
Section 1: 8-K/A (8-K/A)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A (Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

February 11, 2016
(Date of earliest event reported)

CONSOLIDATED WATER CO. LTD.

(Exact Name of Registrant as Specified in Charter)

Cayman Islands, B.W.I.
(State or Other Jurisdiction
of Incorporation)

0-25248
(Commission File No.)

98-0619652
(IRS Employer Identification No.)

Regatta Office Park
Windward Three, 4th Floor
West Bay Road, P.O. Box 1114
Grand Cayman, KY1-1102
Cayman Islands
(Address of Principal Executive Offices)

(345) 945-4277
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE

This Amendment No. 1 amends the Current Report on Form 8-K filed on February 16, 2016 (the "Initial Form 8-K") to provide the financial statement information referred to in parts (a) and (b) of Item 9.01 below relating to the recently completed acquisition by Consolidated Water Co. Ltd. (the "Company"), through its wholly-owned subsidiary, Consolidated Water U.S. Holdings, Inc., of 51% of the outstanding capital stock of Aerex Industries, Inc. ("Aerex"). Except as otherwise noted, all other information in the Initial Form 8-K remains unchanged.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The required audited financial information of Aerex for the year ended December 31, 2015 is included as Exhibit 99.1 to this report and is incorporated herein by reference.

(b) Pro Forma Financial Information.

The required unaudited pro forma financial information of Aerex and the Company is included as Exhibit 99.2 and is incorporated herein by reference.

(d) Exhibits.

The following exhibits are filed as a part of this report:

<u>Exhibit No.</u>	<u>Description</u>
23.1	Consent of Marcum LLP, Independent Public Accounting Firm
99.1	Audited financial information of Aerex Industries, Inc. for the year ended December 31, 2015
99.2	Unaudited pro forma financial information of Aerex Industries, Inc. and Consolidated Water Co. Ltd.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONSOLIDATED WATER CO. LTD.

By: /s/ David W. Sasnett

Name: David W. Sasnett

Title: Executive Vice President & Chief Financial Officer

Date: April 28, 2016

Exhibit Index

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Section 2: EX-23.1 (EXHIBIT 23.1)

EXHIBIT 23.1

INDEPENDENT PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Form 8-K of Consolidated Water Co. Ltd. on Form 8-K/A Amendment No. 1, Commission File No. 0-25248, of our report dated April 28, 2016 with respect to our audit of the financial statements of Aerex Industries, Inc. as of December 31, 2015 and for the year then ended, which report appears in this Form 8-K/A.

/s/ Marcum LLP

Marcum LLP
Fort Lauderdale, Florida
April 28, 2016

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Section 3: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

AEREX INDUSTRIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aerex Industries, Inc.
Fort Pierce, Florida

Report on the Financial Statements

We have audited the accompanying balance sheet of Aerex Industries, Inc., as of December 31, 2015, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aerex Industries, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Fort Lauderdale, Florida
April 28, 2016

AEREX INDUSTRIES, INC.

BALANCE SHEET
December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	4,453,979
Contracts receivable, net		812,558
Costs and estimated earnings in excess of billings on uncompleted contracts		729,070
Inventories		70,487
Other current assets		55,383

TOTAL CURRENT ASSETS 6,121,477

PROPERTY AND EQUIPMENT

Land		140,000
Buildings and improvements		1,488,302
Machinery and tools		2,815,836
Vehicles		64,664
Furniture and fixtures		274,036

4,782,838

Less accumulated depreciation 2,989,933

NET PROPERTY AND EQUIPMENT 1,792,905

OTHER ASSETS

39,229

TOTAL ASSETS \$ 7,953,611

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

AEREX INDUSTRIES, INC.

