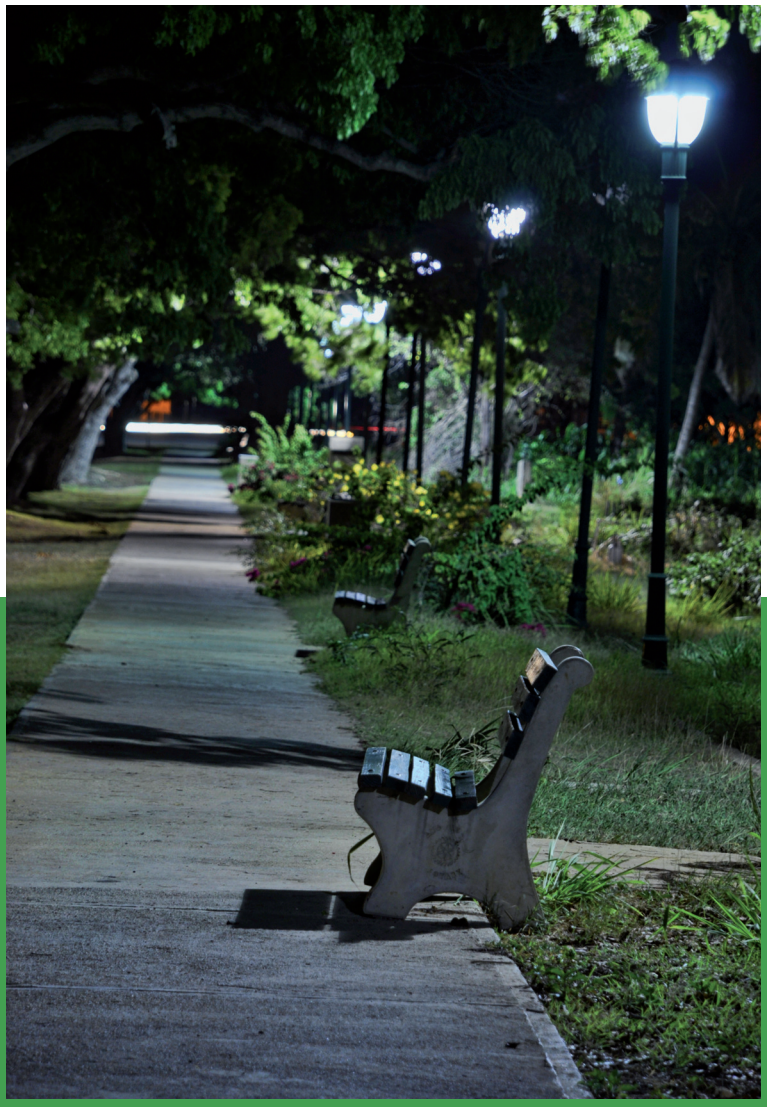
Annual Report 2008

Anguilla Electricity Company Limited

SELECTED FINANCIAL INFORMATION

(In 000's)	2008	2007	2006	2005	2004
Income Statement Information					
Gross Operating Revenue	$81,542	$67,533	$60,459	$47,098	$36,593
Cost of Operating Revenue	(65,166)	(50,154)	(41,182)	(36,057)	(24,932)
Gross Operating Profit	16,376	17,379	19,277	11,041	11,661
Operating Expenses	(6,923)	(6,541)	(5,441)	(4,604)	(4,534)
Other Income	3,596	2,350	2,196	1,111	1,647
Net Operating Profit	13,049	13,188	16,032	7,548	8,773
Environmental Levy	(3,653)	(2,877)	(2,612)	(1,983)	(1,648)
Financing Cost	(1,425)	(1,522)	(1,368)	(638)	(820)
Provision for claim settlement	(570)	0	0	0	0
Net Profit	**7,401**	**8,789**	**12,052**	**4,927**	**6,306**
Balance Sheet Information					
Property, Plant & Equipment	76,619	50,238	49,751	49,118	30,679
Current Assets	27,897	39,582	26,148	17,990	16,924
Total Assets	**104,516**	**89,820**	**75,899**	**67,108**	**47,603**
Long-term Liabilities	36,181	32,278	26,232	27,337	12,926
Current Liabilities	12,577	7,440	5,283	6,043	4,130
Total Liabilities	**48,758**	**39,718**	**31,515**	**33,380**	**17,056**
Shareholders' Equity	55,758	50,102	44,384	33,728	30,547
Total Liabilities & Shareholders' Equity	**104,516**	**89,820**	**75,899**	**67,108**	**47,603**
Dividends Paid	**1,745**	**1,752**	**3,607**	**1,396**	**1,745**
Statistical Information (000's)					
Total Sales - kWh	78,934	78,854	70,561	63,601	55,755
Energy Losses - kWh	9,412	9,016	7,750	7,068	4,920
Net Generation (Units Sent Out) - kWh	88,346	87,870	78,311	70,669	60,675
Station Usage - kWh	1,183	1,129	1,195	1,382	1,356
Gross Generation - kWh	89,502	88,996	79,507	72,041	62,032
Fuel Used - Imperial Gallons	4,862	4,830	4,399	4,233	3,567

TABLE OF CONTENTS



CHAIRMAN'S MESSAGE

Some people say that change is inevitable. At Anglec, we believe that change is fundamental to both the growth of our Company and the development of our people. We have seen the effects of high fuel prices, the shrinking of the global and local economic condition and growing demand for electrical energy. We embrace the opportunities that these issues present for making our company dynamic, adaptable and innovative.

The year was very challenging for Anglec. The cost of fuel is Anglec's biggest operating cost, and Anglec saw fuel prices exceed EC$14 per Imperial Gallon; The global economy came to a virtual grinding halt.

