CONSOLIDATED WATER CO LTD
Form F-2/A
June 12, 2003

Table of Contents

As filed with the Securities and Exchange Commission on June 12, 2003

Registration No. 333-104902

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
To

FORM F-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Consolidated Water Co. Ltd.

(Exact name of Registrant as specified in charter)

Cayman Islands, B.W.I.	**None**
(State or other jurisdiction of incorporation or registration)	*(I.R.S. Employer Identification No.)*

Trafalgar Place, West Bay Road
P.O. Box 1114GT
Grand Cayman, Cayman Islands, B.W.I.
(345) 945-4277
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Edwards & Angell, LLP
350 East Las Olas Boulevard
Fort Lauderdale, Florida 33301-4215
(954) 727-2600
(Name, address, including zip code, and telephone number, including area code, of agent for notice)

Copies to:

Leslie J. Croland, P.A.	**Justin P. Klein, Esq.**
Edwards & Angell, LLP	**Ballard Spahr Andrews & Ingersoll, LLP**
350 East Las Olas Boulevard	**1735 Market Street, 51st Floor**
Fort Lauderdale, Florida 33301-4215	**Philadelphia, Pennsylvania 19103**
(954) 667-6129	**(215) 864-8606**

Approximate date of commencement of proposed sale to the public: As soon as reasonably practicable after the effective date of this Registration Statement. o

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

Table of Contents

SUBJECT TO COMPLETION, DATED JUNE 12, 2003

PROSPECTUS

1,767,662 Ordinary Shares

We are selling 1,200,000 ordinary shares offered in this prospectus and the selling shareholder is selling 567,662 ordinary shares. We will not receive any proceeds from the ordinary shares sold by the selling shareholder.

We have granted the underwriters a 30-day option to purchase up to 265,150 additional ordinary shares on the same terms and conditions as the ordinary shares purchased in this offering solely to cover over-allotments of shares.

Our ordinary shares are listed for trading on the Nasdaq Stock Market s National Market under the symbol CWCO. On June 11, 2003, the last reported sale price for our ordinary shares was $14.25 per share.

Before investing, you should review the Risk Factors beginning on page 10.

	Per Share	Total
Initial price to public	$	$
Underwriting discounts	$	$
Proceeds, before expenses, to Consolidated Water	$	$
Proceeds to the selling shareholder	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Janney Montgomery Scott LLC, on behalf of the underwriters, expects to deliver the ordinary shares on or about , 2003.

JANNEY MONTGOMERY SCOTT LLC

WELLS FARGO SECURITIES, LLC

The date of this prospectus is , 2003

Table of Contents

[Company logo and

photos of service territories]

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

Until , all dealers that affect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotment or subscriptions.

Table of Contents

PROSPECTUS SUMMARY

This summary calls your attention to selected information in this prospectus, but may not contain all the information that is important to you. Unless otherwise indicated, all the information contained in this prospectus assumes that the underwriters will not exercise their over-allotment option. To understand this offering fully and for a more complete description of this offering, you should read this entire document carefully, including particularly the Risk Factors section, as well as the documents we have referred you to in the section called Where You Can Find More Information. Unless otherwise indicated, all dollar amounts listed in this prospectus are in United States Dollars and any references to $ or U.S.$ are to United States Dollars. References in this prospectus to CI$, BZE$, or BAH$ or BDS$ are to Cayman Islands Dollars, Belizean Dollars, Bahamian Dollars or Barbados Dollars, respectively.

Our Business

Our company, Consolidated Water Co. Ltd., uses reverse osmosis technology to produce freshwater from seawater. We process and supply water to our customers in the Cayman Islands, Belize, Barbados, the British Virgin Islands and the Commonwealth of the Bahamas. We sell water to a variety of customers, including public utilities, commercial and tourist properties, residential properties and government facilities. For the three months ended March 31, 2003, we sold 443 million U.S. gallons of water and reported total revenue of $4.0 million and net income of $1.0 million. For the year ended December 31, 2002, we sold 640 million U.S. gallons of water and reported total revenue of $12.2 million and net income of $2.6 million.

On February 7, 2003, we acquired interests in five companies which operate a total of seven plant facilities. These acquisitions increase our daily water production capacity in the Cayman Islands and the Commonwealth of the Bahamas and expand our geographic presence to include Barbados and the British Virgin Islands. As a result of these acquisitions, our daily capacity has more than tripled from approximately 2.9 to 10.9 million U.S. gallons per day. With one of these acquisitions, we obtained the exclusive right through 2009 to distribute the DWEER™ Energy Recovery System for use in reverse osmosis seawater desalination plants in the Caribbean basin. We believe the DWEER™ System gives us a distinct competitive advantage when bidding for new plant construction projects. (See Recent Acquisitions).

Assuming our acquisitions occurred January 1, 2002, pro forma revenues would have been $21.7 million and pro forma net income would have been $4.4 million for the year ended December 31, 2002, representing increases over reported results of approximately 77.7% and 71.3%, respectively. Assuming our acquisitions occurred January 1, 2002, pro forma revenues would have been $5.5 million and pro forma net income would have been $1.2 million for the three months ended March 31, 2003, representing increases over reported results of approximately 36.5% and 17.6%, respectively. We are presenting this pro forma information to illustrate the impact that these acquisitions would have had on our operations if they had occurred on January 1, 2002. The notes to our unaudited condensed pro forma consolidated financial statements describe the adjustments made to our audited consolidated financial statements for the year ended December 31, 2002.

The following table shows the countries in which we currently operate, the percent of our revenues, the number of water plants and the water capacity for the year ended December 31, 2002. The first column contains the percentage of our actual revenues, actual number of water plants and the water capacity attributable to each country for 2002. The second column indicates what the percentage of our revenues,

Table of Contents

including our share of net profits in equity investments, the number of water plants and the water capacity would have been in 2002 had we acquired these interests on January 1, 2002.

	For the year Ended December 31, 2002			Pro Forma Data For the year Ended December 31, 2002		
	Revenue	Number of Plants	Capacity**	Revenue	Number of Plants	Capacity**
				(Assuming the recent acquisitions had occurred as of January 1, 2002)		
Cayman Islands	86.9%	3	2.4	63.7%	6	5.3
Belize	12.1%	1	0.4	6.4%	1	0.4
Barbados				3.2%	1	1.3
British Virgin Islands*				8.4%	2	1.2
Bahamas	1.0%	1	0.1	18.3%	2	2.7

* The British Virgin Islands company is not consolidated and the revenues reflected represent fees received.

** Millions of U.S. gallons of water per day

Our Strategy

Our strategy is to provide water services in areas where the supply of potable water is scarce. We have focused on the Caribbean basin and adjacent areas as our principal market because these areas have: little or no naturally occurring fresh water; limited local regulations and taxes allowing us to benefit from higher returns than more highly regulated countries; and a large proportion of tourist properties, which historically have generated higher volume sales than residential properties.