BALANCE SHEET
December 31, 2015

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES	
Accounts payable	\$ 55,158
Accrued payroll and related taxes	108,394
Current portion of long-term debt	123,224
Billings in excess of costs and estimated earnings on uncompleted contracts	1,309
Other accrued liabilities	<u>7,075</u>
TOTAL CURRENT LIABILITIES	295,160
LONG-TERM DEBT	<u>1,757,263</u>
TOTAL LIABILITIES	<u>2,052,423</u>
STOCKHOLDER'S EQUITY	
Common stock, no par value; 10,000 shares authorized; 5,000 shares issued and outstanding	5,000
Retained earnings	<u>5,896,188</u>
TOTAL STOCKHOLDER'S EQUITY	<u>5,901,188</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 7,953,611</u>

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

AEREX INDUSTRIES, INC.

STATEMENT OF INCOME

Year Ended December 31, 2015

CONTRACT REVENUE EARNED	\$ 19,104,928
COST OF REVENUE EARNED	<u>13,997,881</u>
GROSS PROFIT	5,107,047
GENERAL AND ADMINISTRATIVE EXPENSES	<u>1,092,838</u>
INCOME FROM OPERATIONS	<u>4,014,209</u>
OTHER INCOME (EXPENSE)	
Interest income	7,453
Interest expense	(81,183)
Miscellaneous income	<u>761,879</u>
TOTAL OTHER INCOME (EXPENSE)	<u>688,149</u>
NET INCOME	<u><u>\$ 4,702,358</u></u>

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

AEREX INDUSTRIES, INC.

STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 2015

RETAINED EARNINGS - BEGINNING	\$ 1,988,830
NET INCOME	4,702,358
STOCKHOLDER DISTRIBUTIONS	<u>(795,000)</u>
RETAINED EARNINGS - ENDING	<u>\$ 5,896,188</u>

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

AEREX INDUSTRIES, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

OPERATING ACTIVITIES

Net income	\$ 4,702,358
Adjustments to reconcile net income to net cash provided by operating activities:	
Bad debt expense	16
Depreciation and amortization	163,042
Change in assets and liabilities:	
(Increase) decrease in:	
Contracts receivable	574,614
Costs and estimated earnings in excess of billings on uncompleted contracts	(293,818)
Inventories	(10,076)
Other current assets	130,901
Increase (decrease) in:	
Accounts payable	(331,649)
Accrued payroll and related taxes	(152,187)
Billings in excess of costs and estimated earnings on uncompleted contracts	(12,193)
Other accrued liabilities	(42,146)
	<u>4,728,862</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,728,862

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(176,150)</u>
NET CASH USED IN INVESTING ACTIVITIES	(176,150)

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

AEREX INDUSTRIES, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended December 31, 2015

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	(116,948)
Stockholder distributions	<u>(1,045,000)</u>

NET CASH USED IN FINANCING ACTIVITIES (1,161,948)

NET CHANGE IN CASH AND CASH EQUIVALENTS 3,390,764

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 1,063,215

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 4,453,979

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ <u><u>81,822</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description

Aerex Industries, Inc. ("Aerex"), headquartered in Fort Pierce, Florida, is a manufacturer and installer of complete water treatment systems. Its markets include the United States of America, Bermuda and the Caribbean Islands, South America, China, Japan, the Middle East, and other parts of the world.

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 reported amounts of revenues and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates.

Cash and Cash Equivalents

Aerex considers all highly-liquid debt instruments purchased with a maturity of six months or less to be cash equivalents. Aerex maintains cash and cash equivalents which may periodically exceed federally insured amounts. Aerex has not experienced any losses in such accounts. Management believes Aerex is not exposed to any significant credit risk related to cash and cash equivalents.

Revenue Recognition

For financial statement purposes, revenue from construction contracts is reported using the percentage-of-completion method. Accordingly, income is recognized in the ratio that costs incurred to date bear to estimated total costs. Contract costs include direct material, labor, subcontract and indirect costs related to contract performances. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income. These changes are recognized in the period in which they are determined. Claims for additional contract revenue are recognized when realization is probable and the amount can be reasonably estimated.

