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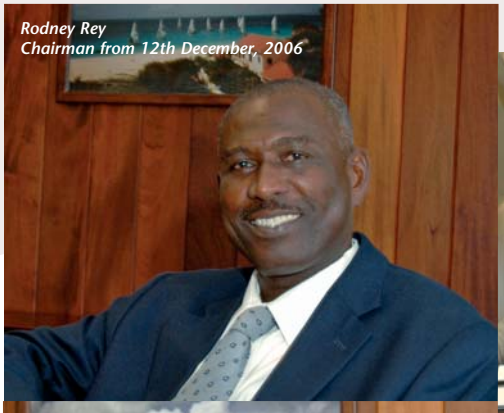
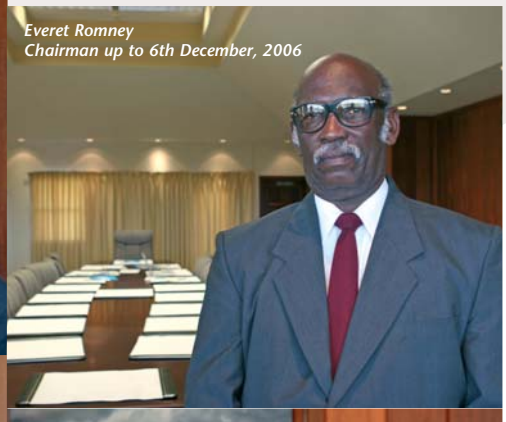
Board of Directors

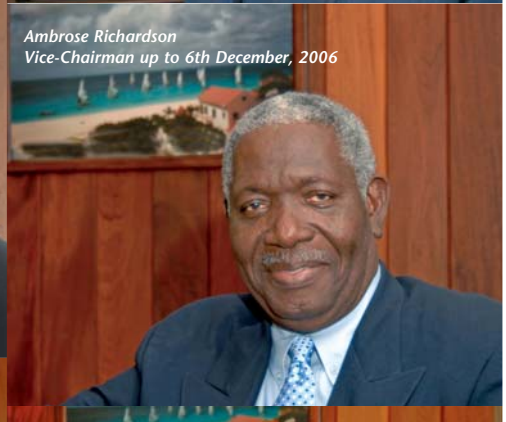


Rodney Rey
Chairman from 12th December, 2006



Everet Romney
Chairman up to 6th December, 2006

Alan Gumbs
Vice-Chairman from 12th December, 2006



Ambrose Richardson
Vice-Chairman up to 6th December, 2006

Kent Webster
From 7th December, 2006

Gareth Hodge
From 7th December, 2006

Board of Directors


Monsell Lloyd


Aidan Harrigan


Kenn Banks
From 7th December, 2006


Ian Ferguson
Up to 6th December, 2006


Dorice Fleming

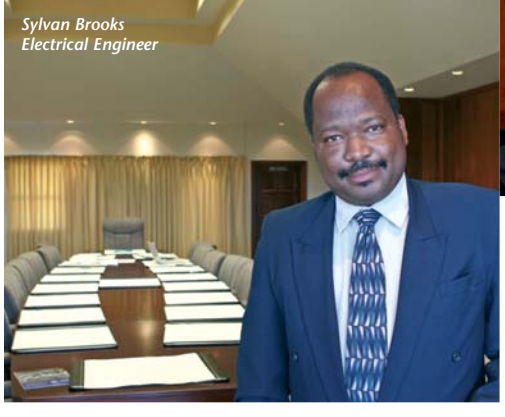
Divisional Managers


Neil McConnie
General Manager


Erimel Franklin
Human Resource Officer


Elvin Richardson
Information Technology Officer


Michael Nation
Chief Engineer


Sylvan Brooks
Electrical Engineer

Divisional Managers

Erville Hughes
Chief Corporate Officer

Steve Hodge
Logistical and Supplies Engineer

Ivor Ible
Transmission and Distribution Superintendent

Maureen Woodley
Accountant

Chairman's Message

Anguilla's economic development is reflected in the accelerated increase in electricity sales and customer growth in 2006. The growth in sales for Anguilla in 2006 was 10.8% over the 2005 figure, whilst the customer base had an unprecedented increase of 9.3%. The substantial increase in electricity sales was achieved in spite of high fuel prices and the introduction of a conservation booklet, which was launched in July 2006. The publication proved to be opportune as fuel prices reached a peak during the period and we were therefore able to illustrate to our customers how prudent use of electrical equipment can in fact effect savings on electricity bills.

The installation of two 3.9 megawatt diesel generators in May 2006 is a manifestation of the recognition which the organization places on the need to expand in advance of the anticipated load requirements which are likely to be imposed on the system in the foreseeable future. The timely commissioning of these units was a proud moment for all of us at ANGLEC since the following three major components in the process were carried out by in house engineering staff thereby effecting considerable savings in consultancy fees:

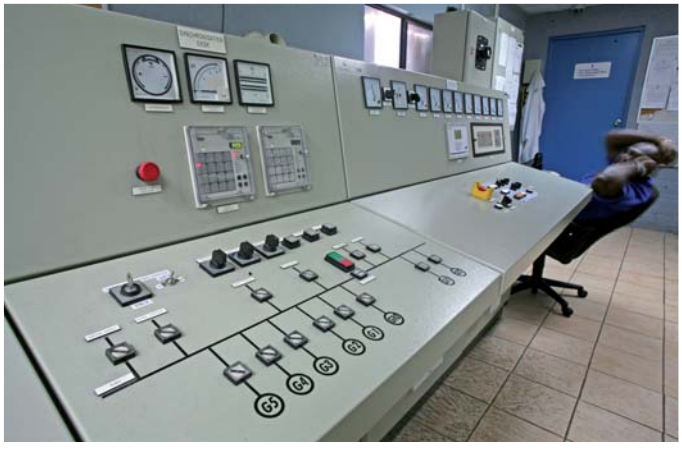
1. *The development of the engineering specifications*
2. *The formulation of the tender documents*
3. *The evaluation of bid submissions*

Also, included in the expansion project was the provision of space for the installation of an additional unit in the event that several macro projects in Anguilla are completed at approximately the same time.

With the expansion of the Power Station, it became increasingly evident that our warehousing facilities were woefully inadequate. A decision was therefore taken that a priority capital item in 2007 would be the establishment of a warehouse that would accommodate all of the Company's inventories instead of having them stored in different areas of the Corito Compound.

We have been very cognizant of the tremendous responsibility which the Company has during periods of national economic prosperity. We therefore continue to strengthen our Generation and Transmission Distribution Systems to ensure that we provide a reliable and quality based supply not only to our existing customers but also to our newly emergent commercial customers in the villa and hotel sectors which now seem to dominate the investment landscape.

Chairman's Message



Throughout the Caribbean, Electric Utilities have been focusing on the question of renewable energy options in light of the escalating cost of fuel and we are no exception. CARICOM and the OECS have produced draft energy policy documents for consideration by regional institutions. The Association of Caribbean Electric Utilities (CARILEC) is undertaking a study of the documents and hopes to evolve a Caribbean Electric Utility's perspective of the two documents. This work is approaching finalization.