To execute this strategy, we plan to grow our business by:

- continuing to develop our production and distribution infrastructure and provide high quality potable water to our licensed area in the Cayman Islands;
- expanding our existing operations in the Cayman Islands, Belize, Barbados, the British Virgin Islands and the Commonwealth of the Bahamas;
- extending our operations to other markets outside of our current areas of operation where there is a need for potable water; and
- broadening our existing and future operations into complementary services.

Our Address and Telephone Number

Our company, formerly known as Cayman Water Company Limited, was incorporated in August 1973 under the laws of the Cayman Islands. Our registered office is located at Trafalgar Place, West Bay Road, Grand Cayman. Our mailing address is P.O. Box 1114GT, Grand Cayman, Cayman Islands, British West Indies and our telephone number is (345) 945-4277.

Table of Contents

[Map of plant locations]

3

Table of Contents

The Offering

Ordinary shares offered	1,200,000
Ordinary shares offered by the selling shareholder	567,662
Ordinary shares outstanding before this offering	4,275,568
Ordinary shares to be outstanding after this offering	5,475,568
Nasdaq National Market symbol	CWCO
Ordinary shares 52-week price range (through June 6, 2003)	$11.24 to $15.47
Current annualized dividend rate	$0.42 per share
Use of Proceeds	We plan to use a portion of the net proceeds of this offering, estimated to be $15.7 million, to repay some of the debt used or that will be used to finance our acquisitions. The balance of the net proceeds will be used for general corporate purposes.
Over-allotment Option	We have granted the underwriters of this offering an option to purchase from us up to an additional 265,150 ordinary shares.

Table of Contents

Summary Consolidated Financial Information

Set forth below is a summary of our audited consolidated financial data for each of the years in the three-year period ended December 31, 2002 and unaudited consolidated financial data for the three months ended March 31, 2003 and March 31, 2002. We believe that we have made all adjustments necessary for the fair presentation of our unaudited financial data. Our results for the interim period ended March 31, 2003 are not necessarily indicative of our results for the full year. The information is expressed in U.S. dollars. This summary financial data is derived from and should be read in conjunction with our consolidated financial statements and notes thereto and the section of this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this prospectus.

We voluntarily adopted accounting principles generally accepted in the United States of America, effective January 1, 2000. Previously, financial statements were prepared in accordance with International Financial Reporting Standards.

	Year Ended December 31,			Three Months Ended March 31,	
	2002	**2001**	**2000**	**2003(1)**	**2002**
	(in thousands, except for per share data)			(unaudited) (in thousands, except for per share data)	
Consolidated Statement of Income Data:					
Water sales and service income	$ 11,911	$ 11,027	$ 9,577	$ 4,019(2)	$ 3,185
Cost of water sales and services	6,882	6,109	5,423	2,074	1,667
Gross profit	5,029	4,918	4,154	1,945	1,518
Indirect expenses	2,748	2,600	2,198	927	579
Income from operations	2,281	2,318	1,956	1,018	939
Other income (expenses)	295	447	449	6(2)	(12)
Taxes				(6)	
Net income	$ 2,576	$ 2,765	$ 2,405	$ 1,018	$ 927
Basic earnings per share	$ 0.65	$ 0.71	$ 0.68	$ 0.25	$ 0.24
Diluted earnings per share	$ 0.63	$ 0.69	$ 0.67	$ 0.24	$ 0.23

	As of December 31,			As of March 31, 2003
	2002	**2001**	**2000**	
		(in thousands)		(unaudited) (in thousands)
Consolidated Balance Sheet Data:				
Total current assets	$ 3,622	$ 2,479	$ 2,193	$ 10,270
Total assets	25,508	22,721	21,846	57,703
Current liabilities	2,107	1,942	2,393	14,718
Long term debt	2,075	1,214	1,226	18,323
Total liabilities	4,382	3,247	3,619	33,177
Stockholders equity	21,126	19,474	18,227	24,526

(1) The results for the three months ended March 31, 2003 include results of the acquired companies from February 1, 2003.

(2) Prior to our recent acquisitions, our income, other than from water sales, has not been material and was shown as other income in our financial statements. Our business has changed as a result of our acquisitions and because income, other than from water sales, is material, it is therefore reflected in water sales and service income from January 1, 2003.

Table of Contents

Summary Unaudited Pro Forma Financial Data

The following sets forth unaudited condensed pro forma consolidated financial data for our company for the year ended December 31, 2002 giving effect to our recent acquisitions of DesalCo Limited, DesalCo (Barbados) Ltd., Ocean Conversion (Cayman) Limited, Ocean Conversion (BVI) Ltd. and Waterfields Company Limited which are summarized in the following section entitled Recent Acquisitions, as if such acquisitions had been completed on January 1, 2002 for purposes of consolidated statement of income data and as if such acquisitions had been completed on March 31, 2003 for purposes of consolidated balance sheet data.

The unaudited condensed pro forma consolidated financial statements have been prepared using the purchase method of accounting for acquisitions. The aggregate purchase price for the acquisitions, including transaction costs, was approximately $36.4 million and consisted of $34.1 million in cash and 185,714 of our ordinary shares valued at approximately $2.3 million. Our acquired interests in Ocean Conversion (BVI) have been accounted for using the equity method of accounting. Under the equity method of accounting, the investment in Ocean Conversion (BVI) is recorded at cost and adjusted for our share of earnings or losses, less dividends.

The information for the unaudited consolidated statement of income data for the year ended December 31, 2002 has been derived from our audited consolidated financial statements, the audited combined financial statements of Ocean Conversion (Cayman), DesalCo, DesalCo (Barbados) and Ocean Conversion (BVI) and the audited financial statements of Waterfields included in this prospectus beginning at page F-1. The information for the unaudited consolidated statement of income data and the balance sheet data at and for the period ended March 31, 2003 has been derived from our unaudited consolidated financial statements and the unaudited consolidated financial statements of Waterfields Company Limited. The pro forma adjustments relating to the acquisition of these entities are based upon available information and assumptions that are considered reasonable under the circumstances. Final adjustments could differ from these adjustments.