Contracts receivable include billings on completed and partially completed contracts. The current asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents recognized revenue in excess of amounts billed. The current liability, "Billings in excess of costs

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Contracts Receivable and Allowance for Doubtful Accounts

Aerex's contracts receivable are based on contracted prices. Credit is extended to all qualified customers under various payment terms. Aerex provides for estimated losses on uncollectible contracts receivable based upon historical data and management's evaluation of the contracts receivable balances. No such allowance was deemed to be necessary as of December 31, 2015.

Inventories

Inventory, consisting of various construction supplies and materials, is stated at the lower of cost or market with cost being determined by using the first-in, first out (FIFO) method.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated using the straight-line method for financial reporting purposes over the estimated useful lives of the assets ranging from 3 to 40 years. The carrying amount of long-lived assets is evaluated periodically to determine if adjustment to the useful life or to the undepreciated balance is warranted. Depreciation expense for the year ended December 31, 2015 was \$160,641.

The cost of assets sold or otherwise disposed of and the related accumulated depreciation thereon are removed from the accounts and the resulting gain or loss is reflected in net income. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-lived assets held and used by Aerex are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Origination Fees

Loan origination fees associated with Aerex's long-term debt are recorded at a cost of \$36,007 at December 31, 2015. The fees related to the January 2013 term debt refinance are currently being amortized over a period of 15 years using the straight-line method. Amortization expense was \$2,401 for the year ended December 31, 2015. The annual amortization expense related to these fees over the remaining life of the term loan is \$2,401.

Concentrations

As of December 31, 2015 one customer accounted for 41% of trade receivables. This customer also accounted for 76% contract revenues for the year ended December 31, 2015. For the year ended December 31, 2015, one vendor accounted for 73% of material purchases. No amounts were payable to this vendor as of December 31, 2015.

Income Taxes

Aerex has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, Aerex does not pay federal and state corporate income taxes on its taxable income. Instead, the earnings and losses are includable in the personal income tax returns of the stockholder and taxed at individual marginal tax rates. Accordingly, no provision or liability for federal and state income taxes has been included in these financial statements.

ASC 740 requires companies to evaluate and account, if necessary, for "uncertain positions" taken on open income tax returns and positions expected to be taken in a soon to be filed tax return. In accordance with this guidance, interest costs and related penalties would be calculated, if applicable, related to unrecognized tax benefits. As of December 31, 2015, no liability for unrecognized tax benefits was required to be recorded. The standard discusses the recognition threshold, methodology for financial statement recognition and guidance on de-recognition, classification, interest and penalties and disclosure. Aerex's income tax filings are subject to audit by various taxing authorities, which generally extend three years from the date of filing the income tax return. If applicable, any interest recorded would be included in interest expense and any penalties recorded would be included in income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through April 28, 2016, which is the date the financial statements were available to be issued.

Fair Value

The fair value of financial instruments, including cash and cash equivalents, contracts receivable, accounts payable, and accrued expenses approximates the carrying values, principally because of the short maturity of those items. The fair value of long-term debt approximates the carrying value, principally because of the maturity dates of the long-term debt and the current terms applicable to each item. There were no changes in the methods or assumptions used in the valuation techniques by Aerex during the year ended December 31, 2015.

NOTE 2 - CONTRACTS RECEIVABLE

Contracts receivable consist of the following at December 31, 2015:

Completed contracts	\$ 437,346
Contracts in progress	<u>375,212</u>
	<u>\$ 812,558</u>

NOTES TO THE FINANCIAL STATEMENTS*Year Ended December 31, 2015***NOTE 3 - REVENUES RECOGNIZED AND AMOUNTS BILLED ON CONTRACTS IN PROGRESS**

Information relative to revenues recognized and amounts billed on contracts in progress at December 31, 2015 are summarized as follows:

Revenues recognized	\$ 5,451,108
Amounts billed	<u>4,723,347</u>
Net underbillings	<u>\$ 727,761</u>

The above is reflected in the accompanying balance sheets as follows:

Costs and estimated earnings in excess of billings on uncompleted contracts - underbillings	\$ 729,070
Billings in excess of costs and estimated earnings on uncompleted contracts - overbillings	<u>(1,309)</u>
Net underbillings	<u>\$ 727,761</u>

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2015:

CenterState Bank - mortgage note due January 2028 with principal and interest payments due monthly in the amount of \$16,564; interest on the note being 4.15% from January 2013 through July 2020, at which time the loan's interest rate will be equal to 3% plus an index established by the Federal Home Loan Bank of Atlanta through the loan's maturity; collateralized by substantially all of the assets of the Company and the personal guarantee of the stockholder.	\$ 1,880,487
Less current portion	<u>123,224</u>
Long-term debt	<u>\$ 1,757,263</u>

NOTES TO THE FINANCIAL STATEMENTS*Year Ended December 31, 2015***NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2016	\$ 123,224
2017	128,437
2018	133,869
2019	139,532
2020	145,434
Thereafter	<u>1,209,991</u>
Total	<u>\$ 1,880,487</u>

The entire balance in the mortgage note denoted above was paid in full in early February of 2016.

NOTE 5 - PROFIT SHARING PLAN

Aerex has in effect a qualified 401(k) employee savings and profit-sharing plan for the benefit of all employees meeting certain requirements as to age and length of service. Employees can defer taxes on compensation contributed to the plan. Aerex matches, within prescribed limits, the contributions of the employees. Aerex also has the option to make an additional profit-sharing contribution to the plan. Employer contributions to the plan for the year ended December 31, 2015 was comprised of company matching contributions totaling \$26,531.

NOTE 6 - LINE OF CREDIT

Aerex has a line of credit agreement with CenterState Bank which provides for maximum borrowings of \$1,000,000. The line is secured by substantially all of Aerex's assets and the personal guarantee of the stockholder. The outstanding principal balance of each advance bears interest at a rate equal to the bank's prime rate with a floor of 4%. The bank's prime rate of interest at December 31, 2015 was 3.50%. There were no outstanding borrowings as of December 31, 2015.

This line of credit was cancelled in early February of 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 7 - LEASE OBLIGATION

Aerex is a party to an operating lease agreement for the rental of office space. The lease commenced on July 1, 2011 and terminates on June 30, 2016, with an option to renew for a period of twenty-four months. Upon the mutual consent of the lessor or lessee, this lease may be terminated by either party with sixty days written notice.

Aerex has been given the right to use the lease facility "rent free" for the period from July 1, 2011 through June 30, 2013, with an option to make advance payments on the future rent amounts that will become due during the period of July 1, 2013 and ending on June 30, 2016. Rent expense is recognized by Aerex on a straight-line basis over the five year term of the lease plus the applicable sales tax, irrespective of the "rent free" provision that applies to the first two years of the agreement. Rent expense recognized was \$65,178 for the year ended December 31, 2015.

The twenty-four month extension for this office space referenced above was signed in March of 2016, effectively extending this lease through June of 2018.

NOTE 8 - MISCELLANEOUS INCOME

Miscellaneous income, recognized in the statement of income in the amount of \$761,879 for the year ended December 31, 2015 consists primarily of the sale of stainless steel scrap metal.

NOTE 9 - SUBSEQUENT EVENTS

Stockholder distributions subsequent to December 31, 2015 were approximately \$2,903,000.

The balance of the mortgage note disclosed in Note 4 was paid in full in early February 2016. In addition, the line of credit in Note 6 was cancelled in early February 2016.

Effective February 11, 2016, Consolidated Water U.S. Holdings, Inc., a wholly-owned subsidiary of Consolidated Water Co. Ltd. ("Consolidated Water"), acquired 51% of the ownership of Aerex from the stockholder. This acquisition effectively terminated Aerex's Subchapter S status as an entity for income tax purposes.

