The Future of Energy begins Now!

Information Technology at Work

Improving Efficiency

Smart Meters: Our Platform for the Future

Advances in Renewable Energy

Annual Report 2011

Anguilla Electricity Company Limited

SELECTED FINANCIAL INFORMATION

(In 000's)	**2011**	2010	2009	2008	2007
Income Statement Information					
Gross Operating Revenue	**$81,833**	$69,233	$62,557	$81,542	$67,534
Cost of Operating Revenue	**(69,836)**	(57,940)	(45,864)	(65,166)	(49,712)
Gross Operating Profit	**$11,997**	$11,293	$16,694	$16,376	$17,822
Operating Expenses	**(7,466)**	(7,091)	(7,231)	(6,923)	(6,612)
Other Income	**4,018**	3,591	3,561	3,596	1,763
Net Operating Profit	**$8,548**	$7,793	$13,023	$13,049	$12,972
Environmental Levy		-	(863)	(3,653)	(2,877)
Financing Cost	**(1,336)**	(1,813)	(1,707)	(1,425)	(1,325)
Provision for claim settlement			-	(570)	9
Net Profit	**$7,212**	**$5,980**	**$10,454**	**$7,401**	**$8,762**
Balance Sheet Information					
Non-current Assets	**$77,230**	$78,957	$81,139	$76,619	$49,674
Current Assets	**36,303**	31,028	28,609	27,897	39,582
Total Assets	**$113,533**	**$109,985**	**$109,748**	**$104,516**	**$89,256**
Long-term Liabilities	**26,822**	29,687	32,545	36,731	32,278
Current Liabilities	**10,797**	10,433	12,154	12,027	7,440
Total Liabilities	**$37,619**	$40,120	**$44,699**	**$48,758**	**$39,717**
Shareholders' Equity	**75,914**	69,865	65,049	55,758	49,539
Total Liabilities & Shareholders' Equity	**$113,533**	**$109,985**	**$109,748**	**$104,516**	**$89,256**
Dividends Declared	**$1,164**	**$1,164**	**$1,164**	**$1,164**	**$1,752**
Statistical Information (000's)					
Total Sales - kWh	**83,674**	87,214	79,918	78,934	78,854
Energy Losses - kWh	**8,989**	9,423	10,117	9,385	9,016
Net Generation (Units Sent Out) - kWh	**92,664**	96,637	90,034	88,319	87,870
Station Usage - kWh	**2,495**	1,932	1,189	1,183	1,129
Gross Generation - kWh	**95,158**	98,569	91,223	89,502	88,999
Fuel Used - Imperial Gallons	**5,045**	5,216	4,839	4,872	4,830

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James Richardson, Chairman

Chairman's Message

The year 2011 has been a very hard one for our customers. The people of Anguilla, along with populations in other countries worldwide face difficulties in meeting their financial responsibilities, due to recessive economic conditions, which force prices upwards and keep jobs and wages static or worse.

During 2011, we at ANGLEC introduced a one (1) Dollar re-connection initiative to help our customers in these hard times. Many customers took the opportunity to get reconnected and felt that it should be repeated.

To help our customers better manage their electrical supply, we will deploy a new generation of electricity meters. These will enable our customers to monitor consumption via the web and enjoy a flexible plan such as "prepaid" metering. The first phase of meters will be installed as a pilot project in the last quarter of 2012.

We remain committed to find ways to improve the service we provide to our customers. For the first time in the history of the company, we have put in place a strategic plan. ANGLEC's Vision is to be the model energy provider of the Caribbean; and our Mission is to meet all customer needs through a motivated, innovative team committed to excellent service. Our operations are now guided by the strategic objectives outlined in the plan.

We are endeavouring to reduce the rise in the cost of electrical supply to our consumers. All our expenditures are under stringent review. We are aware that our revenues and our customer base are shrinking, due to the economic conditions and high fuel prices.

Renewable Energy is increasingly becoming the future of electrical energy generation. We at ANGLEC are taking the initiative in this area to:-

(a) Reduce our fossil fuel consumption;
(b) Become a responsible provider of clean electrical energy;
(c) Reduce the disconnection rate; and
(d) Be a leader in renewable energy generation in the area.

In keeping with ANGLEC's Strategic objectives, the above initiatives will be priority.

In recent years, corporate governance has received increased attention regionally and internationally because of high-profile scandals involving abuse of corporate power. Since inception, ANGLEC had no formal Corporate Governance Policy. The Board of Directors will therefore contract the services of a consultant to draft the Company's Corporate Governance Policy.

The company continues to invest in the training and development of our workforce. Such training and development provide an opportunity for the enhancement of our employees' administrative, technical and behavioural skills in our organization. In 2011, we encouraged our staff to participate in a range of courses including renewable energy forums, generation optimization and supervision. We are also proud to be participating in the CARILEC accredited linesman programme. Our focus on training and development of our staff ensures that our employees at every level in the organization possess the job knowledge and skills to meet the changing demands of our industry. We consider having a skilled workforce as a contributing factor to the success of our company as our training initiatives help increase productivity of our employees which is instrumental in ANGLEC achieving its strategic objectives.

ANGLEC continues its good corporate citizenship responsibilities by its ongoing sponsorship programmes, in the fields of education and sports. In 2011, ANGLEC renewed its commitment to the Horizons Scholarship Program for a third consecutive year, providing some forty (40) scholarships to promising but financially challenged elementary school children.

I wish to put on record the help and co-operation I have received from my fellow Board members, the Corporate Secretary and the Management and Staff of ANGLEC. I sincerely thank them for their commitment to the company and for a successful, interesting and enlightening year.

James E. Richardson
Chairman

Anglec in the Community

'We cannot always build the future for our youth, but we can build our youth for the future.' Franklin Delano Roosevelt.

Anglec is committed to its continuous role of community building through its annual programmes in support of youth development, education, and sports, and to community projects.

We at Anglec are privileged to have the opportunity to contribute to the education of some 25 primary school students through full scholarships for the school year for those students who meet the established criteria. Our "Anglec Horizons Scholarship" programme is now in its third year.

Currently in our fifth year of sponsorship is the Test of Standards Awards initiative. We are also pleased to note that the number of students who have received awards for outstanding performance in the Test of Standards over the years, has grown from 29 students when we started in 2007 to 84 students this year.

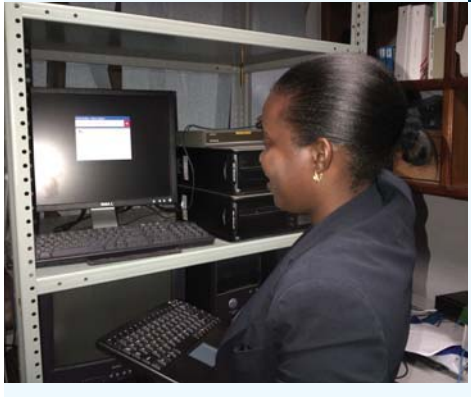
Additionally, at the primary school level is the sponsorship of the island's primary schools netball tournament held in May of each year.

In celebration of our 20th Anniversary in April this year, we donated $10,000 towards the completion of an electronics laboratory at the Albena Lake Hodge Comprehensive School. Also, to further emphasize our commitment to renewable energy, Anglec donated $60,000 to the Princess Alexandra Hospital to kick start the Renewable Energy Pilot project at the hospital.

Other community donations to the tune of $80,000 were made in several areas. Some of the recipients were the Junior Achievement Programme, The Anguilla Summer Festival, The Royal Anguilla Police Force Sports Club, The Anguilla Cricket Association, the Miriam Gumbs Senior Citizen's Home, Friends of the Hospital, The Anguilla Netball Association, Camp Be Aware and other cultural and religious programmes.

We at ANGLEC feel that there is nothing more crucial for our organization than to nurture, build, uplift, and take care of the community in which we operate.

Anglec's new website interface - www.anglec.com



Information Technology at work

The IT Department in 2011 aimed to ensure that Anglec's technology services fully supported the company's needs. A number of enhancements were made to projects started in 2010, and the excellent results were delivered through the efforts of a small but very motivated IT staff of 3. The IT infrastructure comprises of two server rooms located at the main branch in The Valley and a server room located at corito. These are connected via fiber optic cable and together make up Anglec's IT and Communication Network. With the addition of substations to Anglec's grid (Corito and West End) it is hoped that in 2012 the extending of the network to West End will be a realization.

GPS Clevest AVL:

After completing a small pilot project toward the end of 2010 the company signed a contract with Clevest Solutions out of Canada. The aim of the new project was to allow Anglec to track all vehicle locations, work order dispatches and ensure that drivers adhere to national speed limits while driving company vehicles on public roads.

The project will also link external technicians to the Anglec network so that work order systems can be managed from the vehicles. This will allow supervisors as well as the dispatching team to disseminate work orders to the relevant persons depending on the location of the different vehicles so as to get more work done during the same period of time. This phase of the system will be known as the mobile field force. While this will be the hardest phase of the project to complete, it is the most anticipated phase. We look forward to the completion which is dependent mostly on mobile network reliability and budgetary allowances.

Website upgrade:

In 2010 after 8 months of development Anglec released a new and improved www.anglec.com website which includes a brand new layout which is very customer friendly. Customers can now sign up for outage notifications via email and get customer service questions answered more promptly using the company's website. Customer service requests are now tied to Anglec's mobile devices which allow for responses to

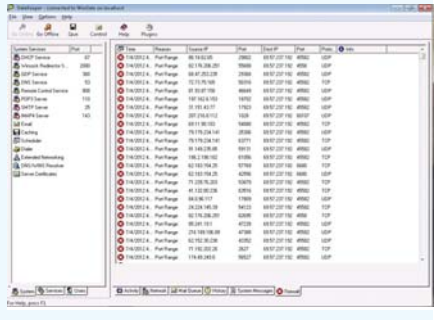
basic questions even after working hours. Other enhancements included the integration of social media namely Twitter and Facebook. To avoid old or misinformation appearing on these sites, Anglec ensures that the information that is presented is constantly monitored closely. It is anticipated that more enhancements will follow in 2012. These upcoming enhancements include the addition of an online billing simulator that will allow customers to see what their bill will be based on the readings they enter and outage notification by villages versus island wide outages. The site was developed by 5Starc in Anguilla

Online billing enhancements:

The online billing service was introduced back in 2007 and since then we have been trying to promote the service to customers. The service allows customers to view their bills, payments, readings, adjustments, etc in real time. While this was a great plus for customers, Anglec decided that online payments would be a great asset to consumers. The idea of online bill payment via credit card via Anglec's website was therefore developed. This allows customers to pay their bills anytime from anywhere with a maximum processing time of 3 days. It is hoped that this processing time will be reduced in 2012 with another enhancement, as well as the possibility of recurring automatic bill payments by credit card and debit cards. A pilot for these enhancements has already been implemented and they are expected to be released to the public in the first quarter of 2012.

Meter Reading data collection handhelds:

After many years of using a Handheld computer to read consumer meters in Anguilla, Anglec was faced with the decision to either upgrade the handhelds (due to age and maintenance requirements) or move to Advanced Metering Infrastructure (AMI). While Anglec is migrating to Advanced Metering Infrastructure, it was realized that this process would take about three years and an interim solution had to be found to meet the immediate needs for meter reading. As a result, an upgrade of the current handhelds was done in 2011. On October 1st after 3 days of training the new handhelds were commissioned. The new handhelds afford us some improved features.



Windows 2008 server domain controller:

in 2011, Anglec installed its first Windows domain controller. After many years of running our network on a Novell Netware server, Anglec migrated to Windows for domain control as an industry leader. While Novell NetWare was a solid server software (and remains so today), the migration was primarily because of vendor supplies being non compliant with Novell. In the last quarter of 2010, domain controllers were introduced to Anglec on our Windows server. This allowed the IT team to better administer IT task on windows machines throughout the company more quickly given our small size. This increased the efficiency of IT operations.