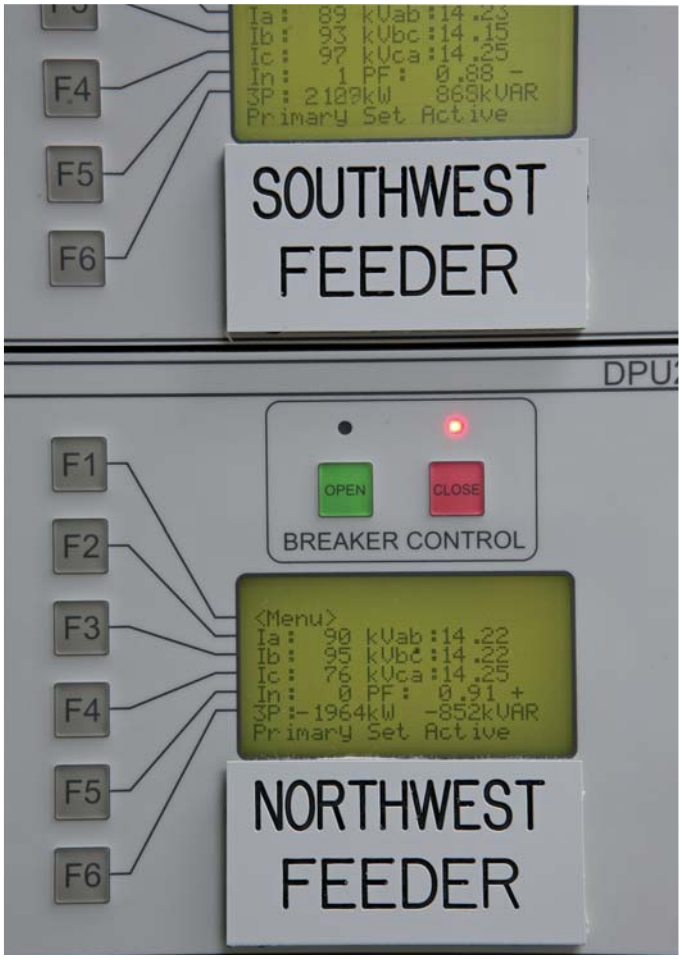
ANGLEC has also been studying the implications of fuel price hedging as a mechanism for cushioning the upward fluctuations in fuel costs.

Small island electric systems have a number of energy issues in common. They are isolated systems with very limited possibilities of interconnection. This therefore requires high reserve capacity margins in order to provide sufficient reliability. The only group of islands in the Caribbean that are attempting to interconnect are St. Martin, St. Maarten, Anguilla and St. Barths.

The financial results of 2006 were outstanding principally because of the successful installation of two 3.9 M.W Wartisila generating sets which were commissioned at the end of May 2006. This strengthening of the Generation system brought an improved level of efficiency to the Power Station operations which in turn resulted in substantial operational savings. The Company had gross revenue of $ $60,459,564.00 which surpassed our projections. Prudent decision-making in the Generation Division translated into operational savings and this contributed in no small measure to the profit of $ 12,052,459.00 which we earned. In light of the favourable financial results the Directors have recommended a dividend of …which we feel will boost shareholders' confidence in the organization.

We continue to use proven state of the art technology to reduce operational costs throughout the organization and at the same time seek to improve service to our customers. It is our unswerving intention to make it easier for customers to transact business with our organization and the acceptance of bill payments by the use of credit cards was one small step in this direction. It is hoped in 2007 to facilitate on-line bill payments so that our customers, both local and overseas, will be able to make payments from almost any part of the world.

Chairman's Message



Since our short history (2003-2006) has illustrated that a small electric utility can be a viable entity, it would be necessary at some stage to determine how added value can be developed for our shareholders' investment. The options may include listing on the Eastern Caribbean Securities Exchange or diversifying our operations to enable additional income generating streams to be developed or a mix of both strategies. Analytical studies will have to be undertaken to determine an appropriate course of action.

In order to manage a well run utility, it is imperative that the human resources are continually monitored to ensure that quality appointments are made to key positions. Quality does not only mean academic qualifications but also personnel must possess qualities of leadership, dynamism, honesty, loyalty and dedication to service since our business is to provide service excellence to our customers. In this context, we have been conducting a number of customer service courses in addition to exposing a number of our employees to academic training abroad so that advancements in technology can be more easily understood and implemented without having to resort to foreign expertise.

At our Annual General meeting held in December 2006, three new Directors were elected:- Messrs Kenneth Banks, Kenneth Webster and Gareth Hodge. Mr. Webster and Mr. Hodge served on previous ANGLEC boards while Mr. Banks was elected to serve for the first time. I take this opportunity to welcome them on the team and to thank all of the Directors who served up to the date of the Annual General Meeting for having guided the organization to a position where all Anguillians can feel justly proud of the performance of a local enterprise.

I also wish to thank the Management and Staff for their unstinting support during the period under review and to exhort them to continue to live up to the high standards of excellence which our customers and other stakeholders have now come to expect from our organization.

Rodney Rey
Chairman

Finance

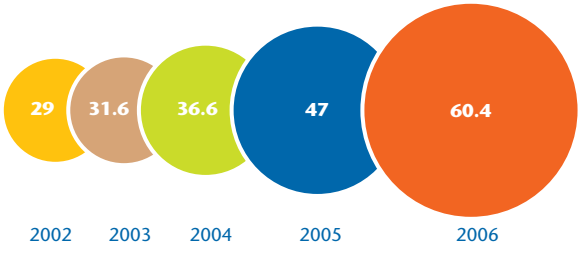
Revenues

The financial results for the year 2006 surpassed our expectations principally because of the operational savings arising out of the timely commissioning of two (2) new generators at the Corito Power Station which significantly improved the operational efficiency of the Generation and Transmission and Distribution systems. Operating Revenues at EC$60.459 million including fuel surcharge of EC$16.005 million increased by 28 % over the previous year of EC$47.098 million. This increase can be attributed to various factors including the increased reliability and efficiency of our Generating and Transmission and Distribution system operations after a full year in service of our additional two 3.9 mw medium speed Wartsila generating sets. Demand for electricity is directly correlated to the growth of the economy which in 2006 saw exceptional growth in all sectors.

Increases in revenue were driven in part by the 10.94 %. Increase in Kwh sales. The hotel and domestic sectors accounted for 31% and 29% of sales respectively, while the commercial sector accounted for 24% and government and other sectors accounted for 16% of kWh sales.

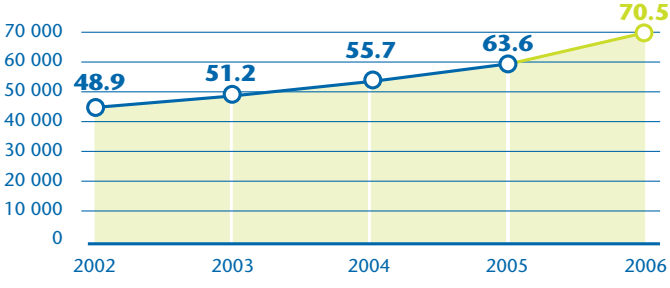
+28%

Gross Revenue (in $EC Millions)



+10.94%

Units Sold (KWh, in 000's)



Finance

Operating Expenses

Total operating costs for the year including depreciation was EC$41.18 million compared to the previous year's figure of EC$36.06 million. Fuel, a major cost item in the generation of electricity at EC$30.35 million increased by 21.99% and accounted for 73.70% of operating costs and 50.20% of gross operating revenue compared to the 69.01% and 52.83%, respectively, for the previous year. Administration and consumer services costs at EC$5.44 million accounted for 9.00% gross operating revenue compared to 9.77% recorded in 2006. Finance cost increased by EC$0.73 million as a result of the payment of interest on the US$6.08 million loan from the Caribbean Development Bank (CDB) for the 2005 Corito expansion project.