	Year Ended December 31, 2002	Three Months Ended March 31, 2003
	(unaudited) (in thousands, except for per share data)	
Consolidated Statement of Income Data:		
Sales	$ 21,660	$ 5,485
Cost of sales	12,840	2,956
Gross profit	8,820	2,529
Indirect expenses	6,455	1,239
Income from operations	2,365	1,290
Other income (expenses)	2,208	(71)
Taxes and minority interests	(158)	(23)
Net income	$ 4,415	$ 1,196
Basic earnings per share	$ 1.06	$ .29
Diluted earnings per share	$ 1.03	$ .28

Table of Contents

	As of March 31, 2003
	(in thousands)
Consolidated Balance Sheet Data:	
Total current assets	$ 14,514
Total assets	68,666
Current liabilities	23,737
Long term liabilities	20,403
Total liabilities	44,140
Stockholders equity	24,526

Recent Acquisitions

On February 7, 2003, we completed several acquisitions enabling us to expand our operations to the British Virgin Islands and Barbados, while increasing our presence in the Cayman Islands and the Bahamas. Specifically, we acquired equity and other interests in four companies providing potable water services in Nassau, the Bahamas; Tortola, British Virgin Islands; St. James, Barbados and the Cayman Islands and a fifth company providing management, engineering and construction services to these companies for a total purchase price of $25.5 million in cash and 185,714 of our ordinary shares. We also have an agreement to acquire an additional 13.5% of the shares of Waterfields, the acquired company providing water services in the Bahamas, for approximately $1.4 million and have also engaged in a tender offer conducted outside of the United States for an additional 64.7% of the remaining shares of Waterfields for approximately $6.7 million, bringing our holdings in Waterfields to 90.9%. The Waterfields transaction is subject to governmental approval which we expect to receive by June 30, 2003. In addition to the Waterfields acquisition, our recently-acquired wholly-owned subsidiary, DesalCo Limited, sold 100% of the non-voting stock of Ocean Conversion (BVI) Ltd., to Sage Water Holdings (BVI) Ltd., the remaining shareholder of Ocean Conversion (BVI), for $2.1 million cash. Upon completion of all of these transactions, we will have paid an aggregate amount of approximately $34.1 million in cash (including transaction costs) and issued 185,714 of our ordinary shares, which we are required to register with the Securities and Exchange Commission for resale.

Table of Contents

The following chart shows our ownership interest in these companies following completion of these acquisitions:

DesalCo Limited Cayman Islands
DesalCo (Barbados) Ltd. Barbados

On February 7, 2003, we acquired all of the issued and outstanding stock of DesalCo Limited, a Cayman Islands company, for approximately $11.4 million. DesalCo provides management and engineering services to Ocean Conversion (Cayman) Limited, Ocean Conversion (BVI) Ltd. and engineering services to Waterfields Company Limited. These services include all management support, including accounting, financial reporting, audit coordination, personnel management, plant management and maintenance. In addition to these management and engineering services, DesalCo owns all of the stock of DesalCo (Barbados) Ltd., a Barbados company, which operates a desalination plant for and sells desalinated water to Sandy Lane Properties Ltd. which owns a golf resort in St. James, Barbados. Sandy Lane Properties is our only customer in Barbados. The operating agreement between Sandy Lane Properties Ltd. and DesalCo was assigned to DesalCo (Barbados), although DesalCo provides some management, engineering, purchasing and other services for a fixed monthly fee and receives a share of the revenues generated by the desalination plant.

Our wholly-owned subsidiary, DesalCo, is currently the exclusive distributor in the Caribbean basin for the DWEER™ System produced by DWEER Technology Ltd. for use in reverse osmosis seawater desalination plants through 2009. Based upon its operating specifications, the DWEER™ Energy Recovery System for reverse osmosis seawater desalination plants is one of the most energy efficient systems of its kind. The DWEER™ distributorship agreement may be terminated by DWEER Technology Ltd. if we fail to diligently promote the sale and use of the DWEER™ System or if we challenge the validity of any DWEER™ intellectual property.

Table of Contents

Ocean Conversion (Cayman) Limited   Cayman Islands
Ocean Conversion (BVI) Ltd.   British Virgin Islands

On February 7, 2003, we purchased all of the voting stock and profit sharing rights relating to Ocean Conversion (Cayman) Limited, a Cayman Islands company, and through DesalCo, 50% of the issued and outstanding voting stock and certain profit sharing rights relating to Ocean Conversion (BVI) Ltd., a British Virgin Islands company, for approximately $14.1 million and 185,714 of our ordinary shares.

Ocean Conversion (Cayman) sells desalinated water under various licenses and agreements to the Water Authority   Cayman, which in turn distributes the water to customers outside our exclusive licensed area via pipeline. All of the non-voting stock of Ocean Conversion (Cayman) is owned by DesalCo and was acquired by us in the DesalCo transaction as previously discussed. As a result of these two transactions, we own 100% of the voting and non-voting stock of Ocean Conversion (Cayman).

Ocean Conversion (BVI) sells desalinated seawater on the island of Tortola to the Department of Water and Sewerage of the Ministry of Communications and Works of the British Virgin Islands government, which in turn distributes the water to customers via its own pipeline. All of the non-voting stock of Ocean Conversion (BVI) is owned by DesalCo and was acquired by us in the DesalCo transaction as previously discussed. As part of our agreement to acquire Ocean Conversion (BVI), we surrendered 18.2% of our profit sharing rights to Ocean Conversion (BVI) in return for the issuance to DesalCo of an additional 45,000 non-voting shares of Ocean Conversion (BVI). DesalCo sold these 45,000 shares of non-voting stock and all of its previously acquired shares of non-voting stock to the remaining shareholder, Sage Water Holdings (BVI) Ltd., for approximately $2.1 million in cash. We share equal control of the voting stock and the profit sharing rights of Ocean Conversion (BVI) with Sage Water Holdings and Sage Water Holdings owns all of the shares of non-voting stock of Ocean Conversion (BVI). As a result of these transactions, we hold 43.5% of the economic interests in Ocean Conversion (BVI).

Waterfields Company Limited   The Bahamas

In connection with our acquisition of DesalCo, we acquired control of 12.7% of the stock of Waterfields Company Limited currently owned by DesalCo, as well as the engineering service agreement between Waterfields and DesalCo. Waterfields owns and operates a reverse osmosis seawater desalination plant and sells desalinated seawater on a take or pay basis to the Water & Sewerage Corporation of the Bahamas which in turn distributes the water to customers via its own pipeline. We have an agreement with Bacardi & Co. Ltd. pursuant to which we will acquire approximately 13.5% more of the stock of Waterfields and we will be assigned the management agreement between Waterfields and Bacardi for an aggregate price of $1.4 million. In addition to the transaction with Bacardi, we also have an agreement to acquire an additional 64.7% of the shares of Waterfields for approximately $6.7 million through a tender offer conducted outside the United States to the remaining shareholders of Waterfields. Each of these transactions is subject to government approval, which we expect to receive by June 30, 2003. As a result of the tender offer and the transactions with Bacardi and DesalCo, we will own 90.9% of the issued and outstanding shares of Waterfields. While we will not own all of the shares of Waterfields, we will control the right to appoint all of the directors of its board of directors.