Effective as of the date of the acquisition, Aerex's prior sole stockholder entered into an employment agreement with Aerex for a term of three years. Aerex also entered into a services and marketing agreement with an affiliate of Consolidated Water. Immediately following the acquisition, Aerex's prior sole stockholder and Consolidated Water loaned \$490,000 and \$510,000, respectively, to Aerex. These loans have a maturity date of August 10, 2016.

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Section 4: EX-99.2 (EXHIBIT 99.2)

EXHIBIT 99.2

CONSOLIDATED WATER CO. LTD.
Pro forma Condensed Consolidated Financial Statements (Unaudited)
Year Ended December 31, 2015

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Condensed Consolidated Financial Statements (Unaudited)

Page(s)

Condensed Consolidated Balance Sheet

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Basis of Presentation

The following unaudited pro forma condensed consolidated financial information and related notes present the historical financial statements of Consolidated Water Co. Ltd., and its subsidiaries (collectively, the “Company”) and Aerex Industries, Inc. (“Aerex”) after giving effect to the acquisition of Aerex that was completed on February 11, 2016, as well as the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma financial statements.

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2015 assumes that the acquisition occurred as of January 1, 2015. The unaudited pro forma condensed consolidated balance sheet as of December 31, 2015 is presented as if the acquisition had occurred as of December 31, 2015.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to represent what the results of operations or financial position would actually have been had the acquisition occurred on the dates noted above, or to project the results of operations or financial position for any future periods. The pro forma adjustments are based on available information and certain assumptions that management believes are reasonable. Unless otherwise indicated, the pro forma adjustments are directly attributable to the acquisition and are expected to have a continuing impact on the results of operations. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed consolidated financial information have been made.

The accompanying unaudited pro forma condensed consolidated financial information should be read in conjunction with the notes thereto and the Company’s consolidated financial statements and notes thereto included in our Annual Report on Form 10-K as of and for the year ended December 31, 2015, and the historical financial statements of Aerex as of and for the year ended December 31, 2015 included herein.

CONSOLIDATED WATER CO. LTD.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
December 31, 2015