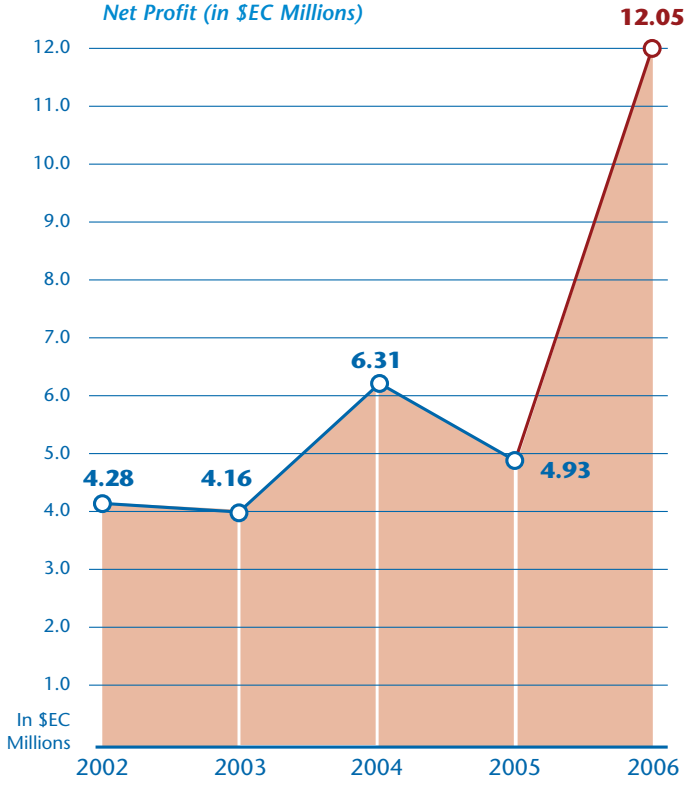
Trading Profits

The company recorded strong growth in profits during the year. Gross operating profit at EC$19.28 million increased by 74.60% over the previous year's figure of EC$11.04 million. Net profit for the year at EC$12.05 million was 144.64% above the previous year's figure of EC$4.93 million. Again this growth in profits was achieved by the increase in Kwh sales by 10.94% over the previous year's figure of 63.60 million kWh and the increased efficiency levels which resulted from our operations. In anticipation of the commitment to the Transmission Line Project which was expected to commence in 2007, a decision was taken to fund this aspect of our development program out of our own financial resources.

Capital Expenditure

During the year we continued our capital investment program. Capital investment of EC$24.74 million was made in the following areas:

	EC$
Generation Plant and Machinery	21,574,700
Furniture, Fittings and Equipment	78,326
Buildings	2,849,351
Vehicles	236,236
Total	**24,738,613**
Work-in –Progress	52,185

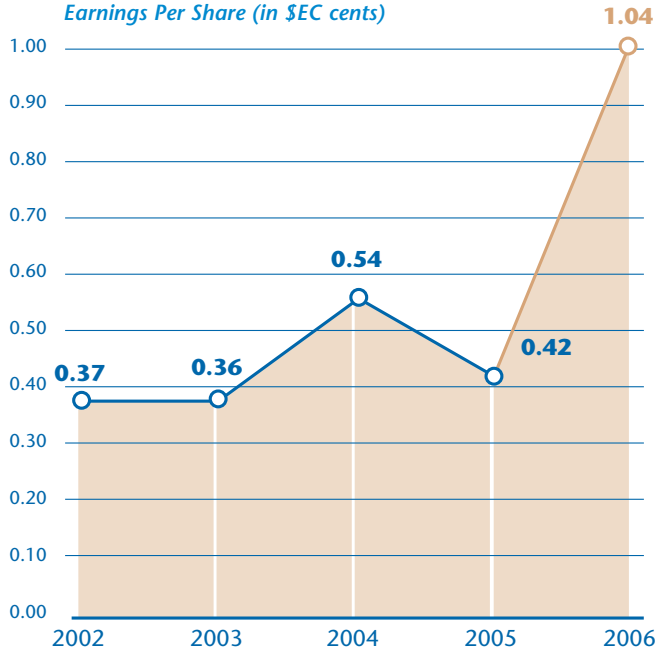


Finance

Earnings Per Share

In view of the exceptional performance of the company compared to the previous year when there was a reduction in Earnings per Share from EC$0.54 to EC$0.42, this year the position is reversed. Earnings Per Ordinary Share at EC$1.04 increased by 148% over the figure of EC$0.42 for 2005. In light of the outstanding performance, the Board is recommending a dividend payout ratio of 30% which translates into a dividend of 31cents per ordinary share to shareholders for 2006.

	2006	2005
Current ratio	4.95	2.96
Quick Ratio	3.95	2.17
Gross Profit to Sales (%)	31.88	23.44
Net Profit to Sales (%)	19.93	10.46
Return on average net fixed assets	27.16	12.34
Return on Equity	27.15	14.61
Debt Service Coverage	5.93	3.70
Average Receivables Collection Period	56.11	60.73



Transmission and Distribution

The Transmission & Division (T&D), like all other divisions in the organization, had accelerated demand for supplies of electricity from an increased population base in Anguilla. Different strategies have had to be developed in order to ensure that the requests for new supplies are met without sacrificing exemplary service. Several new connections were made to the two major projects:- Viceroy and Flag Luxury Properties (Anguilla) LLC which are under construction in Anguilla and these contributed in no small measure to our maximum demand recorded in December 2006 of 13.04 M.W.

In the second half of 2006, ANGLEC was invited by Flag (Anguilla) to submit a bid for the installation of approximately five miles of underground cable at the newly constructed Golf Course Site. Our submission was successful and it was a source of immense satisfaction to have completed the project on time and at the same time add to our total net income.

Tremendous effort has been expended on planning the installation of two substations and the building of Anguilla's first Transmission System. At the end of the year, the specifications had been developed for the 34.5 KV and 13.8 KV switch gear and the 34.5/13.8 KV Power Transformers. Tenders would be invited in the first quarter of 2007 and it was expected that an award would be made in the third quarter of 2007. The buildings to house the switchgear will also be designed in-house and it is hoped that in the case of the West End Sub station, the design will blend into the residential development, which is planned to take place in the area.

As a result of increasing undesirable activity on the island, an increase in the number of street light installations have been requested by the Government of Anguilla. During 2006, eighty eight streetlights were installed in various locations throughout the island.

The accelerated development taking place on the island made it necessary to have a number of studies undertaken on the system to ensure that reliability and power quality levels remain acceptable to our consumers. Towards the end of the year, P.B Power of the United Kingdom was selected to undertake phase II of a number of engineering analyses of the Transmission and Distribution System.

Generation Division

The highlight in the Generation Division was undoubtedly the successful commissioning of the two new Wartisla 3.9 M.W generators at the end of May 2006. The on-time handing over of these units by Wartsila had a significant impact on the operational efficiency of the Power Station as a whole.

Towards the end of the year, tenders were invited for the supply of Diesel fuel for the machines in the Plant and also gasoline for our vehicle fleet. The process was in an advanced stage of completion at the end of the year and it was expected that a preferred supplier would have been identified in time to commence a new 3 year fuel supply contract from 1st March 2007.