Table of Contents

RISK FACTORS

We have described for you below all of the known material risks involved in investing in the ordinary shares which we offer under this prospectus. You should carefully consider each of the following risk factors and all of the information in this prospectus.

Our exclusive license for our service area in the Cayman Islands may not be renewed in the future and requires that we obtain prior approval for any rate increase for reasons other than inflation.

In the Cayman Islands, we presently operate as a public water utility under an exclusive license originally issued to us in December 1979 by the government of the Cayman Islands. Our existing license expires on July 11, 2010. If we are not in default of any terms of the license, we have a right of first refusal to renew the license on terms that are no less favorable than those which the government offers to a third party. Nevertheless, we cannot assure you that we will be able to renew our license on favorable terms. We would retain ownership of our production infrastructure and substantially all of our distribution infrastructure if our license were not renewed.

Under our existing license, we must obtain prior approval from the Cayman Islands government to increase our rates for any reason other than inflation. Our ability to raise our rates is limited by this requirement, including potential delays and costs involved in obtaining government approval for a rate increase. Failure to obtain adequate rate increases could have an adverse effect on our results of operations.

We rely on water supply agreements with our customers in Belize, the Bahamas, the British Virgin Islands and Barbados which, upon their expiration, may not be renewed or may be renegotiated on less favorable terms to us.

We presently operate as a bulk water supplier under water sales agreements in Belize with our customer, the Belize Water Services Limited, in the Bahamas with our customers, the Water & Sewerage Corporation and South Bimini International Ltd., in Barbados with our customer, Sandy Lane Properties Ltd. and in the British Virgin Islands with our customer, the Department of Water & Sewerage of the Ministry of Communications & Works of the British Virgin Islands government. Upon expiration, these agreements may not be renewed or may be renewed on less favorable terms.

We are now subject to additional water supply licenses which may not be renewed or may be renegotiated on terms unsatisfactory to us.

As a result of our recent acquisition of Ocean Conversion (Cayman), it now operates as our subsidiary. Ocean Conversion (Cayman) sells water to the Water Authority Cayman under three water supply licenses expiring in March 2006, November 2008 and October 2009, respectively. While we intend to renegotiate these licenses prior to expiration, we cannot provide any assurances that the government will renew these licenses or that we will be able to negotiate new licenses on satisfactory terms. Failure to renegotiate the licenses on satisfactory terms could have an adverse effect on our results of operations.

Termination of our exclusive distributorship agreement with DWEER Technology Ltd. would eliminate the competitive advantage that we presently have over our competition in obtaining new plants in the Caribbean basin.

Our wholly-owned subsidiary, DesalCo, is currently the exclusive distributor in the Caribbean basin for the DWEER™ System produced by DWEER Technology Ltd. for use in reverse osmosis seawater desalination plants through 2009. As a result, none of our competitors are able to offer this technology when bidding for new reverse osmosis seawater desalination plants in the Caribbean basin. As the DWEER™ System is one of the most energy efficient recovery systems of its kind, the distributorship agreement with DWEER Technology Ltd. gives us a unique competitive advantage. If the distributorship agreement were terminated or not renewed on equally favorable terms, we would lose this competitive advantage, and it may be more difficult for us to obtain new contracts for plants in the Caribbean basin.

Table of Contents

The British Virgin Islands government has taken the position that our water supply agreement is operating on a month-to month basis.

The term of Ocean Conversion (BVI) s existing water supply agreement in the British Virgin Islands is uncertain. Ocean Conversion (BVI) believes that the existing water supply agreement with the British Virgin Islands Water and Sewerage Department was automatically extended to May 2006 when the British Virgin Islands government did not make a required buyout payment in May 1999. The British Virgin Islands government has taken the position that the water supply agreement continues on a month-to-month basis. Thus, it is possible that the government could attempt to terminate the agreement at any time. Based upon our expected income from operations in the British Virgin Islands in 2003 using existing contract rates, we anticipate that we would lose approximately $375,000 of net income per quarter if the British Virgin Islands government terminated our agreement. While Ocean Conversion (BVI) is currently attempting to negotiate a further extension of this agreement, there is no guarantee that an extension will be granted, or that if granted, such extension will be on terms favorable to Ocean Conversion (BVI). Failure to negotiate this agreement on favorable terms to us could have an adverse effect on our result of operations.

We may not be able to successfully integrate the new assets that we acquired in the recent acquisitions.

Increasing our size in a relatively short period of time has placed a significant strain on our management resources. Management may be required to spend additional time and money on integration that would otherwise be spent developing our business and services and may not be successful in integrating the acquired assets into our current operations. For example, integrating our new assets requires us to expand our management information systems and control our operating expenses. As a result, we cannot assure you that the acquisitions will provide us with the expected benefits. In addition, we cannot assure you that these acquisitions will not have a negative impact on our business and results of operations.

The costs of integrating our new assets may affect our ability to pay dividends.

We have historically sought to pay cash dividends to our shareholders out of our net income on a quarterly basis if funds are available. The costs associated with integrating our new assets, however, may reduce our net income. If our net income is reduced, we will have fewer funds available to pay dividends. In addition, our bank loan agreement with Scotiabank (Cayman Islands) Ltd. requires that we pay dividends from current cash flow.

Our business is affected by tourism, weather conditions, the economies of the locations where we provide service, the U.S. and European economies and the international political climate.

Tourist arrivals and weather conditions within our operating areas affect the demand for our water to a greater extent in the Cayman Islands and in Belize than in the Bahamas, the British Virgin Islands and Barbados. In the Cayman Islands and Belize, the highest demand is normally in the first two quarters of each calendar year. The lowest demand for water occurs in the third quarter of each calendar year. A significant percentage of tourists visiting the Cayman Islands and Belize come from the U.S. or certain European countries. In addition, development activity in our service areas in the Cayman Islands is significantly impacted by the U.S. economy. Accordingly, a significant downturn in tourist arrivals to the Cayman Islands or in the U.S. or European economies for any reason would be detrimental to our revenues and operating results. After the events of September 11, 2001, tourism decreased in the Cayman Islands and has not yet returned to historical levels. Additional terrorist activities in the United States, Europe or in the areas served by us or extended hostilities in the Persian Gulf would likely have a material adverse effect on our business and results of operations.

Table of Contents

We may have difficulty accomplishing our growth strategy within and outside of our current operating areas.

Even though we have an exclusive license for our present operating area in the Cayman Islands as well as supply agreements in the Cayman Islands, the Bahamas, the British Virgin Islands, Barbados and Belize, our ability to expand our operating areas is often subject to the approval of the respective governments in each location.