	<u>As Reported</u>	<u>Aerex Industries, Inc.</u>	<u>Pro Forma Adjustments</u>	<u>Adj. #</u>	<u>Pro Forma</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 44,792,734	\$ 4,453,979	\$ (12,045,195)	(1)	\$ 37,201,518
Certificate of deposit	5,637,538	-	-		5,637,538
Restricted cash	428,203	-	-		428,203
Accounts receivable, net	9,529,016	812,558	-		10,341,574
Inventory	1,918,728	70,487	-		1,989,215
Prepaid expenses and other current assets	1,282,660	55,383	-		1,338,043
Current portion of loans receivable	1,841,851	-	-		1,841,851
Costs and estimated earnings in excess of billings - construction projects	-	729,070	-		729,070
Total current assets	65,430,730	6,121,477	(12,045,195)		59,507,012
Property, plant and equipment, net	53,743,170	1,792,905	355,000	(2)	55,891,075
Construction in progress	1,928,610	-	-		1,928,610
Inventory, non-current	4,558,374	-	-		4,558,374
Loans receivable	3,769,016	-	-		3,769,016
Investment in OC-BVI	4,548,271	-	-		4,548,271
Intangible assets, net	771,811	-	5,900,000	(3)	6,671,811
Goodwill	3,499,037	-	8,034,520	(4)	11,533,557
Land held for development	20,558,424	-	-		20,558,424
Other assets	2,809,255	39,229	-		2,848,484
Total assets	\$ 161,616,698	\$ 7,953,611	\$ 2,244,325		\$ 171,814,634
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and other current liabilities	\$ 4,829,535	\$ 170,627	\$ -		\$ 5,000,162
Dividends payable	1,177,246	-	-		1,177,246
Demand loan payable	7,000,000	123,224	(123,224)	(1)	7,000,000
Billings in excess of costs and estimated earnings - construction project	189,985	1,309	-		191,294
Total current liabilities	13,196,766	295,160	(123,224)		13,368,702
Long-term debt	-	1,757,263	(1,757,263)		-
Seller call option liability, net	-	-	383,000	(5)	383,000
Loan payable to seller	-	-	490,000	(1)	490,000
Deferred taxes	-	-	2,439,000	(6)	2,439,000
Other liabilities	224,827	-	-		224,827
Total liabilities	13,421,593	2,052,423	1,431,513		16,905,529
Commitments and contingencies					
Equity					
Consolidated Water Co. Ltd. stockholders' equity					
Redeemable preferred stock, \$0.60 par value.					
Authorized 200,000 shares;					
issued and outstanding 38,804 and 36,840 shares, respectively					
	23,282	-	-		23,282
Class A common stock, \$0.60 par value. Authorized 24,655,000 shares;					
issued and outstanding 14,781,201 and 14,715,899 shares, respectively					
	8,868,721	-	-		8,868,721
Class B common stock, \$0.60 par value. Authorized 145,000 shares; none issued					
	-	-	-		-
Additional paid-in capital	84,597,349	-	-		84,597,349
Retained earnings	52,084,175	-	-		52,084,175
Cumulative translation adjustment	(533,365)	-	-		(533,365)
Total Consolidated Water Co. Ltd. stockholders' equity	145,040,162	-	-		145,040,162
Non-controlling interests	3,154,943	5,901,188	812,812	(7)	9,868,943
Total equity	148,195,105	5,901,188	812,812		154,909,105
Total liabilities and equity	\$ 161,616,698	\$ 7,953,611	\$ 2,244,325		\$ 171,814,634

CONSOLIDATED WATER CO. LTD.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015

	As Reported	Aerex Industries, Inc.	Pro Forma Adjustments	Adj. #	Pro Forma
Retail revenues	\$ 23,254,757	\$ -	\$ -		\$ 23,254,757
Bulk revenues	31,854,255	-	-		31,854,255
Services revenues	2,007,190	19,104,928	-		21,112,118
Total revenues	<u>57,116,202</u>	<u>19,104,928</u>	<u>-</u>		<u>76,221,130</u>
Cost of retail revenues	10,925,634	-	-		10,925,634
Cost of bulk revenues	21,634,789	-	-		21,634,789
Cost of services revenues	1,629,221	13,997,881	88,750	(8)	15,715,852
Total cost of revenues	<u>34,189,644</u>	<u>13,997,881</u>	<u>88,750</u>		<u>48,276,275</u>
Gross profit	22,926,558	5,107,047	(88,750)		27,944,855
General and administrative expenses	14,458,494	1,092,838	1,332,000	(9)	16,883,332
Income from operations	<u>8,468,064</u>	<u>4,014,209</u>	<u>(1,420,750)</u>		<u>11,061,523</u>
Other income (expense):					
Interest income	1,013,252	7,453	-		1,020,705
Interest expense	(269,090)	(81,183)	81,183	(10)	(269,090)
Profit sharing income from OC-BVI	105,300	-	-		105,300
Equity in earnings of OC-BVI	294,368	-	-		294,368
Impairment of investment in OC-BVI	(1,060,000)	-	-		(1,060,000)
Other	(626,400)	761,879	-		135,479
Other income (expense), net	<u>(542,570)</u>	<u>688,149</u>	<u>81,183</u>		<u>226,762</u>
Income before income taxes	7,925,494	4,702,358	(1,339,567)		11,288,285
Provision for income taxes	-	-	1,116,488	(11)	1,116,488
Net income	7,925,494	4,702,358	(2,456,055)		10,171,797
Income attributable to non-controlling interests	406,793	-	1,312,632	(12)	1,719,425
Net income attributable to Consolidated Water Co. Ltd. stockholders	<u>\$ 7,518,701</u>	<u>\$ 4,702,358</u>	<u>\$ (3,768,687)</u>		<u>\$ 8,452,372</u>
Basic earnings per common share attributable to Consolidated Water Co. Ltd. common stockholders	<u>\$ 0.51</u>				<u>\$ 0.57</u>
Diluted earnings per common share attributable to Consolidated Water Co. Ltd. common stockholders	<u>\$ 0.51</u>				<u>\$ 0.57</u>
Dividends declared per common share	<u>\$ 0.30</u>				<u>\$ 0.30</u>
Weighted average number of common shares used in the determination of:					
Basic earnings per share	<u>14,741,748</u>				<u>14,741,748</u>
Diluted earnings per share	<u>14,827,755</u>				<u>14,827,755</u>