Human Resource Development

"You cannot mandate productivity, you must provide the tools to let people become their best."- Steve Jobs

Committed to cultivating a superior service oriented culture, the Human Resources Office continues to provide service and support to management and staff in ways that embrace the Company's mission and vision. During the year 2011, the Human resources activities focus on employment, recruitment, benefits, compensation administration, employee relations and training and development.

ANGLEC continues to encourage professional development, offering staff members opportunities to grow professionally in a variety of ways through its training and development programmes. As in previous years, the staff's performance and career development was reviewed in the annual performance appraisal assessment. The training was implemented on the basis of developmental needs. A range of subjects were offered such as Power Generation Dispatch Optimization, Communications, Rate Designs, Health and Safety, Governance, Risk and compliance, Renewable Energy, Geographic Information Systems, Supervisory, and Fraud Prevention among others. One of the main highlights of the training programme in 2011 was ANGLEC's commitment to the internationally accredited standardized linesman programme which takes into account the structured professional development of the Linesman.

One of the human resources strategies this year was the creation of a more open, visionary and professional organization through leadership, performance, networking, learning and knowledge sharing. ANGLEC launched its mentoring programme which does not only cater to its new employees but also its existing staff members. The programme provides for senior management employees to share their knowledge and experience with staff and in return senior staff members gain a fresh perspective and develop new relationships. The year, 2011 also saw the formation of the Anglec's Employee Council The voice for Employees" which allows for employees to participate responsibly and meaningfully in the Company. It was designed to be a vehicle for communication between management and employees.

In addition to other recognition programs, we have formally instituted a service award program which celebrates staff members who have reached the 20 years milestone with the Company.

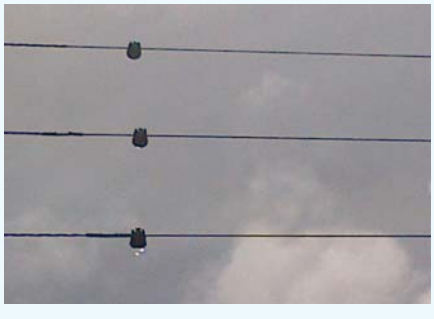
This recognition effectively communicated our appreciation for our employees' efforts and reinforced their behaviours that have made a positive impact on our company.

Ongoing, are our efforts to foster the values of inclusiveness, camaraderie, employee engagement, morale building through our annual retreat which was held under the theme "Moving Mountains.

ANGLEC will continue to review our strategies which assist us in meeting our human resources objectives of attracting, retaining and motivating our innovative staff as their performance, commitment and skills continue to provide the foundation for our company's success.

Improving Efficiency

In 2011 The T&D department installed 100 additional Fault Circuit Indicators (FCI) throughout the Island. This followed a trial period of installing some sample FCI for testing in 2010. In total there are 130 FCI on the T&D network. Anglec technical operators in the field have reported shorter times for locating faults on the High Voltage Lines. Some of the typical faults causing power outages include trees touching lines, burning poles, blown transformers or broken poles due to vehicle accident. The Indicators are placed at strategic points on Anglec Main line Feeders. When an over-current is detected on the line due to a fault, the indicators flash for a set period of time. This points the field operators quickly to the origin of the fault thus saving precious time. As a result current can be restored quicker to customers.



Fault Circuit Indicators on High Voltage Line detects over current

For the future, the company is also investing in Infrared Red (IR) camera technology for the testing of hot-spots on the lines on consumer connections. The identification of hot-spots will enable the company to carry out proactive maintenance thereby improving service to the consumer.

Advanced Metering Infrastructure (AMI) is the latest in technology for the metering of consumers. During the course of 2011 Anglec has carried out research in this area with the intent to implement a pilot project in 2012.

AMI meter

AMI uses smart meters installed at the consumer which can communicate bi-directionally between the utility and the consumer. Both the consumer and the utility will benefit from this technology.

Some of the technical benefits include automated meter reading, outage notification, Network optimization, automated disconnection and reconnection, loss reduction, Theft detection and Renewable Energy integration.

The continuous monitoring of the consumers supply will lead in general to improved quality of supply and reliability.

It will also enable the utility to provide more billing and commercial services to its customers including prepaid metering, Long term data storage, client remote access, time-differentiated tariffs.

As the sole generation plant that supplies the entire island, comprehensive fire protection of the Corito Power Plant is critical. Beginning in 2011 the company started a project to upgrade its fire fighting facility.

The Corito fire upgrade project when completed in the third quarter of 2012 will provide comprehensive fire protection to the plant. This fire protection meets all applicable international standards and will be among the best in the region. It is a critical criterion for insurance coverage.

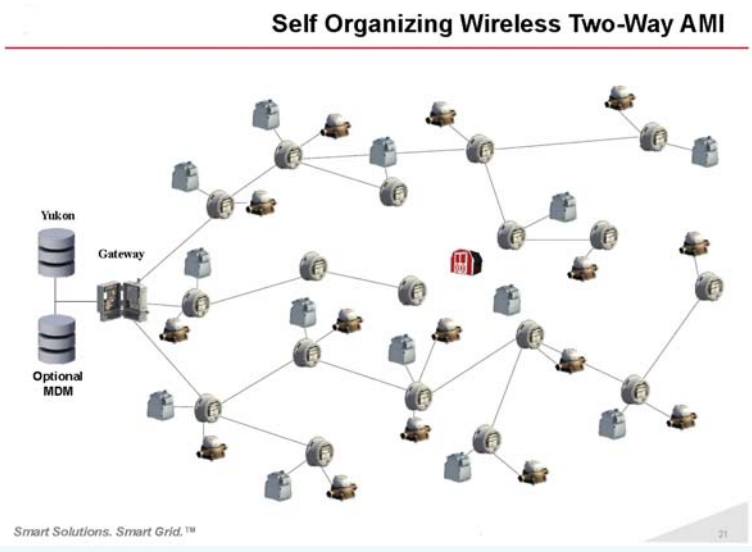
Corito Fire Upgrade work in progress

It will also ensure the security of the plant and hence guarantee the efficiency and reliability of supply to Anglec's valuable customers.

The Generation department continues to spend lengthy hours in ensuring that the engines are maintained at the required international standards on a timely basis. This is important because even though staff suffers a certain level of inconvenience it minimizes the risk of major breakdown, thus ensuring the reliability of supply to customers. It also allows the operation of the most fuel efficient units, thus improving the overall efficiency of the system

The Generation and the T&D department will be embarking on a comprehensive internal training program for its employees. The company is committed to the development of its human resource component recognizing it as the most critical element in the overall development of the institution.

This is expected to produce a well trained and motivated workforce which is critical in ensuring quality, reliability and efficiency of supply to our valued consumers.



Creating an Intelligent Electrical Network - AMI Technology is coming to Anglec

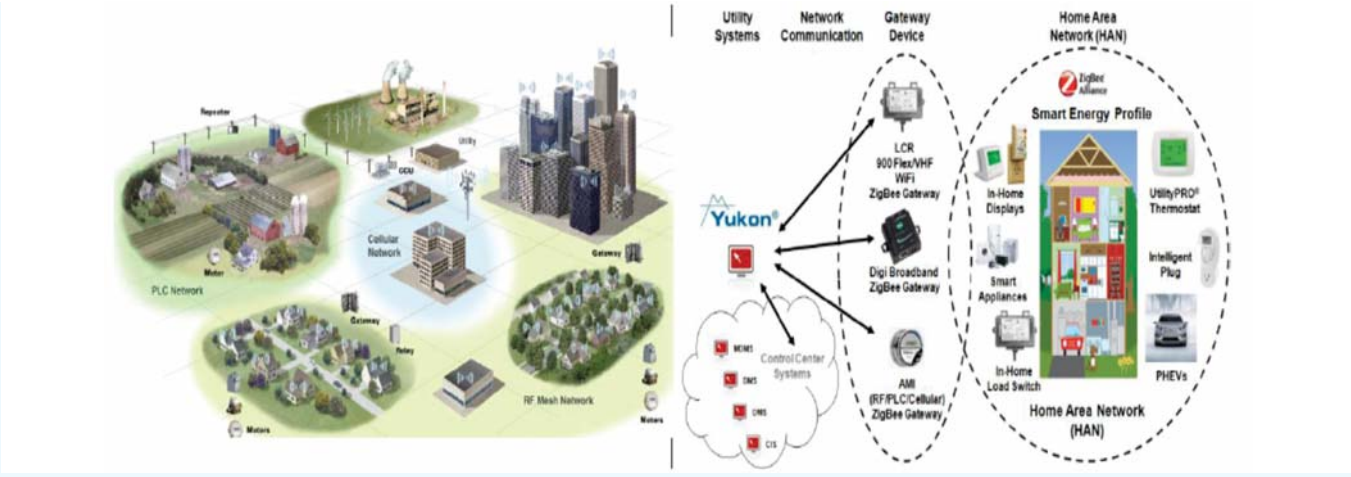
Change is inevitable and those of us who cannot embrace change gets left far behind. We at Anglec will not be left behind in this technological environment. Anglec is in the process of implementing AMI Technology/Smart Metering to replace our manual meter reading system.

Smart meters are the next generation of electrical meters. They can communicate directly with the head office, they record and store information, and capture usage information from inside the customer's home or office. They can even be programmed to "switch on" or "switch off" devices in the home. Simply put, smart meters have the ability to transform the way ANGLEC and its customers monitor and manage their energy use. A smart meter runs on an AMI network (AMI is the acronym for Advanced Metering Infrastructure) and is gaining acceptance worldwide because of the numerous benefits that it brings. Some of the immediate benefits to ANGLEC and customers are:

- The ability to increase the frequency of meter readings (more than once per month)
- Increased consistency and accuracy of meter readings;
- Reduced operating cost of meter readings;
- More detailed consumption information to ANGLEC customers, including the ability for them to read and manage their own meters remotely;
- Providing the necessary infrastructure for more flexible billing (such as TOU rates and Prepaid energy plans)
- Enhanced safety of line operations by verifying consumers' energization state within selected zones;
- Providing the necessary infrastructure for separate import/export energy flow accounting (this is particularly important for distributed renewable energy consumers)
- Reduced operating cost of performing disconnections and reconnections;
- Reduced response time of disconnections and reconnections;

In addition to those benefits, as Anguilla moves toward greater energy conservation, smart meters will undoubtedly have a vital role to play. Consumers will be given the information they need to fully understand and manage their energy consumption effectively, save money and ultimately reduce carbon emissions. This will be critical in assisting to tackle climate change and to deal with consumer concerns about the rising costs of energy.

A specification was developed in September of 2011, and the proposals received are currently being evaluated. The first 200 meters are expected to be installed in the 2nd quarter of 2012. The overall project is expected to cost roughly 2 million US dollars and we envisage that this project will take 4 years for full completion.



Smart Meters: Our Platform For The Future

What is ANGLEC doing in regards to Smart Metering?

Over the past months ANGLEC has been analysing various technologies for the advanced metering infrastructure(AMI), i.e. the platform for smart metering. In light of financial constraints and the versatility of the technology, Cooper Power was recently shortlisted as the number one provider. The first stage of the AMI/smart metering will consist of a pilot project which will involve the installation of 200 residential meters (single phase meters) and is expected to commence by September 2012. Tentatively, The Valley is short listed as the pilot project area.

What is a Smart Meter?

A smart meter is usually an electrical meter that records consumption of electric energy in intervals of an hour or less and communicates that information at least daily back to the utility for monitoring and billing purposes.Smart meters enable two-way communication between the meter and the central system. Unlike home energy monitors, smart meters can gather data for remote reporting. Such an advanced metering infrastructure (AMI) differs from traditional automatic meter reading (AMR) in that it enables two-way communications with the meter.