Further, part of our long-term growth strategy is to expand our water supply and distribution operations to other locations outside the areas in which we normally operate. Our expansion into new locations depends on our ability to obtain necessary permits, licenses and approvals to operate in new territories in a timely and cost efficient manner.

Our expansion to territories outside of our current operating areas includes significant risks, including the following:

- regulatory risks, including government relations, local regulations and currency controls;

- risks related to operating in foreign countries, including political instability, reliance on local economies, environmental or geographical problems, immigration restrictions and shortages of materials and skilled labor;

- risks related to development of new operations, including assessing the demand for water, engineering difficulties and inability to begin operations as scheduled; and

- risks relating to greater competition in these new territories, including the ability of our competitors to gain or retain market share by reducing prices.

Even if our expansion plans are successful, we may have difficulty managing our growth. We cannot assure you that any new operations outside of our current operating areas will attain or maintain profitability or that the results from any new operations will not negatively affect our overall profitability.

We do not own a majority interest in Ocean Conversion (BVI).

We recently acquired 50% of the voting shares of Ocean Conversion (BVI) which allows us to appoint three of the six directors of that company. Sage Water Holdings (BVI) Ltd., which owns the remaining 50% of the voting shares, is entitled to appoint the remaining three directors. If there is a tie vote of the directors on any matter, the president of the Caribbean Water and Wastewater Association is entitled to appoint a temporary director to break the tie. As a result, we will have to share the management of Ocean Conversion (BVI) with Sage Water Holdings. Although we will provide management and engineering services to Ocean Conversion (BVI), we will not fully control the operations of the company.

Our operations in the Caribbean could be harmed by hurricanes.

A significant hurricane could cause major damage to our equipment and properties and the properties of our customers, including the large tourist properties in these areas. This would result in decreased revenues and profits from water sales until our damaged equipment and properties are repaired and our customers and the tourism industry returned to the status quo before the hurricane. We do not insure our underground water distribution system on the Cayman Islands, nor the Governor s Harbour reservoirs which are constructed from earthen berms.

Contamination to our water may cause disruption in our services and adversely affect our revenues.

Our processed water may become contaminated by naturally-occurring or man-made compounds and events. In the event that a portion of our processed water is contaminated, we may have to interrupt the supply of that water until we are able to install treatment equipment or substitute the flow of water from an uncontaminated water production source. In addition, we may incur significant costs in order to treat a contaminated source of plant feed water through expansion of our current treatment facilities, or development of new treatment methods. Our inability to substitute processed water from an uncontaminated water source, or to adequately treat the contaminated plant feed water in a cost-effective manner may have an adverse effect on our revenues.

In addition, after the events of September 11, 2001, we have taken steps to heighten employee awareness of threats to our water supply. We have and will continue to bear costs for security precautions to protect our facilities, operations and supplies. We are not aware of any specific threats to our facilities, operations or supplies. It is possible, however, that we would not be in a position to control the outcome or the costs of such events should they occur, which could have a material adverse effect on the results of our operations.

We could be negatively affected by potential government actions and regulations.

Any government that regulates our operations may enact legislation or adopt new regulations, including but not limited to:

- restricting foreign ownership of us;
- providing for the expropriation of our assets by the government;
- providing for changing water quality standards;
- requiring unilateral changes to or renegotiation of our exclusive licenses; or
- causing currency exchange fluctuations or devaluations or changes in tax laws.

We rely heavily on the efforts of several key employees.

Our success depends upon the abilities of our executive officers. In particular, the loss of the services of Jeffrey Parker, our Chairman and Chief Executive Officer, or Fredrick McTaggart, our President, Chief Operating Officer and Chief Financial Officer, could be detrimental to our operations and our continued success. Although Messrs. Parker and McTaggart entered into three-year employment agreements commencing in 1998 and 2000, respectively, and which automatically extend every year for an additional one-year term, we cannot guarantee that Messrs. Parker or McTaggart will continue to work for us during the terms of their agreements. Also, none of our employees has entered into a non-compete agreement with us.

Provisions in our articles of association and an option deed adopted by our board of directors may discourage a change in control and may make it more difficult for you to sell your ordinary shares.

Our articles of association include provisions which may discourage or prevent a change in control. For instance, our board of directors consists of three groups and each group serves a staggered term of three years. Also, our board of directors may refuse to register any transfer of shares on our books for any reason.

We have also adopted an option deed, which is similar to a poison pill. The option deed may discourage a change in control by causing substantial dilution to a person or group who attempts to acquire us on terms not approved by the board of directors. The option deed will expire on July 31, 2007.

As a result of these provisions, you may not have an opportunity to sell your ordinary shares at a higher market price, which, at least temporarily, typically accompanies attempts to acquire control of a company through a tender offer, open market purchases or otherwise.

There may be a risk of variation in currency exchange rates.

Although we report our results in United States dollars, the majority of our revenue is earned in Cayman Islands dollars and Belizean dollars. Prior to our acquisition of control of Waterfields, our Bahamas revenue was earned in United States dollars. As a result of our acquisition of control of Waterfields, we now earn a majority of our Bahamas revenue in Bahamian dollars. In addition, as a result of our recent acquisitions, we also earn revenue in the British Virgin Islands whose currency is in United States dollars and Barbados, whose currency is in Barbados dollars. All of the currencies in our operating areas have been fixed to the United States dollar for over 20 years. As a result, we do not intend to hedge against any exchange rate risk associated

Table of Contents

with our reporting in United States dollars. If any of these fixed exchange rates becomes a floating exchange rate, however, our results of operations could be adversely affected.

Service of process and enforcement of legal proceedings commenced against us in the United States may be difficult to obtain.

Service of process on us and our directors and officers, fourteen out of seventeen of whom reside outside the United States, may be difficult to obtain within the United States. Also, since substantially all of our assets are currently located outside the United States, any judgment obtained in the United States against us may not be collectible.

Based upon the advice of our Cayman Islands legal counsel, Charles Adams, Ritchie & Duckworth, there is no reciprocal statutory enforcement of foreign judgments between the United States and the Cayman Islands, so foreign judgments originating from the United States are not directly enforceable in the Cayman Islands. A prevailing party in a United States proceeding against us or our officers or directors would have to initiate a new proceeding in the Cayman Islands using the United States judgment as evidence of the party s claim. A prevailing party could rely on the summary judgment procedures available in the Cayman Islands, subject to available defenses in the Cayman Islands courts, including, but not limited to, the lack of competent jurisdiction in the United States courts, lack of adequate service of process in the United States proceeding, and the possibility that enforcement or recognition of the United States judgment would be contrary to the public policy of the Cayman Islands.