In an effort to enhance the appearance of the Power Station Compound, work started on the removal of obsolete material and other non-essential items found within the exterior of the compound. Paving work is expected to begin in the third quarter of 2007 after the T&D Division completes the installation of a number of ducts in preparation for the establishment of a new substation immediately south of the Power Station Compound. It is also expected that fuel lines supplying the high speed sets, will be more orderly configured to ensure more efficient fuel delivery to the units.

As part of the Generation expansion project, the opportunity was taken to construct a new mechanical workshop and also new offices for the Generation Superintendent. The old workshop became very inadequate since it was constructed when only five small units were in operation. Fourteen sets are now operational.

In 2005, the report showed a 20.00% increase in fuel usage over the 2004 figure and it was anticipated that in 2006, this increase was likely to drop significantly depending on the commissioning of the new sets. This prognostication was validated from the graph on page 20 which shows a mere 4.76% increase over the 2005 figure.

Information Technology

Most of the work undertaken in 2006 in the IT Division was driven by the need to comply with increasingly stringent IT Audit specifications and/or the need for more accurate, purposeful information. The use of technology to improve ANGLEC's business is of high priority within the IT Division.

In mid 2006, the IT Division introduced credit card processing at ANGLEC for the first time. With this new service offered through the National Bank of Anguilla Limited (NBA), our customers are now able to pay bills using Debit cards as well as any credit card bearing the Visa or MasterCard logo. This in itself was the first phase of improvement in this area as it is expected that in mid 2007 customers will also be able to pay their bills on-line using the same credit cards. The preliminary work for the latter also started in the 3rd quarter of 2006.

In the first quarter of 2006 the IT Division in conjunction with the Stores department implemented IBIS Software Suite Order. The software enables all entries, which are done for Customs to be customized. This is a faster process as opposed to the manual one that existed for many years and the Stores department has been making extensive use of this facility since its introduction.

Also, in March 2006 work began on the revamping of ANGLEC's website www.anglec.com. The launching of the site would take place in 2007 along with the new proposed on-line billing and payment systems.

During the year under review, some of the computers were upgraded to Windows XP Professional from Windows 2000. Microsoft Office was also upgraded from 1997 to 2000 and XP/2003. These updated versions will no doubt reduce the problems that might be caused from outdated software. With the upgrade of Windows 2000 to XP, the IT Division can now trouble shoot problems more expeditiously.

For the year 2006 the IT Division is pleased to report at least a 99% uptime for all major systems at ANGLEC. Only 1% downtime was experienced on the computer system during the year and this was occasioned by preventative maintenance activity.

Human Resources

ANGLEC believes that its human resources constitute one of its most important and precious assets. Given ANGLEC's recognition of the importance of the Human Resources factor in the achievement process, 2006 was marked by a strong focus on employee development. ANGLEC therefore created an environment in which employees were able to increase their knowledge, skills and know-how during 2006.

In preparation for the commissioning of the two new engines, a group of ANGLEC's, Generation Division employees travelled to Finland to receive a 10-day on-site advanced engine course. Locally, a workshop was conducted by ABB Technicians from Pennsylvania on protective and control systems for the new machines which were being installed in the Power Station.

ANGLEC hosted a first aid course to promote safety awareness for all inductees and employees who were not exposed to first aid training during the year.

The Transmission and Distribution Division's entry level employees participated in an in-house linesman training programme level (1) and were exposed to theoretical concepts and practical techniques.

As the Company is a customer service oriented organization, ANGLEC held a two-day seminar entitled Achieving Extraordinary Customer Service in conjunction with Caribbean Electrical Utilities (CARILEC). Employees were exposed to key customer service techniques.

Additionally, ANGLEC continued to create a corporate environment in which the employee's quest for on-going education and training is linked to the achievement of organizational goals. One employee obtained an Associate Degree in Mechanical Engineering from Sir Arthur Lewis College in St. Lucia. The employee has joined the company as a Generation Trainee.

Not only is ANGLEC interested in developing the employees' range of skills, knowledge and specific job competencies but we are also concerned with our employees' welfare interests and therefore a motivational workshop entitled Taking Charge of My life was held in 2006.

ANGLEC continues to attract and retain persons of the highest calibre. With regard to the Chief Engineer position, Mr. Michael Nation who has extensive experience in Electric Utility Management joined ANGLEC toward the end of 2006.

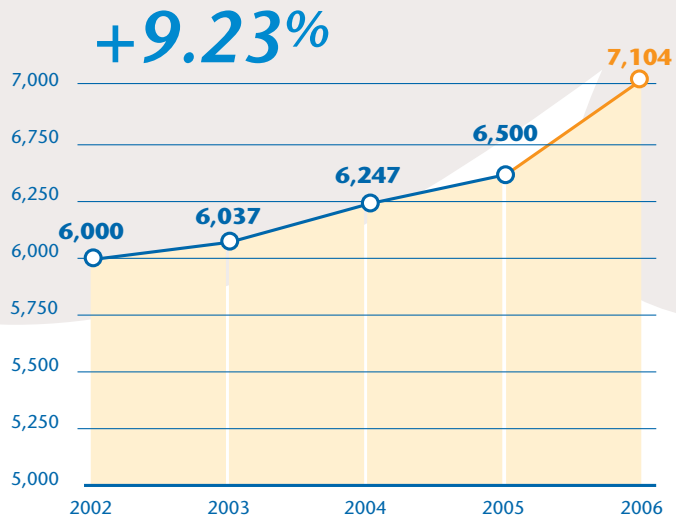
ANGLEC also sought to promote staff awareness with regard to the pension plan by having a representative from Sovereign Limited conduct a question and answer session on the plan which has been in operation since 2003.

Future Outlook

A training needs analysis will take place in 2007. This analysis will serve to determine on an ongoing basis the educational training and development needs of its employees within the context of ANGLEC's plans. Providing job training to our employees will continue to be a key focus of our human resources work in the future. The present performance appraisal system will also be revised to ensure that ANGLEC maintains an effective tool for measuring employees' performances in the organization.

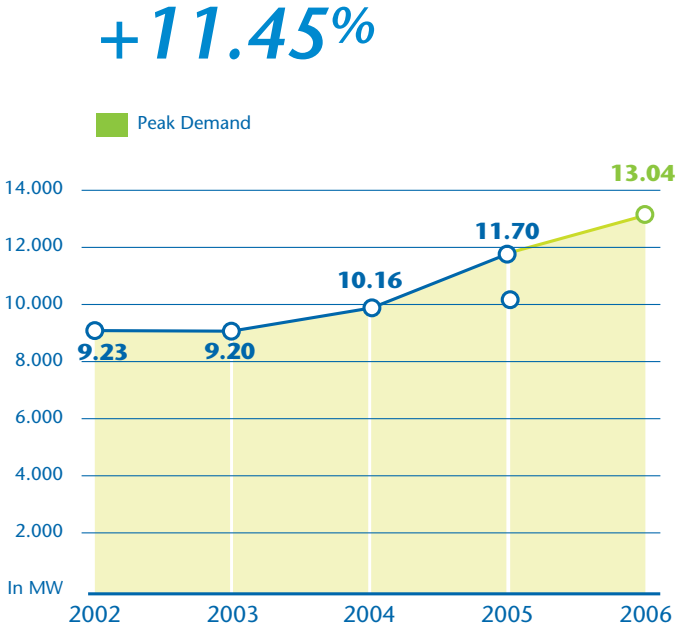
ANGLEC will continue to foster a work environment where the Company seeks to recruit, retain, develop and reward employees who continue to work with the organization.