The Benefits of Smart Meters /AMI:

Smart meters facilitate two way communication, i.e. each meter that is installed on the system will communicate information back to the host as well as receive command from the host. Therefore smart meters will:

- Reduce non-technical losses. Non-technical losses are the energy/units (kwh)which are unaccounted for due to energy theft, unmetered services/billing error or manual meter reading error.

- Allow remote connection and disconnection through its disconnection switch.

- Improve power quality. Data is fed back to the host concerning the voltage, hence transient power quality issues can be monitored and fixed.

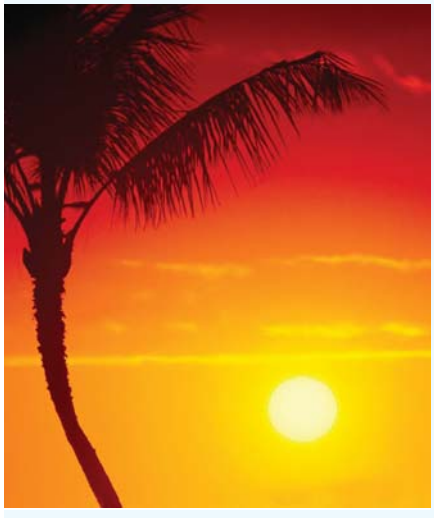
- Allow ANGLEC to introduce prepaid metering service. This will be very helpful to landlords who are faced with the problem of paying electricity bills after a tenant has evacuated.

- Help customers to conserve energy via remote access to their real time of use informatuion. This will also improve customer service.

- Facilitate bi-directional and net metering which will help in the transition of renewable energy integration.

- Support the shift of ANGLEC from one flat tariff to several tariffs i.e a different rate for electricity according to the load on the system. For example during the day from 8am to 8pm where ANGLEC experiences its peak load, a higher rate of electricity will be charged with a lower rate for the next twelve hours. This is important because it will help ANGLEC to run its generators efficiently as well as economically (reduce capital cost incurred when purchasing new sets within a short time span).

Anglec embarks on Renewable Energy Projects



In keeping with the strategic objectives, ANGLEC intends to create renewable energy for itself.

As a first step, the company has started to prepare a Request for Proposal (RFP) for a small (1MW) renewable energy plant. ANGLEC hopes to commission this facility in the near future.

A solar plant was chosen as a pilot project because of its unique advantages in being easy to deploy (minimal design issues) lower intrusion on the surrounding community and environment and it is scalable (ie.. as additional solar panels and equipment are added the size of the system can be increased). In addition:

• Solar energy is consistent and abundant (espc. We probably will never be able to harness all the energy that the sun has to offer. It is estimated that if we harnessed all the solar radiation that hits the earth, we could supply the entire world's energy need 20,000 over.

• The ways we use to harness solar energy are green and non-polluting. However, this does not mean that the manufacturing, transportation and installation of solar systems are completely green.

It is envisioned that the PV plant will interconnect directly with the Corito power station.

Apart from investment in our own renewable energy plant, ANGLEC intends to create an environment for our customers to be involved in the renewable energy initiative

If Anguilla's transition to renewable energy integration is to be complete, community involvement will be critical. We must therefore ensure that the environment exists to allow the community to participate in renewable energy projects. An important first-step in this direction is to create the right tariff and legal framework to ensure a stable, reliable and safe electricity supply on Anguilla. We know that ANGLEC plays a critical role in achieving this but presently, our tariff structure is not designed to address all the scenarios that would occur from our customers interconnecting renewable energy with ANGLEC's grid. In addition, many technical and safety issues which would result from grid tied renewables.

ANGLEC sees good tariff design as an essential component of renewable energy integration initiatives. Many utilities around the world continue to operate on rate structures that provide rewards for higher energy sales. These old rate structures would also threaten a utility's existence when sales drop. Clearly, that old model is incompatible in an age of energy conservation and renewable energy integration. Modernizing the tariff structure allows ANGLEC to exist in our new environment, recognizing the critical role that the utility plays to maintain a safe, reliable and consistent electricity supply on Anguilla

To ensure a transparent and objective process, it was determined that independent consultants would be engaged to conduct relevant studies on behalf of all stakeholders (Government, ANGLEC and the general public). In November 2011 British sponsored funding was approved for a consultancy to begin on Anguilla. This entailed a review of the existing legislation on Anguilla to allow integration of renewable energy sources to the Anglec network. In December 2011, Castilla strategic advisors (an American company) was contracted to undertake the work.

We expect that a sustainable model for renewable energy integration will be finalized by all stakeholders in 2012.

Improving the T&D Network

Anglec commissioned its new Western Transmission Line in March of 2011. This line is rated to operate at 34.5kV. The previous maximum operating voltage for Anglec was 13.8kV. To improve reliability this line is a dedicated line directly feeding the West End substation. Supply to the western part of the Island will now be distributed from the new West End Substation. This improved the quality of service for our customers in the western end of the island. Consumers on the Western end of the Island and in particular the large consumers (Hotels) have seen improved voltages with the new substation now in operation.

Western Transmission Line Sub Station

Anglec embarked on a Revamp procedure to make improvements to its Network in 2011. The Revamp procedure is designed to carry out large scale maintenance work on the Network. This is done in partnership with the sister utilities of LIME and CCC on a scheduled basis.

Some of the operations carried out include the replacement of old porcelain insulators with new and more efficient polymer insulators, tree cutting, Pole straightening and maintenance of incoming service lines.

To carry out this exercise the duration of the planned outage had to be increased.

The company has seen the benefits of this enhanced maintenance in the reduction of forced outages and consumer damage appliances. So the benefits to the consumer's warranted the exercise being done.

Workers on Revamp exercise

Premature failure of meter base contacts occasionally results in damage to consumer's equipment. To mitigate against this the company is assisting their customers by developing a program whereby customers can request a temporary disconnection. This will allow the internal maintenance of their meter base.

Due to the Increased rate of corrosion of copper and aluminum joints the company is testing the performance of new anticorrosive connectors. These joints typical occur between the consumer's mains and Anglec's Low Voltage lines.

For the future the company is currently looking into new methods for the digging of pole holes. Achieving smooth and consistent cuts will prevent unnecessary shifting of poles during abnormal conditions. The company currently uses augers mounted on digger derrick trucks to achieve this. In light of the very hard rock in Anguilla the company is looking into Air Drill technology to improve this operation.

Vehicle Maintenance Department Improvements

The Linemen operations involve the accessing of the T&D hardware up on poles. The need for reliable and safe working lift trucks is a critical part of the operations.

The Garage has done extensive vehicle safety and operational checks on all booms to verify their integrity. This was done in partnership with Argo American Inc, who also provided training in Hydraulics for the Mechanics.

The Garage has added a Tyre changing machine to its operations. As a result the Garage is now doing all Tyre repairs in house. This reduces down time for bucket trucks in need of Tyre changes or repairs.

Operating Highlights

Revenues

Total revenues for 2011, including fuel surcharge, increased to EC$81.83 million. This represents a 18% increase over the previous year's earnings of EC$69.23 million. This increase can be attributed to the higher fuel surcharge rate maintained throughout the year. The average fuel surcharge rate increased from $0.20 per kWh in 2009 to $0.39 per kWh in 2010 due to the increase in fuel prices throughout experience throughout the year.

Operating Costs

Fuel cost continues to be one of the Company's primary challenges. Due to global demand pressures, increase in geo-political tensions in the Middle East and growth of Asian economies, fuel prices continue to rise globally. The Company continues to maintain a delicate balance of absorbing a significant amount of the fuel increases while passing a reduced portion to its customers through the fuel surcharge.

For the 2011 fiscal year, fuel surcharge expenses accounted for roughly 44% of gross revenues and 51% of operating costs compared to 32% and 39%, respectively, for the previous year. Total operating costs for the year including depreciation were EC$69.84 million compared to the previous year's figure of EC$57.94 million. Fuel cost, including fuel surcharge, for the year was EC$54.11 million compared to EC$41.35million for the previous year. Excluding fuel costs, Generation costs of $8.3 million represented 10.2% of revenues compared to $9.44 million or 13.6%of revenues in the previous year. The decrease in Generation cost year over year is due to the timing of scheduled maintenance for the major generating sets and plant.

Transmission and Distribution costs were $7.4 million or 9.1% of revenues compared to $7.15 or 10.3% of revenues for the previous year. The increase in cost is due to the increase in network revamp activity during the year.

Administration and Consumer Services costs were $7.47 million or 9.1% of revenues compared to $7.09 million or 10.2% for the previous reporting year. Trading Profits or Gross operating profit at EC$11.99 million increased by 5.9% from the previous year's figure of EC$11.29 million. This increase is primarily due to the reduction in costs and better fuel surcharge rate management throughout the year.

Net Finance costs were $1.34 million or 2.6% of revenues compared to $1.8 million or 2.7% of revenues for the previous year.

This decrease in costs is due primarily to the refinancing of several company notes at lower interest rates in mid 2010. Net profit for the year at EC$7.21 million was 8.8% of sales compared to EC$5.98 or 8.6% in 2010. The increase in profitability is due primarily to improved management of the fuel surcharge rate in 2011.

The fuel surcharge rate is set by a mechanism outlined in the Anguilla Electricity Act. The act allows for a $0.01 increase in the per kWh rate for every $0.10 increase in the price of diesel per imperial gallon. It has been common practice throughout the years that ANGLEC absorb a significant portion of the excess fuel costs, rather than pass the costs on to its customers. In 2011, strict implementation of the tariff would have resulted in a surcharge exceeding $0.75 per kWh. Instead, the Company maintains a delicate balance of sharing the burden of high fuel prices, while ensuring the Company's cash position and other financial and operational needs are met. This policy resulted in the absorption of over $2.99 million in additional costs in 2011.

Capital Expenditures

The need to continue investing to improve the efficiency of our operations, particularly in the Generation and Transmission and Distribution areas is of critical importance. These investments strengthen and make our system more reliable and improve the service we provide to our customers. This year capital expenditures of EC$4.2 million were expended versus EC$3.2 million in the previous year. This decline was due to the substantial expansions done on the transmission and distribution systems in 2009 developing 2 substations for the western part of the island.

The breakdown in capital expenditure by category was as follows (in millions):

Plant and Machinery	EC$ 0.853
Furniture, Fixtures and Equipment	0.168
Buildings	1.905
Vehicles	0.278
Work-in-Progress	2.914
Total	**EC$ 4.213**

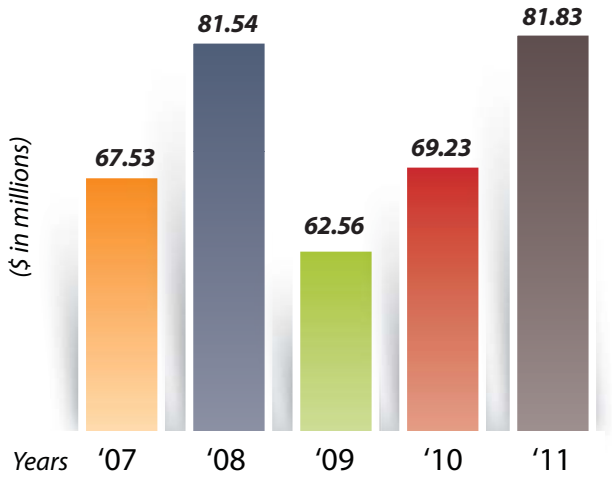
Earnings per share at EC$0.62 increased by EC$0.11 from EC$0.51 in the previous year. Taking into account the short and long term investment needs of the Company, the current global economic crisis, available cash resources and covenant obligations with lending institutions, the Board of Directors approved a dividend of EC$0.10 per share for 2011.