Based upon the advice of our Cayman Islands legal counsel, Charles Adams, Ritchie & Duckworth, depending on the nature of damages awarded, civil liabilities under the Securities Act of 1933 or the Securities Exchange Act of 1934 for original actions instituted outside the Cayman Islands may or may not be enforceable. For example, a United States judgment awarding remedies unobtainable in any legal action in the courts of the Cayman Islands (for example, treble damages, which would probably be regarded as penalties), would not likely be enforceable under any circumstances.

Shares eligible for future sale under Rule 144 of the Securities Act may adversely affect the market price of our ordinary shares.

Before this offering, there were 4,275,568 ordinary shares issued and outstanding. With the exception of 955,041 ordinary shares held by our officers, directors, ten percent (10%) shareholders and other affiliates (as such term is defined under the Securities Act of 1933), 3,104,813 of the issued and outstanding ordinary shares may be immediately sold without registration under the Securities Act of 1933, as amended. These shares may be sold under Rule 144 or under the exemption provided by Section 4(1) of the Securities Act for transactions by any person other than an issuer, underwriter or dealer. Of the 955,041 ordinary shares held by our officers, directors, ten percent (10%) shareholders and other affiliates, 889,432 shares are eligible for resale in compliance with Rule 144, including the 567,662 ordinary shares held by the selling shareholder. Any substantial sale of the ordinary shares under Rule 144, or otherwise, may have an adverse effect on the market price of the ordinary shares. In connection with our recent acquisitions, we are obligated to file a registration statement with the Securities and Exchange Commission for the 185,714 shares issued to one of the sellers by June 30, 2003. The registration statement will also cover 30,000 shares acquired by one of our consultants.

You will incur immediate and substantial dilution of the book value of your investment in our ordinary shares.

The offering price of our ordinary shares is substantially more than the book value per ordinary share. As a result, a purchaser of ordinary shares pursuant to this offering will experience immediate and substantial dilution of $9.06 per ordinary share in book value from the assumed offering price of $14.75 per ordinary share.

Table of Contents

FORWARD-LOOKING STATEMENTS

We discuss in this prospectus and in documents which we have incorporated into this prospectus by reference matters which are not historical facts, but which are forward-looking statements. We intend these forward-looking statements to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, our future plans, objectives, expectations and events, assumptions and estimates about us and our industry in general.

The forward-looking statements in this prospectus reflect what we currently anticipate will happen. What actually happens could differ materially from what we currently anticipate will happen. We are not promising to make any public announcement when we think forward-looking statements in this prospectus are no longer accurate whether as a result of new information, what actually happens in the future or for any other reason.

Important matters that may affect what will actually happen include, but are not limited to, tourism in the areas we service, our ability to manage, integrate and realize the benefits from our recent acquisitions, scheduled new construction within our licensed areas, the U.S. and Caribbean economies, regulatory matters, weather conditions in the Caribbean, availability of capital for expansion of our operations, and other factors described in the Risk Factors section above, as well as elsewhere in this prospectus.

Table of Contents

USE OF PROCEEDS

Assuming an offering price of $14.75 per share, we estimate that the net proceeds to us from the sale of 1,200,000 ordinary shares offered by us in this prospectus, after deducting underwriters discounts and commissions and estimated offering expenses, will be approximately $15,676,500 (approximately $19,374,191 if the underwriters exercise the over-allotment option in full). We will not receive any proceeds from the sale of the ordinary shares by the selling shareholder. We intend to use the net proceeds from this offering to repay the current balance of approximately $6,556,126 on the six-month bridge loan under our Scotiabank (Cayman Islands) Ltd. facility used to finance the recent acquisitions as well as the $8,113,020 that we anticipate drawing down to complete our acquisition of Waterfields described in Recent Acquisitions. The balance of the net proceeds will be used for general corporate purposes. The six-month loan currently bears interest at a variable rate and the balance is due on August 6, 2003. The interest rate to date has ranged from 4.06% to 4.09%.

PRICE RANGE OF ORDINARY SHARES

Our ordinary shares are listed on the Nasdaq National Market and trade under the symbol CWCO. On June 2, 2003, we had 578 holders of record of the ordinary shares. Listed below for the periods indicated are the high and low closing bid prices for the ordinary shares on the Nasdaq National Market for the periods indicated. The high and low bid prices in the table reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
Five Most Recent Fiscal Years		
Year ended December 31, 1998	$ 8.250	$ 5.250
Year ended December 31, 1999	8.000	6.000
Year ended December 31, 2000	8.016	6.000
Year ended December 31, 2001	11.900	6.875
Year ended December 31, 2002	15.200	11.240
2001		
First Quarter	$ 9.500	$ 6.875
Second Quarter	9.820	8.188
Third Quarter	11.720	8.900
Fourth Quarter	11.900	10.000
2002		
First Quarter	$ 14.750	$ 11.490
Second Quarter	15.100	13.130
Third Quarter	15.200	11.240
Fourth Quarter	14.740	11.581
Most Recent Six Months		
December 2002	$ 14.740	$ 13.410
January 2003	15.470	14.550
February 2003	14.760	14.180
March 2003	15.050	13.770
April 2003	14.890	13.500
May 2003	14.745	14.180
Through June 11, 2003	14.473	14.200

Table of Contents

DIVIDEND POLICY

We have paid cash dividends on our ordinary shares since 1985. Our board of directors   policy has been to pay cash dividends out of accumulated profits on a quarterly basis if funds are available. Our board of directors established a policy, although not a binding obligation, that, subject to their annual review, we will maintain a dividend pay-out ratio in the range of 50% to 60% of net income. Our payment of any future cash dividends, however, will still depend upon our earnings, financial condition, capital demand and other factors, including the condition in our loan agreement with Scotiabank, that dividends be paid from current cash flow. Our board of directors declares and approves all interim dividends. It is a requirement of our Articles of Association for the board of directors to seek shareholder approval of the final dividend, if any, at the annual meeting of our shareholders.

We pay dividends directly to those shareholders holding ordinary shares in their respective names. With respect to shareholders holding ordinary shares in street name, we distribute the dividend payment to the Depository Trust Company as paying agent for those shareholders.

In December 2001, we increased our per share dividend from $0.10 to $0.105 per quarter and paid dividends in this amount during the year ended December 31, 2002.

On May 28, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 1993 (the   Act). The Act makes significant changes in the treatment of dividends. Prior to the passage of the Act, dividends had been treated in the same manner as other ordinary income and taxed at the individual s highest marginal bracket. The Act treats dividends from domestic corporations and   qualified foreign corporations   in the same manner as long-term capital gains (at maximum rates through 2008 of fifteen percent (15%)). This reduced rate on dividends expires on December 31, 2008 and is retroactive to January 1, 2003. A dividend for purposes of U.S. federal income taxation are distributions out of current or accumulated earnings and profits determined under U.S. federal income tax principles.