Operational Statistics



Customers

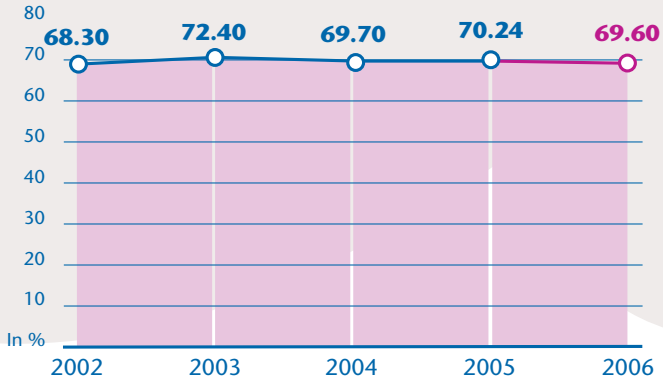
ANGLEC's customer base rose from 6,500 in 2005 to 7,104 in 2006 with a 9.23% increase.



Peak Demand

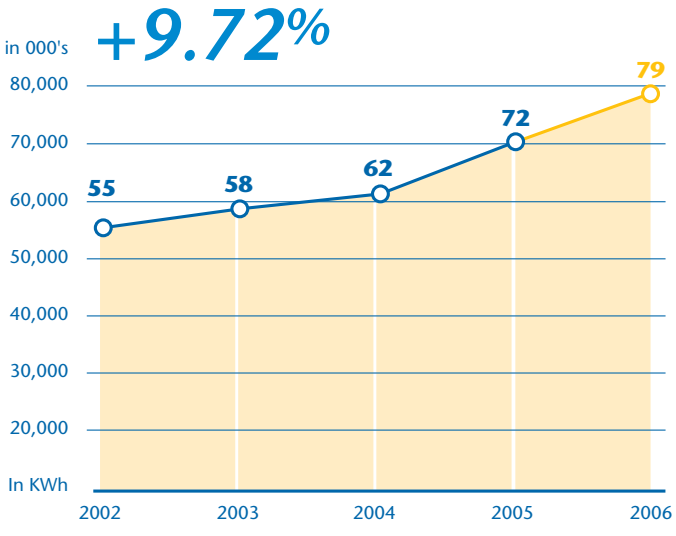
The maximum demand moved from 11.70 M.W. in 2005 to 13.04 M.W. in 2006 showing an increase of 11.45%.

Operational Statistics



System Load Factor

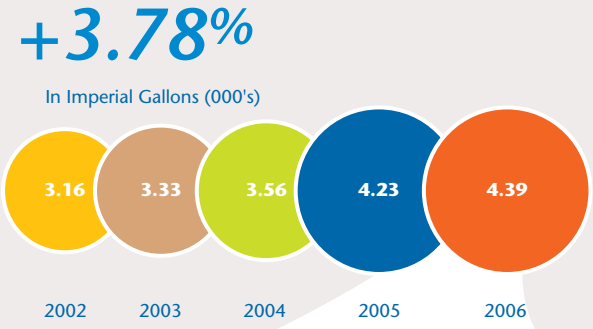
The load factor showed a very slight reduction from 70.24 in 2005 to 69.60 in 2006. Load factor is an indication of the investment return on generating equipment.



Units Generated

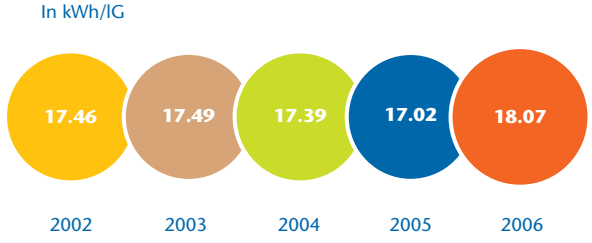
Corito Power Station generated 79,506,688 kwh in 2006 compared to 72,040,745 kwh in 2005.

Operational Statistics



Fuel Consumed

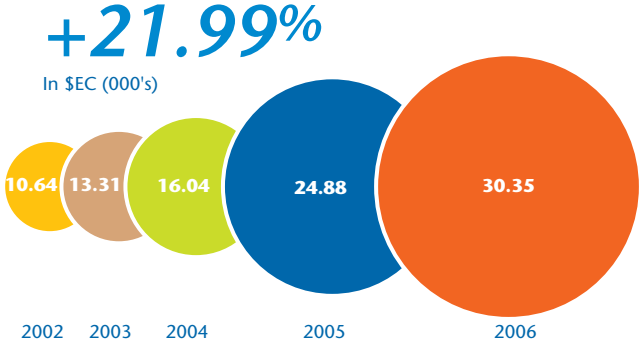
Fuel consumption rose by a mere 3.78% imperial gallons (IG) over 2005 consumption of 4.23 million imperial gallons (IG). The commissioning of the new units #13 and 14 which are more fuel efficient contributed to the reduction in fuel consumption.



Fuel Efficiency

Fuel efficiency reflects the performance of Anglec's generating sets.

The graph shows the positive impact which the commissioning of the new 3.9 M.W sets had on the fuel efficiency.



Fuel Cost

The cost of fuel increased 21.99% over 2005 from EC$24.88 million to EC$30.35 in 2006.

KPMG LLC
Caribbean Commercial Centre
P.O. Box 136. The Valley, Anguilla, B.W.I

Telephone (264) 497 5500
Fax (264) 497 3755
Email cvromney@kpmg.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Anguilla Electricity Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Anguilla Electricity Company Limited (the Company), which comprise the balance sheet as at 31 December 2006, and the related statements of income, shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 principles 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 2006, 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
The Valley, Anguilla
September 24, 2007

BALANCE SHEET

As at December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

ASSETS

	Notes	2006	2005
NON-CURRENT ASSETS			
Property, plant and equipment	6	49,691,005	49,118,174
Other assets		59,935	88,160
		49,750,940	49,206,334
CURRENT ASSETS			
Investments	7	971,317	929,049
Inventories	8	5,467,423	4,780,222
Trade receivables	9	9,422,486	7,945,427
Prepayments, other receivables and assets	10	1,376,167	2,012,330
Cash and cash equivalents	11	8,910,996	2,234,611
		26,148,389	17,901,639
		75,899,329	**67,107,973**

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY			
Share capital	12	14,536,147	14,536,147
Retained earnings		29,847,920	19,191,799
		44,384,067	33,727,946
LONG-TERM LIABILITIES			
Interest-bearing loans	13	23,325,996	24,528,772
Contribution in aid of construction	14	2,906,542	2,808,063
		26,232,538	27,336,835
CURRENT LIABILITIES			
Bank overdraft	11	–	370,045
Current portion - interest-bearing loans	13	1,389,396	1,739,808
Accounts payable and accrued expenses	15	3,239,806	3,673,985
Customer deposits		653,522	259,354
		5,282,724	6,043,192
		75,899,329	**67,107,973**

These financial statements were approved on behalf of the Board of Directors on September 24, 2007 by the following:

Chairman — *Rodney Rey*

Director — *Jere Alan Gumbs*

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

STATEMENT OF INCOME

For the Year Ended December 31, 2006

Expressed in Eastern Caribbean Dollars (EC$)