Generation Performance

Operationally, peak demand for electricity fell from 15.3 MW in December 2010 to 14.5 MW for the same period in 2011. Total units generated fell from 98.57 MW in 2010 to 95.16 MW in 2011, a 3.5% decrease. The decrease in units generated is driven by the decline in global and local recessionary economic conditions. This impact is mostly attributable to the Hotel and Government sectors, but similar trends can be seen in other areas.

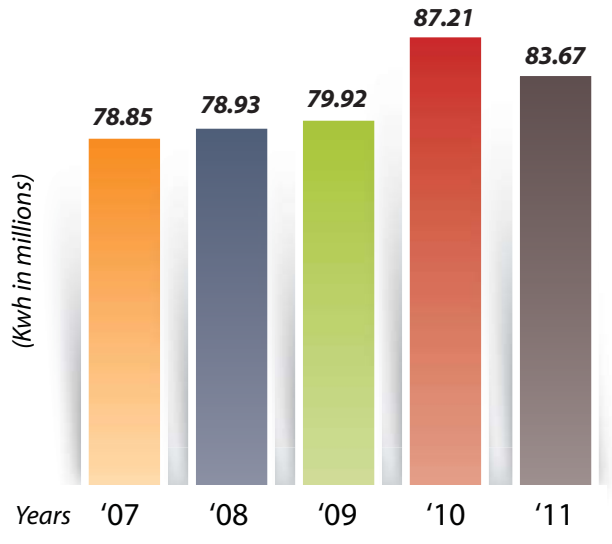
Fuel efficiencies improved by 0.2% in 2011. This improvement can be attributed to the availability and operation of more efficient generating sets during the year.

Operating Highlights



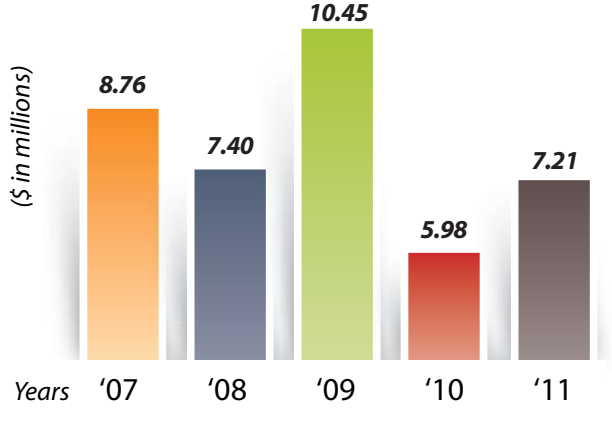
GROSS REVENUE (FROM 2007 TO 2011)

Gross revenues increased from $69.23 million in 2010 to $81.83 million in 2011. This increase in gross revenues is due to an increase in the fuel surcharge rate for 2011. The higher surcharge rate is due to the unprecedented fuel price averages experienced in 2011.



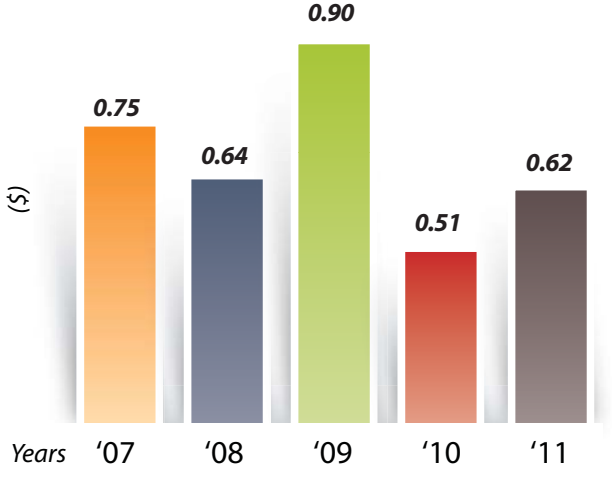
UNITS SOLD (FROM 2007 TO 2011)

Units sold decreased from 87.21 million kWh in 2010 to 83.67 million kWh in 2011 due to a decline in demand resulting from the global economic downturn.



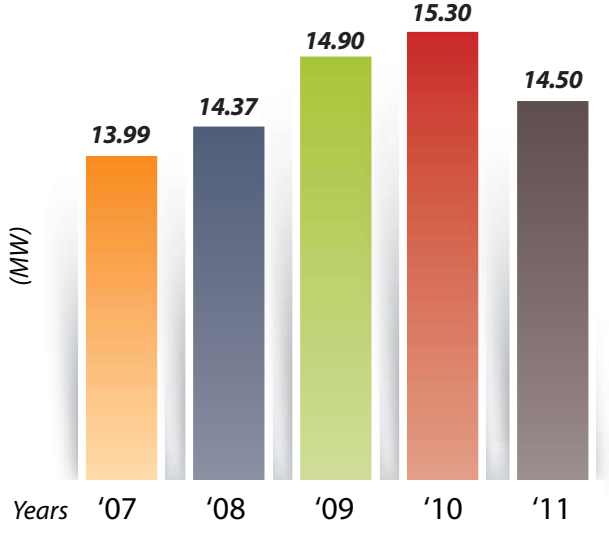
NET PROFIT (FROM 2007 TO 2011)

Net pro?t increased from $5.98 million to $7.21 million in 2011 due to the Company passing through a larger percentage of higher fuel costs in 2011 versus 2010. In 2010, the Company absorbed an additional $4.9 million in excess fuel cost by maintaining an artificially low fuel surcharge rate.



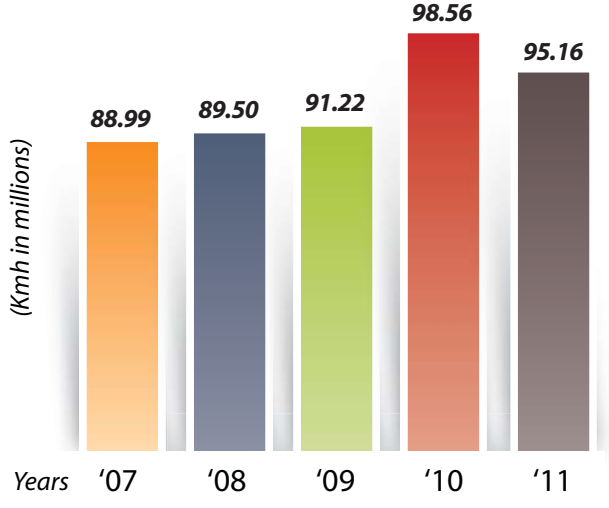
EARNINGS PER SHARE (FROM 2007 TO 2011)

Earnings per share increased from $0.51 in 2010 to $0.62 in 2011, a 21% increase, due to the better management of the fuel surcharge rate.



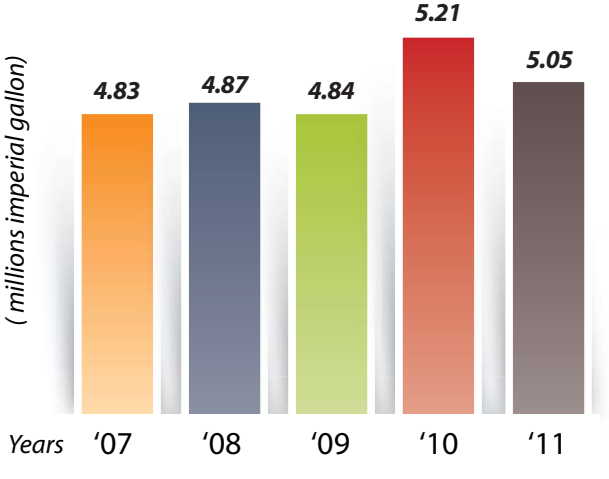
PEAK DEMAND (FROM 2007 TO 2011)

Peak demand decreased from 15.30 MW in 2010 to 14.90 MW in 2011 due to the continued global and regional economic challenges.



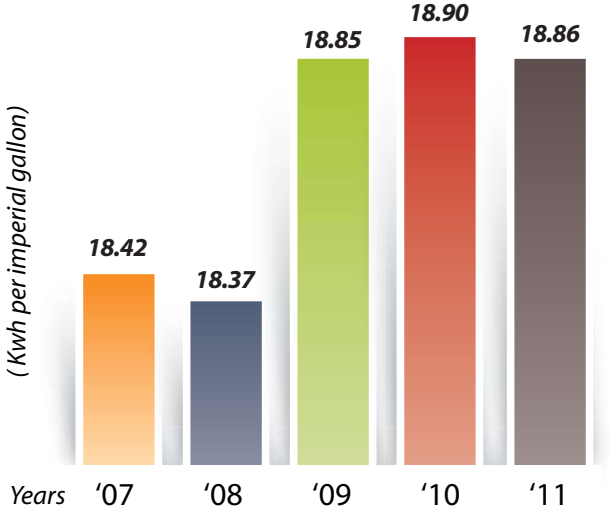
UNITS GENERATED (FROM 2007 TO 2011)

Units generated decreased from 95.57 million kWh to 95.16 million kWh in 2011 due to decline in economic conditions in 2011.



FUEL CONSUMED (FROM 2007 TO 2011)

Fuel consumption declined from 5.22 million to 5.05 million imperial gallons in 2011 due to the decline in units generated and consumption.



FUEL EFFICIENCY (FROM 2007 TO 2011)

Fuel efficiency declined from 18.90 kWh to 18.86 kWh in 2011 due to losses from operating older units during the year. This is due to timing of breakdowns and scheduled maintenance.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Anguilla Electricity Company Limited

We have audited the accompanying financial statements of Anguilla Electricity Company Limited (the Company), which comprise the statement of financial position as at 31 December 2011, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation 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 International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLC

Chartered Accountants
April 20, 2012
The Valley, Anguilla, B.W. I

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

ASSETS

	Notes	2011	2010
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	**77,150,041**	78,803,268
Net pension asset	23	**-**	100,265
Other assets		**80,165**	53,607
		77,230,206	78,957,140
CURRENT ASSETS			
Investment securities	7	**6,935,048**	4,390,511
Inventories, net	8	**5,234,648**	5,379,262
Trade and other receivables, net	9	**19,341,801**	15,455,722
Prepayments and other current assets	10	**209,541**	576,040
Cash and cash equivalents	11	**4,581,998**	5,226,290
		36,303,036	31,027,825
		113,533,242	**109,984,965**

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY			
Share capital	12	**14,536,147**	14,536,147
Retained earnings		**61,377,817**	55,328,738
		75,913,964	69,864,885
LONG-TERM LIABILITIES			
Net pension liability	23	**150,272**	-
Borrowings, net of current portion	13	**22,418,172**	25,553,343
Contribution in aid of construction	14	**4,254,029**	4,133,579
		26,822,473	29,686,922
CURRENT LIABILITIES			
Borrowings, current portion	13	**4,022,275**	4,022,275
Customer deposits		**1,409,068**	1,432,777
Trade and other payables	15	**5,365,462**	4,978,106
		10,796,805	10,433,158
		113,533,242	**109,984,965**

These financial statements were approved on behalf of the Board of Directors on 13 April 2012 by the following:

Chairman — *James Richardson*

Vice Chairman — *Dr. H. Clifton Niles*

The notes on pages 24 to 46 are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	**2011**	2010
REVENUE			
Energy sales	16	**49,085,321**	51,724,427
Fuel surcharge recovered	16	**32,747,562**	17,508,211
		81,832,883	69,232,638
COST OF OPERATIONS			
Generation			
Fuel		**(18,365,300)**	(18,984,460)
Fuel surcharge	16	**(35,742,395)**	(22,366,755)
Total fuel expenses		**(54,107,695)**	(41,351,215)
Other expenses	17	**(8,313,958)**	(9,441,478)
Transmission and distribution expenses	18	**(7,414,703)**	(7,147,106)
		(69,836,356)	(57,939,799)
GROSS OPERATING INCOME		**11,996,527**	11,292,839
OTHER INCOME	19	**4,018,232**	3,591,019
GROSS INCOME		**16,014,759**	**14,883,858**
OPERATING EXPENSES			
Administrative expenses	20	**(6,789,594)**	(6,482,194)
Consumer services	21	**(676,787)**	(608,337)
INCOME FROM OPERATIONS		**8,548,378**	**7,793,327**
OTHER EXPENSES			
Finance cost	13	**(1,335,684)**	(1,813,324)
NET INCOME		**7,212,694**	**5,980,003**
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**7,212,694**	**5,980,003**
Additional disclosures:			
Earnings per share	24	**0.62**	0.51
Dividends per share	25	**0.10**	0.10

The notes on pages 24 to 46 are an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	Share capital	Retained earnings	Total
Balance as at 31 December 2009		14,536,147	50,512,348	65,048,495
Total comprehensive income		-	5,980,003	5,980,003
Dividends paid	25	-	(1,163,613)	(1,163,613)
Balance as at 31 December 2010		14,536,147	55,328,738	69,864,885
Total comprehensive income		-	7,212,694	7,212,694
Dividends paid	25	-	(1,163,615)	(1,163,615)
Balance as at 31 December 2011		**14,536,147**	**61,377,817**	**75,913,964**

The notes on pages 24 to 46 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**7,212,694**	5,980,003
Adjustments for:			
Depreciation	6	**5,866,055**	5,236,284
Interest expense		**1,335,684**	1,813,324
Recovery of allowance for doubtful accounts	19	**(358,950)**	(53,258)
Interest income	19	**(320,013)**	(304,746)
Provision for slow moving/obsolete inventories	8	**34,230**	21,050
Impairment losses	20	**16,476**	16,476
Recovery of allowance for slow moving/obsolete inventories	8	**-**	(118,690)
Operating income before working capital changes		**13,786,176**	12,590,443
(Increase)/decrease in:			
Net pension asset	23	**100,265**	182,090
Other assets		**(26,558)**	(23,435)
Inventories	8	**110,384**	97,610
Trade and other receivables	9	**(3,435,360)**	(1,622,329)
Prepayments and other current assets	10	**366,499**	(28,809)
Increase/(decrease) in:			
Net pension liability	23	**150,272**	-
Customer deposits		**(23,709)**	(479,003)
Trade and other payables	15	**427,279**	(215,591)
Net cash provided by operating activities		**11,455,248**	10,500,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	6	**(4,212,828)**	(3,212,988)
Increase in investment securities	7	**(2,544,537)**	(93,808)
Interest received		**211,768**	108,952
Net cash used in investing activities		**(6,545,597)**	(3,197,844)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	13	**(4,022,277)**	(18,282,375)
Interest paid		**(1,375,607)**	(1,950,212)
Dividends paid	25	**(1,163,615)**	(1,163,613)
Proceeds from borrowings	13	**887,106**	14,793,385
Increase in contributions in aid of construction	14	**665,217**	1,034,771
Revenue from contributions in aid of construction	14	**(544,767)**	(521,246)
Net cash used in financing activities		**(5,553,943)**	(6,089,290)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(644,292)**	1,213,842
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11**	**5,226,290**	4,012,448
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11**	**4,581,998**	5,226,290

The notes on pages 24 to 46 are an integral part of the financial statements.

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

1. Reporting entity

The Anguilla Electricity Company Limited (the Company) was incorporated in Anguilla on 11 January 1991 under the Companies Act and is governed by the Electricity Act, 1991, as amended, and operates in The Valley, Anguilla. The Company has an exclusive public supplier's license to generate, transmit and distribute electricity on the island of Anguilla for a period of fifty years from 1 April 1991.

The Company's registered office address is Hannah-Waiver House, The Valley, Anguilla, B.W.I.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on 13 April 2012.

(b) Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars (EC Dollars), which is the Company's functional and presentation currency. Except as otherwise indicated, financial information presented in EC Dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

- Note 3 (b) Valuation of financial instruments
- Note 3 (d) Impairment of assets
- Note 3 (f) Estimation of unbilled sales and fuel charges
- Note 3 (g) Measurement of defined benefit obligation
- Note 5 Determination of fair values

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements, unless otherwise stated.

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(a) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in the profit or loss.

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Plant and machinery	10-20 years
Furniture, fittings and equipment	5 years
Motor vehicles	3-5 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

(b) Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise investment securities, trade and other receivables, cash and cash equivalents, borrowings, customer deposits and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Investment securities
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

i. Non-derivative financial instruments (continued)

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying securities as held-to-maturity for the current and the following two financial years.

Trade and other receivables
Trade and other receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognized in profit or loss. Trade receivables, being short-term, are not discounted.

Cash and cash equivalents
Cash comprise cash balances on hand and highly liquid financial assets with maturities of less than three months which are not subject to significant risk of change in value.

Borrowings
Borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortized cost.

Trade and other payables
Trade and other payables are stated at their cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

Other
Other non-derivative financial instruments are measured at cost less any impairment losses.

ii. Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

Treasury shares
When share capital recognized as equity is repurchased by the Company, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total shareholders' equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Allowance is made for obsolete and slow moving items.

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(d) Impairment

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

ii. Non-financial assets

The carrying value of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Contributions in aid of construction

Contributions in aid of construction are amounts received from customers towards the cost of providing services. These amounts are amortized over the estimated service lives of the related assets over the same period. Contributions received in respect of unfinished construction are amortized once the assets are placed in service.

(f) Revenue

i. Sale of energy

Revenue from the sale of electricity is recognized in profit or loss based on consumption recorded by monthly meter readings, with due adjustment made for unread consumption at year-end by apportioning the consumption of the following month.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the succeeding year preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month.

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

ii. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(g) Employee benefits

i. Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. This plan is for non-management employees.

ii. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates a defined benefit pension for senior management. The plan is a multi-employer scheme with five contributing employers. The other participating companies are Montserrat Electricity Services Ltd., St. Lucia Mortgage Finance Company Ltd., St. Lucia Electricity Services Limited and St. Vincent Electricity Services Ltd.

Multi-employers' schemes pool the assets contributed by the various enterprises that are not under common control, and use the assets to provide benefits to employees of more than one enterprise on the basis that contributed and benefit levels are determined without regard to the identity of the enterprise that employs the employees concerned.

The Company's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

In respect of actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(h) Finance cost

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of the cost of the asset.

(i) Earnings per share

Earnings per share have been calculated by dividing the net profit for the year by the weighted average number of issued ordinary shares.

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3. Summary of significant accounting policies (continued)

(j) Dividends

Dividends are recognized as a liability in the period in which they are sanctioned by the shareholders. Dividends per share have been calculated by dividing the dividend declared by the weighted average number of issued ordinary shares.

(k) Foreign currency transactions

Transactions in foreign currencies are translated to EC Dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to EC Dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on conversion and translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to EC Dollars at the exchange rate at the date of the acquisition.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Amendments to standards and interpretations adopted in 2011

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of 1 January 2011:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First –time adopters
- IAS 24 Related Party Disclosures (Revised)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The impact of IAS 24, Related Party Disclosures (Revised) had been considered and disclosed in Note 27. Adoption of the other standards and interpretations did not have any effect on the financial performance or financial position of the Company.

(n) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective as at 31 December 2011 or not relevant to the Company's operations. These are as follows:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) effective 1 July 2012
- IFRS 9, Financial Instruments effective 1 January 2013.
- IFRS 13, Fair Value Measurement effective 1 January 2013.
- IAS 19, Employee Benefits (amended 2011) effective 1 January 2013.

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4. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital management

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment securities and trade and other receivables.

Investment securities

The Company limits its exposure to credit risk by only investing in fixed deposits with local banks. Management does not expect the related counterparty to fail to meet its obligations.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less influence on credit risk. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investment securities. The main components of this allowance are collective losses based on number of days in receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains a line of credit with a limit of EC$3.2 million with the National Bank of Anguilla Limited with an interest rate of 9.20% per annum.

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4. Financial risk management (continued)

Market risk

Currency risk

The Company's exposure to currency risk is minimal as the exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00.

Interest rate risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Company to interest rate risk. The Company's exposure and the interest rates on its financial liabilities are disclosed in Note 26.

Fair value

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing as at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for intruments traded in the market. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The estimated fair value of cash and bank deposits with no stated maturity, which includes non?interest bearing deposits, is the amount repayable on demand.

The estimated fair value of borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital.

The impact of the level of capital on shareholders' return is also recognized and the Company recognises the need to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There have been no material changes in the Company's management of capital during the period.

5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) Held-to-maturity investment securities

The fair value of held-to-maturity investment securities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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5. Determination of fair values (continued)

(c) Cash and cash equivalents

The fair value of cash and cash equivalents approximates carrying value due to its short term nature.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liablity.

6. Property, plant and equipment - net

	Land	Buildings	Plant and Machinery	Furniture, fittings and Equipment	Motor Vehicles	Capital work in Progress	Total
Cost							
31 December 2009	914,738	12,178,093	99,556,140	4,348,234	3,407,697	15,310,854	135,715,756
Additions	-	144,856	816,107	183,521	106,184	1,926,320	3,212,988
Transfer	-	1,760,176	-	-	-	(1,760,176)	-
31 December 2010	**914,738**	**14,083,125**	**100,372,247**	**4,531,755**	**3,513,881**	**15,512,998**	**138,928,744**
Additions	-	-	852,918	167,942	277,867	2,914,101	4,212,828
Transfer	-	-	15,220,747	-	-	(15,220,747)	-
Write off	-	-	(12,177,264)	(1,262,943)	-	-	(13,440,207)
Disposal	-	-	-	-	(99,656)	-	(99,656)
31 December 2011	**914,738**	**14,083,125**	**104,268,648**	**3,436,754**	**3,692,092**	**3,206,352**	**129,601,709**
Accumulated depreciation							
31 December 2009	-	2,954,370	46,180,876	3,174,307	2,579,639	-	54,889,192
Depreciation	-	346,395	4,422,022	197,698	270,169	-	5,236,284
31 December 2010	-	3,300,765	50,602,898	3,372,005	2,849,808	-	60,125,476
Depreciation	-	351,035	4,775,732	325,489	413,799	-	5,866,055
Write off	-	-	(12,177,264)	(1,262,943)	-	-	(13,440,207)
Disposal	-	-	-	-	(99,656)	-	(99,656)
31 December 2011	**-**	**3,651,800**	**43,201,366**	**2,434,551**	**3,163,951**	**-**	**52,451,668**
Net book values							
31 December 2011	**914,738**	**10,431,325**	**61,067,282**	**1,002,203**	**528,141**	**3,206,352**	**77,150,041**
31 December 2010	914,738	10,782,360	49,769,349	1,159,750	664,073	15,512,998	78,803,268

The Company is exposed to insurance risk on its transmission and distribution assets. These assets were not covered by external insurance. To manage this risk, the Company has established a "Self Insurance Fund" (see Notes 7 and 29) and will continue to set aside funds on an annual basis to increase the funds and mitigate the risk of damage from catastrophic events. At present, the fund balance may not be adequate to cover for possible catastrophic occurrence. To further mitigate the risk, the Company continues to upgrade the transmission and distribution system to withstand higher categories of wind velocities.

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7. Investment securities

	Notes	2011	2010
Held-to-maturity investments:			
Caribbean Commercial Bank (Anguilla) Limited	7.1,29	**3,413,791**	2,717,033
National Bank of Anguilla Limited	7.2	**3,521,257**	1,673,478
		6,935,048	4,390,511

7.1 These comprise certificates of deposit with Caribbean Commercial Bank (Anguilla) Limited maturing in February 2012, August 2012 and June 2013 and earn interest at 3.25%, 5.50% and 5.00% per annum, respectively. The EC$ deposit is restricted for the self-insurance of the Company's transmission and distribution system. The US$ deposit which matured in 24 February 2012 was rolled over until 25 February 2013 with an interest rate of 3.25%.