Table of Contents

CAPITALIZATION

The following table shows our capitalization as of April 30, 2003:

on an actual basis;

on a pro forma basis giving effect to the purchase of 11,758 shares of Waterfields from Bacardi & Co. and through our tender offer, for approximately $8.1 million, which we expect to complete on or before June 30, 2003.

on a pro forma as adjusted basis to reflect the net proceeds of approximately $15.7 million from the sale by us of 1,200,000 ordinary shares in this offering at an assumed price of $14.75 per share after deducting underwriting discounts and commissions and estimated offering expenses.

This information should be read in conjunction with the audited consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

	April 30, 2003		
	Actual	Pro Forma	Pro Forma As Adjusted
		(in thousands)	
Bank indebtedness			
Current portion of long-term debt(1)	$ 11,637	$ 19,750	$ 4,073
Long-term debt(1)(2)	18,985	18,985	18,985
Other long-term liabilities	136	136	136
Stockholders equity			
Class A and B Ordinary Shares par value $1.20 per share 9,900,000 authorized; 4,275,568 issued and outstanding	5,131	5,131	6,571
Redeemable Preference Shares par value $1.20 per share 100,000 authorized; 18,914 issued and outstanding	22	22	22
Additional paid in capital	10,547	10,547	24,784
Retained earnings	9,312	9,312	9,312
Stockholders equity	25,012	25,012	40,689
Total Capitalization	$ 55,770	$ 63,883	$ 63,883

(1) We repaid $1.5 million of our six-month bridge loan with Scotiabank on June 10, 2003. In addition, we have given notice to European Investment Bank that we intend to repay our entire $979,000 loan on June 20, 2003.

(2) All of our long term debt is secured. As part of the acquisition of our interests in Ocean Conversion (Cayman) Limited, we agreed to indemnify the seller in respect of a guarantee given by the seller to the bank of N. T. Butterfield & Son Ltd. for 100% of the borrowings of Ocean Conversion (Cayman) Limited totaling U.S. $2.4 million. We are in the process of refinancing Ocean Conversion (Cayman) Limited s loan with Scotiabank (Cayman Islands) Ltd. and we will guarantee 100% thereof. In addition, as part of the acquisition of our interests in Ocean Conversion (BVI) Ltd., we agreed to indemnify the seller in respect of a guarantee given by the seller to the bank of N. T. Butterfield & Son Ltd. for 55% of the borrowings of Ocean Conversion (BVI) Ltd. totaling US$1.25 million. We are in the process of refinancing Ocean Conversion (BVI) Ltd s loan with Scotiabank (Cayman Islands) Ltd. and we will guarantee 50% thereof. None of our other long term debt is guaranteed.

Table of Contents

DILUTION

Our net book value at March 31, 2003 was $24,526,347, or $5.78 per ordinary share. Net book value per share represents the amount of total assets less total liabilities, divided by the number of our ordinary shares outstanding on March 31, 2003. After giving effect to the sale of the 1,200,000 ordinary shares offered by us at an assumed public offering price of $14.75 per share less estimated offering expenses, including underwriting discounts and commissions, our pro forma book value as of March 31, 2003 would have been approximately $40,202,847, or $7.39 per share. This represents an immediate increase in pro forma net book value of $1.61 per share to existing shareholders and an immediate dilution of $7.36 per share to new investors purchasing our ordinary shares in this offering. Therefore, investors purchasing ordinary shares in the offering would have paid $14.75 for an ordinary share having a pro forma net book value of $7.39 per share after the offering. The following table illustrates this dilution but does not give effect to the exercise of the underwriter s over-allotment option in the offering:

Assumed public offering price per share		$ 14.75
Net book value per share before this offering	$ 5.78	
Increase attributable to this offering	$ 1.61	
Pro forma book value after this offering		$ 7.39
Book value dilution per share to new investors in this offering		$ 7.36

The following tables show a comparison between the effective cash cost of shares and options acquired by our directors or senior management during the last five years and the price of the ordinary shares in this offering:

	Shares Acquired		Total Consideration
	Number	Percentage	
Shareholders Purchasing in this Offering	1,200,000	22.1%	$ 17,700,000(1)
Directors and Senior Management	443,478(2)	8.2%	$ 3,833,229

(1) Assumes an offering price of $14.75 per share and no exercise of the underwriter s over-allotment option.

(2) Assumes the exercise of an aggregate of 399,285 options to acquire ordinary shares by our directors and senior management.

Table of Contents

BANK FINANCING AGREEMENTS

On February 7, 2003, we entered into a loan agreement with Scotiabank (Cayman Islands) Ltd. to finance the recent acquisitions and refinance a portion of our existing debt. The facilities are comprised of the following:

$2 million revolving line of credit bearing interest at the floating base rate as established by Cayman Island Class A licensed banks from time to time. The present interest rate is 5.25%.

$20 million seven-year term loan bearing interest at an annually adjusted floating rate of LIBOR plus 1.5% to 3%, depending on the ratio of our consolidated debt to our consolidated earnings before interest, taxes, depreciation and amortization. The present interest rate is 4.06%.

$17.1 million six-month bridge term loan bearing interest on the same basis as the seven-year term loan. The present interest rate is 4.06%.

We have used the proceeds from these facilities to refinance our existing debt, for working capital and to finance our recent acquisitions. As of February 28, 2003, we have drawn down $28,056,126 from our Scotiabank facilities. We anticipate drawing down approximately $8,113,020 in additional funds to complete our acquisition of Waterfields. We intend to use a portion of the net proceeds from this offering to repay the current balance of approximately $6,556,126 borrowed under the six-month bridge term loan described above as well as the $8,113,020 that we anticipate drawing down to complete our acquisition of Waterfields.

We are required to make monthly payments of interest for all borrowings under the revolving line of credit and quarterly payments of interest for all amounts drawn down under the two term loans. We are obligated to make 28 equal quarterly payments of principal under the seven-year term loan and all amounts borrowed under the six-month term loan must be repaid as of August 6, 2003.

We have collateralized all borrowings under the three facilities by providing Scotiabank with a first lien on all of our assets, including the capital stock we acquired in our recent acquisitions.

The loan agreement for the three facilities contains standard terms and conditions for similar bank loans made in the Cayman Islands, including acceleration of the repayment of all borrowings either upon the demand of Scotiabank or in the event of default under the loan agreement. In addition, we will require consent of Scotiabank, which may not be unreasonably withheld, before we do any of the following:

enter into a merger, acquire or change our line of business;

incur any additional borrowings, enter into guarantees or other contingent liabilities or further encumber our assets;

make any advances to our shareholders or affiliates; or

make aggregate capital expenditures in excess of $2 million during any fiscal year.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL INFORMATION

We voluntarily adopted accounting principles generally accepted in the United States of America, effective January 1, 2000. Previously, financial statements were prepared in accordance with International Financial Reporting Standards.