		Notes	2006	2005
REVENUES				
	Energy sales	16	44,454,240	39,234,965
	Fuel surcharge recovered		16,004,824	7,862,587
			60,459,064	47,097,552
COST OF OPERATIONS				
Generation	Fuel		(14,252,046)	(16,316,703)
	Fuel surcharge		(16,102,195)	(8,565,698)
	Others	17	(6,312,848)	(7,069,055)
Transmission	and Distribution	18	(4,514,777)	(4,105,292)
			(41,181,866)	(36,056,748)
GROSS OPERATING PROFIT			19,277,198	11,040,804
OPERATING EXPENSES				
	Administrative	19	(4,908,191)	(4,214,344)
	Consumer service		(533,182)	(389,044)
			(5,441,373)	(4,603,388)
OTHER INCOME		20	2,196,804	1,110,601
NET OPERATING PROFIT			16,032,629	7,548,017
	Environmental levy		(2,612,308)	(1,982,918)
	Finance cost		(1,367,862)	(638,434)
NET PROFIT FOR YEAR			**12,052,459**	**4,926,665**

Additional disclosures:

Earnings per share	1.04	0.42
Dividends per share	0.31	0.12

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

		2006	2005
SHARE CAPITAL			
Balance at end of year	12	14,536,147	14,536,147
RETAINED EARNINGS			
Balance at beginning of year		19,191,799	16,010,556
Net profit for year		12,052,459	4,926,665
Dividends paid		(1,396,338)	(1,745,422)
Balance at end of year		29,847,920	19,191,799
Dividends declared after year end and not yet sanctioned by the shareholders		(3,607,206)	(1,396,338)
Balance after dividend declared		26,240,714	17,795,461
		44,384,067	**33,727,946**

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

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for year	12,052,459	4,926,665
Adjustments for:		
Depreciation	4,300,881	3,114,504
Provision for slow moving/obsolete inventories	(410,194)	98,336
Amortisation of contributions in aid of construction	(375,035)	(315,638)
Interest expense	1,372,200	220,782
Provision for doubtful accounts	556,392	140,632
	17,496,703	8,185,281
(Increase)/decrease in current assets:		
Inventories	(277,007)	(1,297,094)
Trade receivables	(2,033,451)	(1,084,300)
Other receivables	664,388	(612,828)
Increase/(decrease) in current liabilities:		
Accounts payable and accrued expenses	(412,383)	1,163,106
Customer deposits	394,168	(82,872)
Net cash provided by operating activities	15,832,418	6,271,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(4,873,712)	(21,558,473)
Proceeds from disposal of property, plant and equipment	-	5,224
Interest received	(42,268)	(44,046)
Net cash used in investing activities	(4,915,980)	(21,597,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans	-	16,368,450
Repayment of interest-bearing loans	(1,553,189)	(1,620,444)
Contributions in aid of construction	473,514	462,331
Dividends paid	(1,396,338)	(1,745,422)
Interest paid	(1,393,995)	(242,012)
Net cash (used in)/provided by financing activities	(3,870,008)	13,222,903
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,046,430	(2,103,099)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,864,566**	**3,967,665**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,910,996**	**1,864,566**
Represented by:		
Cash and cash equivalents	8,910,996	2,234,611
Bank overdraft	-	(370,045)
	8,910,996	**1,864,566**

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

1. Reporting entity

The Anguilla Electricity Company Limited (the Company) was incorporated in Anguilla on January 11, 1991 under the Companies Act and is governed by the Electricity Ordinance, 1991, as amended and operates in The Valley, Anguilla. The Government of Anguilla which was the major shareholder of the Company, offered 6,600,000 shares to the general public through an Initial Public Offering on August 1, 2003.

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 April 1, 1991.

The financial statements were authorized for issue by the Board of Directors on September 24, 2007.

2. Basis of preparation

The significant accounting policies adopted in the preparation of these financial statements are set out below:

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis and are presented in Eastern Caribbean Dollars (EC$) as the majority of assets are denominated in this currency. These policies have been consistently applied to all years presented, unless otherwise stated.

(c) Use of estimates

The preparation of the financial statements requires management to make judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 5.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies

(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 labour, 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 or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised 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 recognised in the statement of income as incurred.

iii. Depreciation

Depreciation is recognised in the statement of income 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:

Freehold 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 reassessed at the balance sheet date.

(b) Impairment

The carrying value of the Company's assets is reviewed at each balance sheet 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(b) Impairment (continued)

The carrying amounts of assets mentioned in (a)i above are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at the net selling price.

An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

(c) Financial instruments

i. Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale. These include short-term placements with banks.

Held-to-maturity investments are recognised/derecognised on the day they are transferred to/by the Company, respectively.

Investments are initially measured at cost, including transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and are amortized based on the effective interest rate of the instrument.

ii. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (Note 3b).

iii. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

iv. Trade and other payables

Trade and other payables are stated at their cost.

v. Interest-bearing loans

Interest-bearing loans are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing loans are stated at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(d) 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.

(e) Repurchase of share capital

When share capital recognized as equity is repurchased by the Company, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total shareholders' equity.

(f) Revenue

Revenue from the sale of electricity is recognised in the statement of income 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.

(g) Contributions in aid of construction

Contributions in aid of construction are amounts received from certain 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.

(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 capitalised as a part of the cost of the asset.

(i) Foreign currency

Transactions in foreign currencies are converted to EC Dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EC Dollars at the exchange rate at that date.

Foreign exchange differences arising on conversion and translation are recognised in the statement of income. 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(k) Employee benefits

i. Defined contribution plan

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income as incurred. The plan is for non-management employees.

ii. Defined benefit plan

The Company operates a defined benefit pension for senior management. The plan is a multi-employer scheme. There are five contributing employers; the others are Montserrat Electricity Services Ltd., St. Lucia Mortgage Finance Company Ltd., St. Lucia Electricity Services 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. Due to the unavailability of recent audited financial statements in respect to this plan, the contributions are recognised as an expense when they are due. The Company's share of the related retirement asset/(liability) has not been reflected in the balance sheet.

(l) Income tax

No provision is made for income tax since Anguilla does not have any form of income tax.

(m) Dividends

Dividends are recognised 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.

(n) Earnings per share

Earnings per share have been calculated by dividing the net profit for the year of EC$12,052,459 (2005:EC$4,926,665) by the weighted average number of issued ordinary shares of 11,636,147 (2005:11,636,147).