7.2 These comprise certificates of deposit with National Bank of Anguilla Limited maturing in April 2012, June 2012 and October 2013 and earn interest at 3.25%, 3.50% and 4.50% per annum, respectively.

8. Inventories - net

	2011	2010
Transmission and distribution parts	**3,043,702**	3,198,458
Generation parts and fuel	**2,383,395**	2,340,611
Administration supplies	**128,706**	127,118
	5,555,803	5,666,187
Less: Allowance for slow-moving and obsolete inventories	(**321,155**)	(286,925)
	5,234,648	5,379,262

The movements of provision for slow-moving and obsolete inventories are as follows:

	2011	2010
Balance at beginning of year	(**286,925**)	(265,875)
Additional provision during the year	(**34,230**)	(21,050)
Balance at end of year	**(321,155)**	(286,925)

9. Trade and other receivables - net

	Notes	2011	2010
Trade	26	**20,108,414**	14,570,557
Accrued interest receivables		**380,836**	272,591
Customer receivable under deferred payment plan		**200,091**	2,374,518
Other		**247,425**	175,495
		20,936,766	17,393,161
Less: Allowance for doubtful accounts	26	(**1,594,965**)	(1,937,439)
		19,341,801	**15,455,722**

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9. Trade and other receivables - net (continued)

The Company offers a deferred payment plans to customers with financial difficulties in settling their obligation to the former. The plan is offerred to customers interest-free and normally last for a maximum of six months. During the year, the deferred payment plan of one of the major hotels in the island had expired and the outstanding balance of $2.14 million was reclassified as trade receivable. On 27 January 2012, $1.83 million of the said balance was settled.

10. Prepayments and other current assets

	2011	2010
Prepaid insurance	**131,301**	124,516
Advance deposits	**76,278**	449,563
Other	**1,962**	1,961
	209,541	**576,040**

11. Cash and cash equivalents

	Note	2011	2010
Cash on hand and in bank	26	**4,581,998**	3,556,276
Short term placement		**-**	1,670,014
Cash and cash equivalents in the statement of cash flows		**4,581,998**	**5,226,290**

12. Share capital

	2011	2010
Authorized:	**30,000,000**	30,000,000
Issued and fully paid:		
17,036,147 ordinary shares at no par value	**17,036,147**	17,036,147
Less: Treasury shares		
5,400,000 ordinary shares at no par value	(**5,400,000**)	(5,400,000)
	11,636,147	11,636,147
Add:		
Discount on treasury stock	**2,900,000**	2,900,000
	14,536,147	**14,536,147**

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12. Share capital (continued)

The current percentage of ownership is:	**2011**	2010
Government of Anguilla	**40%**	40%
Anguilla Social Security Board	**16%**	16%
National Bank of Anguilla Limited	**12%**	12%
Caribbean Commercial Bank (Anguilla) Limited	**11%**	11%
General Public	**21%**	21%
Total	**100%**	100%

On 1 September 2003, the Government of Anguilla sold 6,600,000 ordinary shares of the Company in an Initial Public Offering at EC$2.50 per share.

The Board of Directors for the Anguilla Social Security Board are appointed by the Government of Anguilla.

All classes of shares have been converted to one class of ordinary shares effective 3 June 2003. All shares are voting shares and carry equal rights.

To date, the shares of the Company are not listed on any stock exchange.

13. Borrowings

	Notes	**2011**	2010
Caribbean Development Bank	13.1	**10,912,284**	12,276,328
Scotiabank Anguilla Limited - Facility B	13.2	**9,124,485**	9,124,485
Scotiabank Anguilla Limited - Facility A	13.3	**3,970,744**	4,908,528
Caribbean Development Bank	13.4	**2,432,934**	3,266,277
		26,440,447	29,575,618
Less: Current portion		**(4,022,275)**	(4,022,275)
		22,418,172	**25,553,343**

13.1 This loan (03/OR-ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US$6,089,000 (EC$16,368,450). This loan is payable in forty eight (48) equal and consecutive quarterly installments of US$126,855 (EC$341,012) with a current interest rate of 3.66% (2010: 4.50%) per annum commencing in January 2008. This loan will mature in October 2019. This loan is secured by a pari passu legal charge along with Scotiabank Anguilla Limited over the Company's property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2011, the current and non-current portion of this loan is $1,364,044 and $9,548,240 (2010: $1,364,044 and $10,912,284), respectively.

13.2 This loan was made to the Company by Scotiabank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire fighting project. The loan was approved for an amount up to US$3,394,273. The total amount disbursed was US$3,394,273 (EC$9,124,485). This loan is repayable in lump sum amount due in August 2015. Interest is payable each month at a rate of 1 month LIBOR plus 3.0% commencing in August 2011. This loan is secured by a legal charge over all assets of the Company including its property, plant and equipment. As at 31 December 2011, the total oustanding balance of this borrowing is considered non-current.

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13. Borrowings (continued)

13.3 This loan was made to the Company by Scotiabank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire fighting project. The loan was approved for an amount up to US$3,394,273. The total amount disbursed was US$2,108,809 (EC$5,668,900) as at 22 July 2010. On 15 April 2011, the Company made another drawdown amounting to US$330,000 (EC$887,106). This loan is repayable in equal monthly installment of US$56,571 (EC$152,074), plus interest at a rate of 1 month LIBOR plus 3.0% per annum commencing in August 2011. This loan will mature in August 2015. This loan is secured by a legal charge over all assets of the Company including its property, plant and equipment. As at 31 December 2011, the current and non-current portion of this loan is $1,824,889 and $2,145,855 (2010: $1,824,889 and $3,083,639), respectively.

13.4 This loan (02/OR-ANL) was made to the Company by Caribbean Development Bank in 2000 to finance the purchase of two generators. The total amount disbursed was US$3,720,000 (EC$10,000,104). This loan is repayable in forty eight (48) equal and consecutive quarterly installments of US$77,500 (EC$208,336) with a current interest rate of 3.66% (2010: 4.50%) per annum commencing in October 2002. This loan will mature in July 2014. This loan is secured by a pari passu legal charge along with Scotiabank Anguilla Limited over the Company's property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2011, the current and non-current portion of this loan is $833,342 and $1,599,593 (2010: $833,342 and $2,432,935), respectively.

Total interest expense incurred on the aforementioned borrowings included in "Finance cost" in profit or loss follows:

	2011	2010
Caribbean Development Bank (03/OR-ANL)	**443,626**	596,524
Scotiabank Anguilla Limited - Facility B	**532,833**	225,894
Scotiabank Anguilla Limited - Facility A	**197,439**	88,681
Caribbean Development Bank (02/OR-ANL)	**106,834**	166,726
	1,280,732	**1,077,825**

14. Contributions in aid of construction

	Note	**2011**	2010
Balance at beginning of year		**4,133,579**	3,620,054
Contributions during the year		**665,217**	1,034,771
Amount charged to profit or loss	19	(**544,767**)	(521,246)
Balance at end of year		**4,254,029**	**4,133,579**

15. Trade and other payables

	Note	**2011**	2010
Trade payables		**4,167,436**	3,639,084
Other accrued expenses		**435,546**	442,607
Environmental levy payable	27	**426,019**	362,908
Other payables		**197,440**	354,563
Accrued interest payable		**139,021**	178,944
		5,365,462	**4,978,106**

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16. Energy sales

	2011	2010
Amounts billed during the year	**49,064,385**	51,151,656
Less: Unbilled revenue at beginning of the year	**(2,765,541)**	**(2,192,770)**
	46,298,844	48,958,886
Add: Unbilled revenue at end of the year	**2,786,477**	2,765,541
	49,085,321	**51,724,427**

Based on the Electricity Regulations, tariffs shall be subject to a surcharge of EC$0.01 per unit for every EC$0.10 per gallon increase in the price of fuel oil over EC$3.64 per gallon. The surcharge ranged from EC$0.28 per kwh to EC$0.45 per kwh during the year. The fuel surcharge increased on 15 March 2011 from EC$0.28 per kwh to EC$0.34 and on 15 May 2011 from EC$0.34 kwh to EC$0.45 until the end of the year.

The Company incurred total fuel surcharge expenses of $35,742,395 (2010: $22,366,755) of which it recovered $32,747,562 (2010: $17,508,211) through increase in the fuel surcharge rate. As the Company seeks to minimize the impact on customers, the decision was made to absorb $2,994,833 (2010: $4,858,544) rather than further increasing the fuel surcharge rate.

17. Generation - other expenses

	Notes	2011	2010
Repairs and maintenance		**1,705,696**	3,221,164
Depreciation	6	**3,155,342**	3,142,399
Staff costs	22	**2,425,484**	2,288,746
Insurance		**729,666**	621,847
Supplies and other expenses		**297,497**	227,322
		8,313,958	**9,441,478**

18. Transmission and distribution

	Notes	2011	2010
Staff costs	22	**3,512,939**	3,197,396
Depreciation	6	**1,992,309**	1,466,032
Repairs and maintenance		**1,050,402**	1,106,720
Supplies and other expenses		**623,849**	470,169
Insurance		**235,204**	229,353
Hurricane expenses	18.1	**-**	677,436
		7,414,703	**7,147,106**

18.1 In the Board of Directors meeting held in November 2011, the Board approved the use of the self-insurance fund held at Caribbean Commercial Bank (Anguilla) Limited for the Hurricane Omar related expenses amounting to EC$639,000 (see Note 29).

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19. Other income

	Notes	2011	2010
Late charges		**2,257,286**	2,280,099
Recovery of allowance for doubtful accounts	26	**358,950**	53,258
Revenue from contributions in aid of construction	14	**544,767**	521,246
Interest income		**320,013**	304,746
Reconnection fees		**291,306**	250,605
Upgrades and relocation of poles		**76,615**	72,711
Miscellaneous		**169,295**	108,354
		4,018,232	**3,591,019**

The Company sold motor vehicles that were fully depreciated to its employees for a total proceeds of $9,200. This income is included in "Other income - miscellaneous" in profit or loss.

20. Administrative expenses

	Notes	2011	2010
Staff costs	22	**2,901,746**	2,732,624
Office expenses		**1,696,091**	1,545,703
Consultancy and professional fees		**766,457**	929,782
Depreciation	6	**718,405**	627,853
General		**468,498**	385,379
Insurance		**221,921**	244,377
Impairment losses	26	**16,476**	16,476
		6,789,594	**6,482,194**

21. Consumer services

	Note	2011	2010
Staff costs	22	**430,671**	423,512
Other		**246,116**	184,825
		676,787	**608,337**

22. Staff costs

	Notes	2011	2010
Salaries, wages and other benefits		**7,875,507**	7,412,631
Pension expenses - defined benefit plan	23	**453,321**	384,875
Social security	27	**304,035**	293,040
Training		**258,483**	264,512
Pension expenses - defined contribution plan	23	**207,119**	227,219
Interim stabilization levy	27	**172,374**	-
		9,270,839	8,582,277

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23. Pension expenses

The Company has two pension plans for its non-management and management employees:

a. Non-management employees

The Company uses a defined contribution plan for its non-management employees which is handled and administered by Zurich International. Total contributions made by the Company amounted to $207,119 and $227,219 in 2011 and 2010, respectively (see Note 22).

b. Management employees

For its senior management, the Company has a defined benefit plan and contributes to the multi-employer plan named CDC Caribbean Pension Scheme which is administered by Sagicor Life Inc.