CONSOLIDATED WATER CO. LTD.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

1. Basis of pro forma presentation

The unaudited pro forma condensed consolidated balance sheet as of December 31, 2015 combines the historical consolidated balance sheet of Consolidated Water Co. Ltd., and its subsidiaries (collectively, the “Company”) derived from the audited consolidated financial statements from the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2015 with the historical audited balance sheet of Aerex for the same period and has been prepared as if the Company’s acquisition of Aerex had occurred on December 31, 2015.

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2015 combines the historical consolidated statement of income of the Company derived from the audited consolidated financial statements of the Company from its Annual Report on Form 10-K for the year ended December 31, 2015, with the historical statement of operations of Aerex for the same period and has been prepared as if the acquisition had occurred on January 1, 2015.

The audited historical financial statements of Aerex for the year ended December 31, 2015 are included in this Current Report on Form 8-K/A. These statements should be read in conjunction with such historical financial statements. The historical financial information is adjusted in the unaudited pro forma condensed consolidated financial statements to give effect to pro forma adjustments that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) with respect to the pro forma condensed consolidated statement of operations, expected to have a continuing impact on the combined results.

We have accounted for the acquisition of Aerex under the acquisition method of accounting in accordance with the authoritative guidance on business combinations. The accounting for the acquisition of Aerex was based on a preliminary valuation of the assets acquired and liabilities assumed and is subject to revision as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed become available. The final allocation may include changes to the amount of intangible assets, goodwill, deferred taxes, accounts receivable and other current liabilities as well as other items. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed consolidated financial information. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material. Additionally, the differences, if any, could have a material impact on the accompanying unaudited pro forma condensed consolidated financial statements and our future results of operation and financial position.

The unaudited pro forma condensed consolidated financial statements are presented solely for informational purposes and are not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company.

The unaudited pro forma condensed consolidated financial statements do not reflect any cost savings from future operating synergies or integration activities, or any revenue, tax, or other synergies that could result from the acquisition.

2. Purchase of 51% ownership interest in Aerex Industries, Inc.

On February 11, 2016 (the “Closing Date”), the Company, through its wholly-owned subsidiary, Consolidated Water U.S. Holdings, Inc. (“Consolidated Water U.S.”), entered into a stock purchase agreement (the “Purchase Agreement”) with Aerex Industries, Inc. (“Aerex”) and Thomas Donnick, Jr. (“Donnick”). Pursuant to the terms of the Purchase Agreement, Consolidated Water U.S. purchased a 51% ownership interest in Aerex for an aggregate purchase price of approximately \$7.7 million in cash. After giving effect to the transactions contemplated by the Purchase Agreement, Consolidated Water U.S. owns 51% of the outstanding capital stock of Aerex and Donnick owns 49% of the outstanding capital stock of Aerex. Consolidated Water U.S. also acquired from Donnick an option to compel Donnick to sell, and granted to Donnick an option to require Consolidated Water U.S. to purchase, Donnick’s 49% ownership interest in Aerex at a price based upon the fair market value of Aerex at the time of the exercise of the option. The options are exercisable on or after the third anniversary of Closing Date. In connection with the Purchase Agreement, the Company guaranteed the obligations of Consolidated Water U.S. with respect to the option granted to Donnick to require Consolidated Water U.S. to purchase Donnick’s 49% ownership interest in Aerex.

