs,
Youth and Sports
Grand Cayman, Cayman Islands

Corporate Officers

Jeffrey M. Parker
Chairman and Chief Executive Officer

Frederick W. McTaggart
President, Chief Operating Officer and
Chief Financial Officer

Gregory S. McTaggart
Vice President Operations

J. Bruce Bugg, Jr.
Vice Chairman

Peter D. Ribbins
Director, Special Projects

Independant Accountants

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Grand Cayman

Legal Counsel

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Grand Cayman

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600 Corporate Drive
Suite 514, Ft. Lauderdale,
Florida 33334, USA

Principal Bankers

Royal Bank of Canada
George Town, Grand Cayman

European Investment Bank
Luxembourg

Transfer Agents & Registrar

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038, USA

Stock Exchange Listing

The Company's ordinary shares trade on the Nasdaq National Market. The trading symbol is 'CWCO'.

"The Nasdaq Stock Market" or "Nasdaq" is a highly-regulated electronic securities market comprised of competing Market Makers whose trading is supported by a communications network linking them to quotation dissemination, trade reporting, and execution systems.

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Form 10Q and 10K

The Company files Quarterly and Annual Reports with the US Securities and Exchange Commission on Form 10Q and 10K, pursuant to the Securities Exchange Act of 1934. A copy of these reports may be obtained by calling or writing to the Company's principal offices at the address shown overleaf, attention: Investor Relations Department, or alternatively online at the SEC website www.sec.gov

Investor Information

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