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the fiscal year ended December 31, 2006 and have not yet been applied in preparing these financial statements:

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(o) New standards and interpretations not yet adopted (continued)

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2007 financial statements, will require extensive additional disclosures with respect to Company's financial instruments and share capital.*

- *IFRS 8 Operating Segments requires segment disclosure based on the components of the Company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. Segments will be reportable based on threshold tests related to revenues, results and assets. IFRS 8 will become mandatory for the Company's 2009 financial statements and is not expected to have any impact on the financial statements.*

- *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the financial statements as Anguilla does not have any form of income taxes and management does not envision Anguilla's economy becoming hyperinflationary in the near future.*

- *IFRIC 8 Scope of IFRS 2 Shared-based Payment addresses the accounting for share-based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.*

- *IFRIC 9 Reassessment of Embedded Derivatives requires an assessment of whether embedded derivatives should be separated from the underlying host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract in which case reassessment is required. IFRIC 9, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the financial statements.*

- *IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, investment in equity instruments and investments in financial assets carried at cost. IFRIC 10 will become mandatory for the Company's 2007 financial statements and is not expected to have any impact on the financial statements.*

- *IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another Company are transferred in settlement of the obligation. IFRIC 11, which becomes mandatory for the Company's 2008 financial statements, is not expected to have any impact on the financial statements.*

- *IFRIC 12 Service Concession Arrangements addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 will become mandatory for the Company's 2008 financial statements and is not expected to have any impact on the financial statements.*

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(o) New standards and interpretations not yet adopted (continued)

- *IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 will become mandatory for the Company's 2009 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.*

- *IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction provides a limit on the measurement of a defined benefit asset to the "present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan" plus unrecognised gains and losses (the "asset ceiling"). IFRIC 14 will become mandatory for the Company's 2008 financial statements.*

- *IAS 23 (Revised) Borrowing Costs removes the option of immediately recognising all borrowing costs as an expense, which was the benchmark treatment in the previous standard. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. IAS 23 (Revised) will become mandatory for the Company's 2009 financial statements.*

4. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: foreign currency risk, liquidity risk, credit risk, interest rate risk and insurance risk.

Foreign currency risk

The Company has certain borrowings in foreign currencies. Exposure to foreign currency risk on borrowings has been disclosed in Note 13. 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 since 1974.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Management does not believe significant liquidity risk exists at December 31, 2006.

Credit risk

Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of bank deposits, held-to-maturity financial assets and trade receivables. The Company's bank deposits and held-to-maturity financial assets are placed with high- credit quality financial institutions.

Trade receivables are presented net of the provision for impairment of receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Company's customer base and their dispersion across different economic sectors. Management performs periodic credit evaluations of its customers' financial condition and does not believe significant credit risk exists at December 31, 2006.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

4. Financial risk management (continued)

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 is disclosed in Note 13.

Insurance risk

The Company is exposed to insurance risk on its transmission and distributions assets. These assets were not covered by external insurance. To manage this risk, the Company has established a "Self Insurance Fund" (see Note 11) and will continue to set aside funds on an annual basis to increase the fund 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.

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 at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. 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 judgements 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.

5. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant use of material adjustment in the next financial year are discussed below:

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

5. Critical accounting estimates and judgements (continued)

(a) Pension benefits assumptions

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

(b) Allowances for credit losses

(c) Impairment of assets

(d) Determining fair values

(e) Estimation of unbilled sales and fuel charges

(f) Financial asset and liability classification

Accounting policies 3(b), 3(c) and 3(k) contain information about the assumptions and their factors relating to impairment of assets, allowance for credit losses, employee benefits and financial asset and liability classification. Note 4 contains information about the risks assumptions and their factors relating to determining fair values.

There is a possibility that the Company's financial position and performance may materially change in the next financial year if these assumptions would be different and may require adjustment to the carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

6. Property, plant and equipment

	Land and Buildings	Plant and Machinery	Furniture, Fittings and Equipment	Motor Vehicles	Capital Work in Progress	Total
At Cost:						
January 1, 2005	6,858,766	52,829,093	2,956,500	2,840,089	161,805	65,646,253
Additions	91,553	923,053	719,137	69,449	19,755,281	21,558,473
January 1, 2006	6,950,319	53,752,146	3,675,637	2,909,538	19,917,086	87,204,726
Additions/(transfer)	2,849,351	21,574,700	78,326	236,236	(19,864,901)	4,873,712
December 31, 2006	**9,799,670**	**75,326,846**	**3,753,963**	**3,145,774**	**52,185**	**92,078,438**
Accumulated depreciation						
January 1, 2005	1,696,294	28,957,457	2,362,944	1,955,353	-	34,972,048
Depreciation	182,094	2,645,929	177,833	108,648	-	3,114,504
January 1, 2006	1,878,388	31,603,386	2,540,777	2,064,001	-	38,086,552
Depreciation	218,218	3,713,722	145,569	223,372		4,300,881
December 31, 2006	**2,096,606**	**35,317,108**	**2,686,346**	**2,287,373**	**-**	**42,387,433**
Net book values						
December 31, 2006	**7,703,064**	**40,009,738**	**1,067,617**	**858,401**	**52,185**	**49,691,005**
December 31, 2005	5,071,931	22,148,760	1,134,860	845,537	19,917,086	49,118,174

7. Investments

	2006	2005
Investments held-to-maturity	**971,317**	**929,049**

These comprise certificates of deposit with National Bank of Anguilla Limited maturing in October 2007 and earn interest at 4.75% per annum.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

8. Inventories

	2006	2005
Generation parts and fuel	3,326,154	3,389,380
Transmission and distribution parts	2,348,822	1,956,928
Administration supplies	123,010	174,671
	5,797,986	5,520,979
Provision for slow-moving and obsolete inventories	(330,563)	(740,757)
	5,467,423	**4,780,222**

9. Trade receivables

	2006	2005
Trade receivables	10,967,934	8,934,483
Less provision for doubtful accounts	(1,545,448)	(989,056)
	9,422,486	**7,945,427**

10. Prepayments, other receivables and assets

	2006	2005
Prepayments	1,262,251	1,918,013
Other receivables	113,916	94,317
	1,376,167	**2,012,330**

11. Cash and cash equivalents

	2006	2005
Cash on hand and in bank	8,225,282	2,234,611
Savings deposit (Caribbean Commercial Bank (Anguilla) Limited)*	685,714	-
Bank overdraft**	-	(370,045)
Cash resources in the statement of cash flows	**8,910,996**	**1,864,566**

** This amount is restricted for the self-insurance of the Company's transmission and distribution system.*

*** In 2005, the Company's bank overdraft was secured by a debenture on assets with interest rate of 9.2% per annum. This overdraft expired on 30th September 2006 and was renewed on the 1st of October 2006.*

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

12. Share capital

	2006	2005
Authorized:	30,000,000	30,000,000
All shares are voting shares and carry equal rights		
Issued and fully paid:		
17,036,147 Ordinary shares at no par value	17,036,147	17,036,147
Less: Treasury Stock		
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**

The current percentage of ownership is:	2006	2005
Government of Anguilla	40%	40%
Social Security Board	16%	16%
National Bank of Anguilla Ltd.	12%	12%
Caribbean Commercial Bank (Anguilla) Ltd.	11%	11%
General Public	21%	21%

In 1998, the Company repurchased 5,400,000 of class "B" ordinary shares at a consideration of EC$2,500,000. The difference between the original issue price and the cost to acquire treasury stock is shown as discount on treasury stock. In June 2003, all shares of the Company were converted to one class of ordinary shares to rank Pari Passu, thus removing the various stock categories.

On September 1, 2003, the Government of Anguilla (GOA) 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 Social Security Board are appointed by the Government of Anguilla.

All classes of shares have been converted to one class of ordinary shares effective June 3, 2003.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
Expressed in Eastern Caribbean Dollars (EC$)

13. Interest-bearing loans

	2006	2005
Caribbean Development Bank (See I below)	66,544	332,721
Caribbean Commercial Bank (Anguilla) Ltd. (See II below)	1,889,089	2,342,758
Caribbean Development Bank (See III below)	6,391,309	7,224,651
Caribbean Development Bank (See IV below)	16,368,450	16,368,450
	24,715,392	26,268,580
Less: Current Portion	(1,389,396)	(1,739,808)
	23,325,996	**24,528,772**

(I) This loan (03 SFR-ANG) was made to the Government of Anguilla on February 18, 1986. The total amount disbursed was US$1,435,709 (EC$3,859,473) which was transferred to the Company on April 1, 1991. The loan is guaranteed by the Government of Anguilla and is repaid in equal quarterly installments of US$24,754, (EC$66,544) plus interest at the rate of 4% per annum. The final payment was made on March 31, 2007.