The amounts recognized in the statement of financial position are as follows:

	2011	2010
Present value of obligations	**(3,364,456)**	(3,269,383)
Fair value of plan assets	**2,514,001**	2,390,505
Deficit	**(850,455)**	(878,878)
Unrecognized actuarial gains and losses	**700,183**	979,143
Net pension (liability)/asset for defined benefit obligation	**(150,272)**	**100,265**

The movements in the present value of obligation for the defined benefit plan are shown below:

	2011	2010
Present value of obligation at beginning of year	**3,269,383**	2,614,465
Interest cost	**237,158**	209,618
Current service cost	**212,129**	180,437
Benefits paid	**(187,056)**	-
Actuarial (gain)/loss on obligation	**(167,158)**	264,863
Present value of obligation at end of year	**3,364,456**	3,269,383

The movements in the fair value of plan assets for the defined benefit plan are shown below:

	2011	2010
Fair value of plan assets at beginning of year	**2,390,505**	2,057,183
Expected return on plan assets	**181,284**	173,107
Contributions	**202,784**	202,784
Benefits paid	**(187,056)**	-
Actuarial loss on plan assets	**(73,516)**	(42,569)
Fair value of plan assets at end of year	**2,514,001**	**2,390,505**

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

23. Pension expenses (continued)

b. Management employees (continued)

The plan assets as at the reporting date consist of the following:

	2011	2010
Equities	**100%**	100%

Pension expense recognized in profit or loss is shown below:

	Note	2011	2010
Current service cost		**212,129**	180,437
Interest cost		**237,158**	209,618
Expected return on plan assets		**(181,284)**	(173,107)
Net actuarial gain to be recognized		**185,318**	167,927
Pension expenses - defined benefit plan	22	**453,321**	384,875
Actual return/ (loss) on plan asset		**107,768**	**130,539**

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**6.50%**	7.50%
Expected return on plan assets	**7.00%**	8.00%
Salary increase rates	**2.00%**	2.00%

The historial information of the amounts as at reporting date follow:

	2011	2010
Present value of obligation	**(3,364,456)**	3,269,383
Fair value of plan assets	**2,514,001**	(2,390,505)
Deficit	**(850,455)**	(878,878)
Experience adjustments arising from plan liabilities	**359,813**	81,331
Experience adjustments arising from plan assets	**(73,516)**	(42,568)

The Company expects to pay EC$176,018 (2010: EC$231,763) in contributions to the defined benefit plan in 2012.

24. Earnings per share

The calculations of basic earnings per share as at 31 December 2011 and 2010 were based on the net income for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	2011	2010
Net income	**7,212,694**	5,980,003
Total number of shares issued at end of year	**11,636,147**	11,636,147
Earnings per share	**0.62**	0.51

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Expressed in Eastern Caribbean Dollars (EC$)

25. Dividends

Dividends of EC$0.10 per share were declared by the Board of Directors on 13 April, 2012 but not yet sanctioned by shareholders.

	2011	2010
Retained earnings	**61,377,817**	55,328,738
Appropriated for dividends declared to be sanctioned by shareholders	(**1,163,615**)	(1,163,615)
Retained earnings unappropriated	**60,214,202**	54,165,123

26. Financial instruments

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**2011**	2010
Investment securities	7	**6,935,048**	4,390,511
Trade and other receivables - net	9	**19,341,801**	15,455,722
Cash and cash equivalents	11	**4,581,998**	5,226,290
		30,858,847	25,072,523

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer is presented below:

	Note	**2011**	2010
Government		**6,055,945**	4,998,767
Commercial		**4,732,887**	4,214,064
Hospitality		**6,271,630**	2,951,543
Residential		**2,992,829**	2,358,089
Other		**55,123**	48,094
	9	**20,108,414**	14,570,557

The Company entered into deferred payment plans and other agreements with several customers including one of the Company's major consumers in the hospitality industry with an outstanding balance of EC$2,135,752 as at 31 December, 2011. On 27 January, 2012 the company received EC$1,830,758 to settle the outstanding amount.

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Expressed in Eastern Caribbean Dollars (EC$)

26 Financial instruments (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

	2011		2010	
	Gross	**Impairment**	Gross	Impairment
Current	**9,054,258**	**36,600**	7,919,553	33,827
Past due 30-60	**3,588,000**	**69,268**	2,550,284	61,005
Past due 60-90	**2,049,444**	**81,304**	813,491	54,516
Past due 90-120	**1,445,814**	**210,919**	215,194	29,975
Over 120	**3,970,898**	**945,373**	3,072,034	1,758,116
Total	**20,108,414**	**1,343,464**	14,570,556	1,937,439

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Notes	**2011**	2010
Balance at beginning of year		**1,937,439**	2,092,911
Additional credit losses	20	**16,476**	16,476
Recovery of allowance for doubtful accounts	19	**(358,950)**	(53,258)
Write-off		-	(118,690)
Balance at end of year	9	**1,594,965**	1,937,439

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments:

	Carrying amount	*Contractual cash flows*	*Under 1 year*	*1-2 years*	*2-5 years*	*More than 5 years*
31 December 2011						
Borrowings	**26,440,447**	**31,100,329**	**5,288,120**	**5,152,249**	**16,214,063**	**4,445,897**
Customer deposits	**1,409,068**	**1,409,068**	**1,409,068**	**-**	**-**	**-**
Trade and other payables	**5,365,462**	**5,365,462**	**5,365,462**	**-**	**-**	**-**
	33,214,977	**37,874,859**	**12,062,650**	**5,152,249**	**16,214,063**	**4,445,897**
31 December 2010						
Borrowings	29,575,618	36,670,665	5,295,686	5,213,877	14,486,734	11,674,368
Customer deposits	1,432,777	1,432,777	1,432,777	-	-	-
Trade and other payables	4,978,106	4,978,106	4,978,106	-	-	-
	35,986,501	**43,081,548**	**11,706,569**	**5,213,877**	**14,486,734**	**11,674,368**

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

26. Financial instruments (continued)

Interest rate risk

	2011		2010	
	Interest rate	***Carrying amount***	*Interest rate*	*Carrying amount*
Investment securities	3.25%-5.50%	**6,935,048**	3.25%-5.50%	4,390,511
Borrowings	3.88%-5.82%	**26,440,447**	4.11%-7.75%	29,575,618

Cash flow and fair value interest rate risk

Cash flow interest rate risk arises from borrowings with variable interest rate. The Company has borrowings carrying interest rates based on LIBOR. The cash flow interest rate risk sensitivity is shown below in case there is a 10% increase/decrease in interest rate.

	2011			2010		
	At average rate for the year	***+10% increase***	***-10% decrease***	At average rate for the year	+10% increase	-10% decrease
Scotiabank - Facility B	531,420	557,189	505,652	527,395	552,761	502,029
Scotiabank - Facility A	193,445	198,860	188,031	225,299	231,963	218,635
Total	**724,865**	**756,049**	**693,683**	**752,694**	**784,724**	**720,664**

Price risk

Price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments. The Company is not exposed to price risk as it does not have equity investments as at the reporting date

Fair values

The table below set out fair values of the Company's financial assets and liabilities as at reporting date.

	2011		2010	
	Carrying amount	***Fair values***	*Carrying amount*	*Fair values*
Investment securities	**6,935,048**	**6,763,217**	4,390,511	4,390,511
Trade and other receivables	**19,341,801**	**19,341,801**	15,455,722	15,455,722
Cash and cash equivalents	**4,581,998**	**4,581,998**	5,226,290	5,226,290
Borrowings	**(26,440,447)**	**(24,345,238)**	(29,575,618)	(27,571,250)
Customer deposits	**(1,409,068)**	**(1,409,068)**	(1,432,777)	(1,432,777)
Trade and other payables	**(5,365,462)**	**(5,365,462)**	(4,978,106)	(4,978,106)
	(2,356,130)	**(432,752)**	(10,913,978)	(8,909,610)

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

27. Related party transactions

Identification of related party

A party is related to the Company if:

(i) Directly or indirectly the party:

- Controls, is controlled by, or is under common control with the Company;
- Has an interest in the Company that gives it significant influence over the Company; or
- Has joint control over the Company.

(ii) The party is a member of the key management personnel of the Company

(iii) The party is a close member of the family of any individual referred to in (i) or (ii)

(iv) The party is a post-employment benefit plan for the benefit of employees of the Company or any entity that is a related party of the Company.

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2011 and 2010. These transactions were conducted at market rates, or commercial terms and conditions.

	2011	2010
Directors' fees and expenses	**409,397**	357,239
Pension expense - defined benefit plan	**453,231**	384,875
Pension expense - defined contribution plan	**90,991**	71,567
Benefits to executive officers	**2,096,303**	1,920,104
	3,049,922	2,733,785
Receivable from key management personnel	**20,838**	-
Accrued vacation payable to key management personnel	**36,368**	71,458
Revenues from the Government of Anguilla	**10,887,615**	9,094,699
Amount paid to the Government of Anguilla for the environmental levy	**5,333,876**	4,120,386

The Company has entered into the following related party transactions:

a. The Government of Anguilla imposed an environmental levy of 7% on revenues, excluding Government's usage, on the Company effective 15 April 2010. The amount payable to the Government of Anguilla as of 31 December 2011 amounted to $426,019 (2010: $362,908).

b. Trade receivables from the Government of Anguilla is $6,845,436 (2010: $4,998,767).

c. License fees paid to the Government of Anguilla is $300,000 for 2011 (2010: $300,000).

d. Amounts paid to the Government of Anguilla for import duties and other fees and services is $2,582,520 (2010: $2,623,580).

e. Interim stabilization levy paid to the Government of Anguilla is $172,374 (2010: Nil) of which $48,591 was outstanding at year-end (2010: Nil).

f Dividends paid to Government of Anguilla is $465,446 (2010: $465,446).

g. The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (03SFR-ANG) (see Note 13).

h. The Company pays social security contributions for its employees to Anguilla Social Security Board in compliance with the Anguilla Social Security Act. Total contributions incurred during the year amounted to $304,035 (2010: $293,040) of which $50,451 (2010: $50,724) was outstanding at year-end.

31 December 2011
Expressed in Eastern Caribbean Dollars (EC$)

27. Related party transactions (continued)

i. The Company has an overdraft facility with a limit of EC$3.2 million with the National Bank of Anguilla Limited with an interest rate of 9.2% per annum.

28. Commitments

In December 2011, the Board of Directors approved $8,698,737 for capital expenditure in 2012. The Company underspent by EC$5,529,512 from a total capital expenditure budget of $10,117,012 in 2011.

On 1 March 2011, the Company also entered into a gasoil supply contract with Sol St. Lucia Ltd. commencing on that day until 28 February 2013.

The Company entered into a fire fighting contract with Regional Fire and Security Caribbean, LTD for the design and installation of a fire protection system for the Corito generating plant. The total cost committed by the Company under this contract is $3,252,131 (US$1,209,780). As at 31 December 2011, work had commenced under this contract. The Company anticipates completion of the fire protection system by May 2012.

29. Self-insurance fund

The Company experienced difficulty in obtaining adequate and reasonably priced commercial insurance coverage primarily on the Transmission and Distribution assets in prior years. In line with this, the Board of Directors had therefore given approval in 2006 for the establishment of a Self Insurance Fund to provide coverage for its assets in the event of natural disasters or similar catastrophic events. The relevant enabling legislative process was completed during 2006 and the Company set aside an amount of $685,714 on the same year. Consequently, the Company ceased commercial insurance cover of its Transmission and Distribution assets and will place amounts into the Fund on an annual basis.

The changes in the self insurance fund balance are as follows:

	Notes	**2011**	2010
Balance at beginning of year		**2,717,033**	2,640,634
Additional provision for year		**696,758**	715,399
Withdrawals to pay Hurricane Earl and Omar expenses	18.1	**-**	(639,000)
Balance at end of year	**7**	**3,413,791**	**2,717,033**

This self-insurance fund is placed in a fixed deposit with a local bank (see Note 7).