Aerex is an original equipment manufacturer and service provider of a wide range of products and services applicable to municipal water treatment and industrial water and wastewater treatment. Its products include membrane separation equipment, filtration equipment, piping systems, vessels and custom fabricated components. Aerex also offers engineering, design, consulting, inspection, training and equipment maintenance services to its customers. Aerex is an American Society of Mechanical Engineers (ASME) code accredited manufacturer and maintains the ASME U and S and the National Board NB and R Certificates of Authorization. Its corporate offices and manufacturing facilities are located in Fort Pierce, Florida.

In connection with the Purchase Agreement, Consolidated Water U.S., Aerex and Donnicks entered into a shareholders agreement, pursuant to which Consolidated Water U.S. and Donnicks agreed to certain rights and obligations with respect to the governance of Aerex.

The purchase price for Aerex is summarized as follows:

	February 11, 2016
Cash consideration	
Purchase price (excluding working capital)	\$ 7,140,000
Working capital adjustment	606,000
Total cash consideration	<u>\$ 7,746,000</u>

The following table summarizes the estimated fair values of the assets and liabilities assumed at the acquisition date:

	February 11, 2016
Financial assets	\$ 459,391
Inventory	70,487
Costs and estimated earnings in excess of billings on uncompleted contracts	784,465
Property, plant and equipment	2,148,095
Identifiable intangible assets	5,900,000
Deferred tax liability	(2,439,000)
Accounts payable and accrued liabilities	(114,958)
Net liability arising from put/call options	(383,000)
Total identifiable net assets	<u>6,425,480</u>
Non-controlling interest in Aerex	(6,714,000)
Goodwill	8,034,520
	<u>\$ 7,746,000</u>

3. Pro forma adjustments

The following is a description of the pro forma adjustments to the unaudited pro forma condensed consolidated balance sheet and statement of operations. These adjustments are based on preliminary estimates which are subject to change as management finalizes its valuations or obtains additional information.

- (1) To record the cash paid related to the acquisition as follows:

Repayment of outstanding debt by Aerex prior to acquisition	\$	(1,880,487)
Cash paid for 51% of Aerex stock		(7,746,000)
Cash dividend paid by Aerex prior to acquisition		(2,908,708)
Working capital loan provided by seller per the terms of the Purchase Agreement		490,000
	\$	<u>(12,045,195)</u>

- (2) To increase property, plant and equipment acquired to estimated fair value.
- (3) To record intangible assets relating to non-compete agreement, trade name, engineering certifications, backlog and customer base.
- (4) To record the excess of the purchase price over the fair value of the assets acquired and the liabilities assumed as goodwill.
- (5) To record the estimated net fair value balance of the seller's put option and the Company's call option provided by the Purchase Agreement.
- (6) To record deferred tax liabilities at a statutory tax rate of 39%.
- (7) To record cash dividend paid and non-controlling interest.

Cash dividend paid by Aerex prior to acquisition	\$	(2,908,708)
Increase in non-controlling interest to estimated fair value		3,721,520
	\$	<u>812,812</u>

- (8) To record incremental depreciation associated with the fair value of property, plant and equipment acquired.
- (9) To record amortization of intangible assets of \$1,440,000, incremental salary expense of \$80,000 arising from the acquisition, and to eliminate acquisition related expenses of \$188,000.
- (10) To eliminate interest expense on outstanding debt repaid prior to acquisition.
- (11) To record provision for income taxes.
- (12) To record non-controlling interest in Aerex's net income.