(II) This loan was made to the Company by the Caribbean Commercial Bank (Anguilla) Ltd. (CCB) on May 7, 1998 to refinance the Commonwealth Development Corporation loan. The loan is guaranteed by the Government of Anguilla. The total amount disbursed was US$1,800,000 (EC$4,838,760). This loan is repaid in equal semi-annual installments of US$116,550, (EC$313,310), including interest at the rate of 7.75% per annum. The final payment is due on May 7, 2010.

(III) This loan (02/OR-ANL) was made to the Company by the Caribbean Development Bank (CDB) in the year 2000 to finance the purchase of two generators. The total amount disbursed was US$3,720,000 (EC$10,000,104). This loan is repaid in forty eight (48) equal and consecutive quarterly installments of US$113,280 (EC$304,519) with a current interest rate of 6.25% per annum. This will be payable after two (2) years following the expiry of the first disbursement. Borrowing costs of US$91,415 (EC$245,743) were capitalized and included in property, plant and equipment (Note 3). This loan is secured by a legal charge over the Company's property, plant and equipment as well as the freehold property of the Company.

(IV) This loan (03/OR-ANL) was made to the Company by the Caribbean Development Bank (CDB) in the year 2005 to finance the purchase of two generators. The total amount disbursed was US$6,089,000 (EC$16,368,450). This loan is repaid in forty eight (48) equal and consecutive quarterly installments of US$158,553 (EC$426,222) with a current interest rate of 6.25% per annum. This will be payable after two (2) years following the expiry of the first disbursement. Borrowing costs of US$224,686 (EC$604,000) were capitalized and included in property, plant and equipment (Note 3). This loan is secured by a legal charge over the Company's property, plant and equipment as well as the freehold property of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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14. Contributions in aid of construction

	2006	2005
Balance at beginning of year	2,808,063	2,661,370
Contributions during the year	473,514	462,331
	3,281,577	3,123,701
Amount amortised during the year	(375,035)	(315,638)
Balance at end of year	**2,906,542**	**2,808,063**

15. Accounts payable and accrued expenses

	2006	2005
Accounts payable - trade	2,768,037	3,233,786
Accrued pension liability	-	-
Accrued expenses	471,769	440,199
	3,239,806	**3,673,985**

16. Gross operating revenue

	2006	2005
Amounts billed during the year	44,099,910	39,303,574
Less: unbilled revenue at beginning of the year	(1,753,053)	(1,821,662)
	42,346,857	37,481,912
Add: unbilled revenue at end of the year	2,107,383	1,753,053
	44,454,240	**39,234,965**

Based on the Electricity Regulations, tariffs shall be subject to a surcharge of 1 cent per unit for every 10 cents per gallon increase in the price of fuel oil over EC$3.64 per gallon. The Company imposed a fuel surcharge of 26 cents until November 2006. It was reduced to 21 cents in November 2006 until present.

17. Generation - Other expenses

	2006	2005
Depreciation	2,206,022	1,741,386
Staff costs	1,787,171	1,437,715
Repairs and maintenance	1,391,366	2,857,946
Insurance	928,289	1,032,008
	6,312,848	**7,069,055**

NOTES TO THE FINANCIAL STATEMENTS

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18. Transmission and Distribution expenses

	2006	2005
Staff costs	1,895,987	1,572,110
Depreciation	1,249,337	1,304,152
Repairs and maintenance	1,103,711	977,212
Insurance	265,742	251,818
	4,514,777	**4,105,292**

19. Administrative expenses

	2006	2005
Salaries and wages	1,599,842	1,479,188
Office expenses	1,143,317	987,778
General	1,235,160	791,054
Consultancy and professional fees	773,007	810,251
Insurance	156,865	146,073
	4,908,191	**4,214,344**

20. Other income

	2006	2005
Late charges	980,779	476,803
Upgrades and relocation of poles	64,964	147,060
Reconnection fees	32,430	51,950
Miscellaneous	1,118,631	434,788
	2,196,804	**1,110,601**

21. Personnel expenses

	2006	2005
Salaries and wages	4,686,570	4,004,241
Pension expense and other benefits*	654,800	536,492
Training	304,519	183,801
Social security	169,531	153,524
	5,815,420	**4,878,058**

**Pension expense represents contributions made by the Company to the defined benefit plan and a defined contribution plan .*

Defined contribution plans pertain to non-management employees and are handled and administered by Zurich International. Total contributions made by the Company amounted to EC$ 272,584 and EC$ 269,606 in 2006 and 2005, respectively.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006
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21. Personnel expenses (continued)

For its senior management, the company has a defined benefit plan and contributes to the regional CDC Caribbean Pension Scheme administered by Sagicor Life Inc. Contributions made by the Company in 2006 and 2005 amounts to EC$ 117,949 and EC$ 112,056, respectively.

The total membership of the scheme at the date of the last actuarial valuation on January 1, 2004 was as follows:

Active members	*46*
Deferred pensioners	*20*
Pensions in payment	*5*
	71

Morgan Grenfell Asset Management invests the assets supporting the plan.

The most recent actuarial valuation of the plan dated January 1, 2004 showed for all members, assets valued at $18,598,799 and pension benefit liabilities valued at $17,087,460. The report was prepared based on draft financial statements for the pension scheme for 1999 and 2000 as adjusted by information obtained by the actuary from the administrator. The plan was valued using the "Projected Unit Credit" method of valuation. The financial assumptions made included a rate of return on assets of 7%, a rate of salary increases of 6% and a rate of pension increases during retirement of 3%.

22. Related party transactions

	2006	2005
Directors' fees	229,149	242,803
Benefits to executive officers	653,520	579,530
	882,669	822,333
Revenues from Government	7,448,564	6,990,012
Amounts paid to Government for the Environmental levy	2,612,308	1,982,918

The Company has entered into the following related party transactions:

- *The Government of Anguilla (GOA) imposed an environmental levy of 5% on Revenues, excluding Government's usage, on the Company effective September 1, 2003. The amount payable to GOA as of December 31, 2006 amounted to EC$274,519 (2005:EC$208,158);*
- *Trade receivables from GOA is EC$705,006 (2005: EC$764,440);*
- *License fees paid to GOA is EC$400,000 for 2006 and 2005;*
- *GOA has guaranteed the CDB (03SFR-ANG) and Caribbean Commercial Bank (Anguilla) Ltd. (CCB) loans borrowed by the Company (see note 13);*
- *The Company has a loan with the CCB with an outstanding balance of EC$1,889,089 (2005: EC$2,342,758) (see note 13);*
- *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.*

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23. Commitments

During the current year, the directors have approved approximately EC$3,700,092 (2005: EC$5,175,683) for capital expenditure of which EC$1,026,909 had not been spent at December 31, 2006.

24. Litigation

In January 2006, the Company received correspondence from Delta Petroleum claiming the sum of US$195,879.68 (EC$526,564) which represents late payments on invoices and legal costs. No claim form has been submitted to the court and it is anticipated that the matter will be passed to Arbitration prior to court action.