30. Alternative energy resources

The Company is presently in the exploratory stages of finding alternative sources of energy.

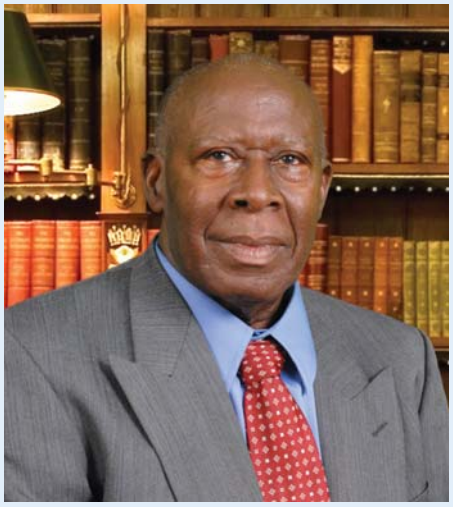
31. Operating lease

On 6 November, 2009, the Company renewed its lease with the lessee for another two years with an option to renew for another year. Monthly rent is EC$8,500 commencing November 2009. The lease contract had not been renewed since. However, the Company is paying based on the old terms of the contract. Total rent expense in 2011 included in "Operating expenses-Administrative expenses" in profit or loss is $102,000 (2010: EC$102,000). The lease agreement does not provide for any escalation of rent during the lease term.

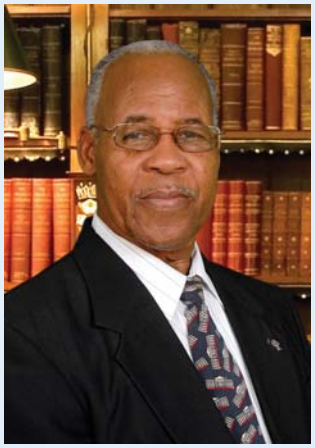
32 Other matters

An employee was terminated in line with the Fair Labour Standards Act, R.S.A F15 7(1)(d) on 26 January, 2011. In response to the termination, the employee has taken the matter to a Labour Tribunal for a hearing on the grounds of wrongful dismissal. Both parties are in the process of appointing representation and to date no decision has been made.

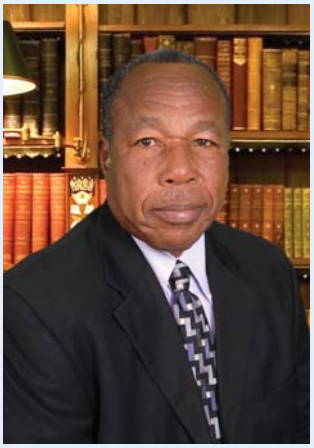
Board of Directors



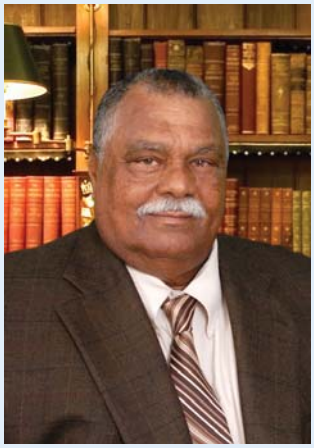
James Richardson,
Chairman



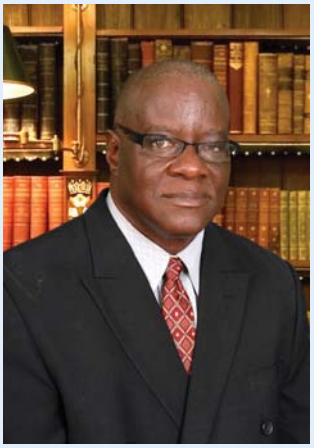
Dr. H. Clifton Niles
Vice-Chairman



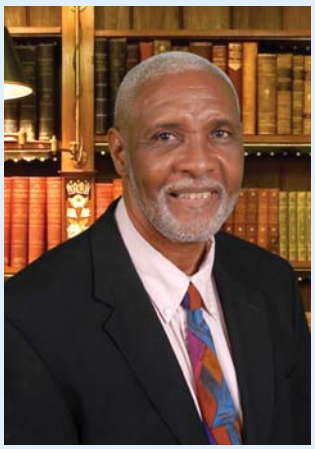
Mr Artnell Richardson
Director



Mr Kent Webster
Director

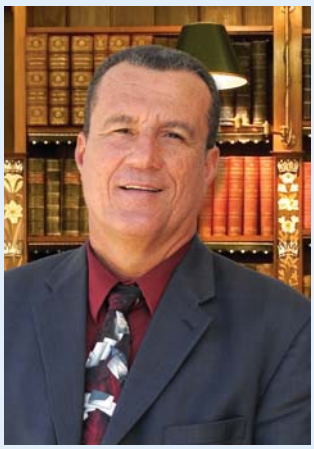


Mr Desmond Richardson
Director

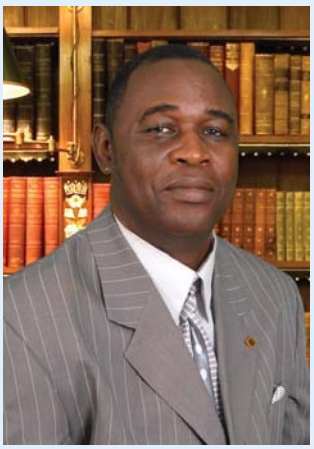


Mr Kenneth Banks
Director

Mr Bernard Smith
Director



Mr Gareth Hodge
Director



Mr Victor Nickeo
Director

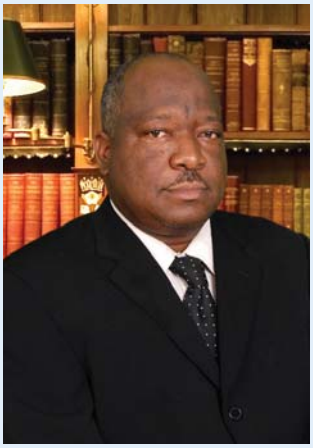
Divisional Managers

Thomas Hodge,
General Manager

Ms Jeri Richardson
Corporate Secretary

David Gumbs,
Chief Financial Officer

Steve Hodge,
Network Operations Engineer



Sylvan Brooks,
System Control Engineer

Erimel Franklin,
Human Resource Officer

Damien Lloyd,
Generation Superintendent

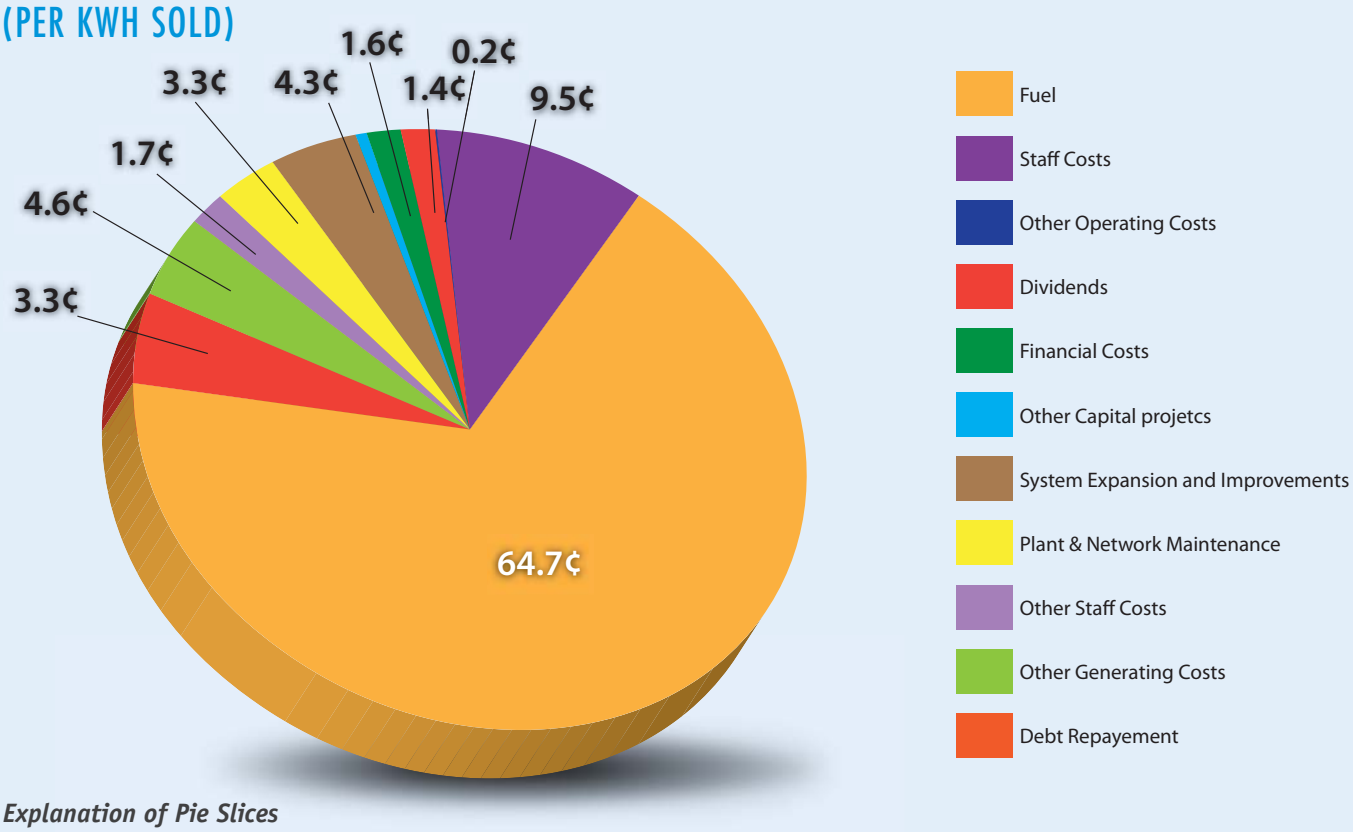
IvorIble, Transmission
and Distribution Superintendent

Elvin Richardson,
Information Technology Officer

Maureen Woodley,
Accountant

2011 Expenditure

(PER KWH SOLD)



Explanation of Pie Slices

Staff Costs:	Salaries & Wages, Pension & Health Benefits, Allowances etc
Fuel:	Diesel Fuel for electricity generation
Plant & Network Maintenance:	Replacement poles, Generator maintenance etc
System Expansion and Improvements:	New Generating Plant, New Transmission Feeders, Modernization etc
Other Capital Projects:	Administration facilities etc
Financial Costs:	Loan payments (interest & principal)
Dividends:	Dividend payment to shareholders
Others Operating Costs (net):	Insurance, Vehicule Operation and Maintenance etc

Source Data

KWH Sold in 2011	83,674,290 KWH	
Expenditure in 2011		Cents per KWH
Salaries and Wages	$ 7,934,008	(9.5 cents)
Other Staff Costs	1,395,331	(1.7 cents)
Fuel	54,107,695	(64.7 cents)
Plant & Network Maintenance	2,728,729	(3.3 cents)
Other Generating Costs	3,885,007	(4.6 cents)
System Expansion and Improvements	3,586,062	(4.3 cents)
Other Capital Projects	626,766	(0.7 cents)
Debt Repayment	4,022,276	(4.8 cents)
Financial Costs	1,375,607	(1.6 cents)
Dividends	1,163,615	(1.4 cents)
Other Operating Costs (net)	136,181	(0.2 cents)
Total 2010 Expenditure	**$ 80,961,277**	**(96.8 cents)**

Notes

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Corporate Information

Annual report 2011

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Attorneys-at-law

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Annual Report 2011

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