The consolidated financial information includes the accounts of our wholly-owned subsidiaries. The operating results of these subsidiaries have been included in the financial statements since the date of acquisition. All inter-company balances and transactions have been eliminated.

Set forth below is selected financial data based upon our consolidated financial statements. The table contains information (expressed in U.S. dollars) derived from our audited consolidated financial statements for each of the years in the three-year period ended December 31, 2002 and unaudited consolidated financial data for the three months ended March 31, 2003 and March 31, 2002. We believe that we have made all adjustments necessary for the fair presentation of our unaudited financial data. Our results for the interim period ended March 31, 2003 are not necessarily indicative of our results for the full year. This selected financial data should be read in conjunction with the more detailed financial statements and related notes beginning on page F-1 of this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2002	2001	2000	2003(1)	2002
	(in thousands, except for per share data)			(Unaudited) (in thousands, except for per share data)	
Consolidated Statement of Income Data:					
Water sales and service income	$ 11,911	$ 11,027	$ 9,577	$ 4,019(2)	$ 3,185
Cost of water sales and services	6,882	6,109	5,423	2,074	1,667
Gross profit	5,029	4,918	4,154	1,945	1,518
Indirect expenses	2,748	2,600	2,198	927	579
Income from operations	2,281	2,318	1,956	1,018	939
Other income (expenses)	295	447	449	6(2)	(12)
Taxes				(6)	
Net income	$ 2,576	$ 2,765	$ 2,405	$ 1,018	$ 927
Basic earnings per share	$ 0.65	$ 0.71	$ 0.68	$ 0.25	$ 0.24
Diluted earnings per share	$ 0.63	$ 0.69	$ 0.67	$ 0.24	$ 0.23

	As of December 31,			As of March 31, 2003
	2002	2001	2000	
		(in thousands)		(Unaudited) (in thousands)
Consolidated Balance Sheet Data:				
Total current assets	$ 3,622	$ 2,479	$ 2,193	$ 10,270
Total assets	25,508	22,721	21,846	57,703
Current liabilities	2,107	1,942	2,393	14,718
Long term debt	2,075	1,214	1,226	18,323

Total liabilities	4,382	3,247	3,619	33,177
Stockholders equity	21,126	19,474	18,227	24,526

(1) The results for the three months ended March 31, 2003 include results of the acquired companies from February 1, 2003.

(2) Prior to our recent acquisitions, our income, other than from water sales, has not been material and was shown as other income in our financial statements. Our business has changed as a result of our acquisitions and because income, other than from water sales, is material, it is therefore reflected in water sales and service income from January 1, 2003.

Table of Contents

UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed pro forma consolidated financial statements are presented to give effect to transactions which were completed in February 2003 or which we anticipate completing on or before June 30, 2003 with the shareholders of DesalCo Limited (DesalCo), DesalCo (Barbados) Ltd. (DesalCo (Barbados)), Ocean Conversion (Cayman) Limited (Ocean Conversion (Cayman)), Ocean Conversion (BVI) Ltd. (Ocean Conversion (BVI)) and Waterfields Company Limited (Waterfields). DesalCo, DesalCo (Barbados), Ocean Conversion (Cayman), Ocean Conversion (BVI) and Waterfields are herein referred to as the acquired companies and the transactions collectively as the recent acquisitions .

As of March 31, 2003, we owned 100% of DesalCo and its wholly owned subsidiary, DesalCo (Barbados), 100% of Ocean Conversion (Cayman) and 43.5% of Ocean Conversion (BVI). Additionally, as of March 31, 2003, we had 50% of the profit sharing rights of Ocean Conversion (BVI). After completion of the remainder of the recent acquisitions, we will own 90.9% of Waterfields.

In accordance with Article 11 of Regulation S-X, an unaudited condensed pro forma consolidated balance sheet is being presented as of March 31, 2003 as if the remaining recent acquisitions had occurred on March 31, 2003 and an unaudited condensed pro forma consolidated statement of income is being presented for the year ended December 31, 2002 and the period ended March 31, 2003 as if the recent acquisitions had occurred on January 1, 2002.

The unaudited condensed pro forma consolidated financial statements at March 31, 2003 and for the period then ended are based on unaudited financial records of our company and Waterfields Company Limited. The unaudited condensed pro forma consolidated statement of income at December 31, 2002 is based on our audited historical consolidated financial statements and the audited historical financial statements and combined financial statements of the acquired companies as of and for the year ended December 31, 2002. Our audited and unaudited historical financial statements and those of the acquired companies used in the preparation of these unaudited condensed pro forma consolidated financial statements were all prepared in accordance with United States generally accepted accounting principles. Audits were conducted in accordance with United States generally accepted auditing standards. The audited and unaudited financial statements or audited combined financial statements of each of the acquired companies, and the audit reports thereon where applicable, are included within this document and should be read in conjunction with the unaudited pro forma consolidated financial statements.

We used the purchase method of accounting to account for the acquisitions. Under the purchase method of accounting, the total estimated purchase price, calculated as described in Note 2 to the unaudited condensed pro forma consolidated financial statements, is allocated to the net tangible and intangible assets of each of the recent acquisitions based on fair values. Our acquired interests in Ocean Conversion (BVI) have been accounted for using the equity method of accounting. Under the equity method of accounting, our investment in Ocean Conversion (BVI) is recorded at cost and adjusted for our share of earnings or losses, less dividends.

The unaudited condensed pro forma consolidated financial statements, including the pro forma adjustments and explanatory notes thereto, are for illustrative purposes only. In the opinion of management, the unaudited condensed pro forma consolidated financial statements include all adjustments necessary to present fairly the results of the periods presented. The unaudited condensed pro forma consolidated financial statements are not intended to represent or be indicative of our consolidated results of operations or financial condition that would have been reported had the recent acquisitions been completed as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial condition.

Table of Contents

UNAUDITED CONDENSED PRO FORMA CONSOLIDATED BALANCE SHEET

OF CONSOLIDATED WATER CO. LTD.
As at March 31, 2003

	CWCO	WCL	Pro Forma Adjustments and Notes*	Pro Forma Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,723,974	$ 478,305	2,120,250 a	$ 6,322,529
Accounts receivable	2,770,139	878,179		3,648,318
Inventory	946,429	604,954		1,551,383
Prepaid expenses and deposits	448,934	162,337		611,271
Deferred expenditures	1,300,401			1,300,401
Current portion of loans receivable	1,080,127			1,080,127
Total Current Assets	10,270,004	2,123,775		