However, the Board of Anglec, with the support of management and staff were able to remain focused, and deliver results in spite of the turbulence and difficulties of 2008. We recognize that we are in the midst of a changing environment, and attribute our success to our resolve and adaptability.

By the end of 2008, the Western Transmission Line Project had made extremely good progress. The two switchboards at the Corito 13.8kV and 34.5kV substations were installed, and the remaining two switchboards at the West End substation were to be installed in January 2009. This Transmission Line Project of over 150 poles and spanning over six miles, will increase our distribution capacity to the western end of the island by 500%.

In 2008, Anglec also began work on the installation of an additional 5.2MW generating set. This additional capacity will increase Anglec's firm capacity by 25%, and is expected to satisfy Anguilla's energy needs for the next five years. The generator is manufactured by Wartsila of Finland, and is expected to be commissioned ahead of schedule, in May 2009.

In October, the passage of Hurricane Omar disrupted operations. However, due to the stellar performance and hard work of our staff, power was restored to almost 98% of the island within 3 days. The Hurricane also temporarily halted projects, including the Western Transmission Line. Project work resumed in late October, and continued at a much slower pace through the end of the year, with most of the manpower being diverted to repairing residual damage resulting from Omar. By year's end, the scheduled completion of the Western Transmission Line had been put back to late February 2009.

Rodney Rey, Chairman

CHAIRMAN'S MESSAGE

It is important for Anglec to maintain a high level of reliability. On an island with limited resources, there is a crucial need for adequate storage space for maintenance spares and operating materials. Since Anglec has outgrown its existing storage facilities, construction of a new stores building commenced in 2008. The facility, when finished, will provide ample storage space for Generation and Transmission & Distribution equipment and materials. The facility also inlcudes a large cooling room for materials requiring a protective environment and office space for the Stores Section personnel.

Looking to the future, we recognize that Anguilla is growing and changing. Anglec needs to be one step ahead. To that end, in 2008, the Board focused on developing various strategies for success. We facilitated several strategic planning sessions, which afforded the Board, Management and Staff the opportunity to analyze the current operating environment and future trends.

Anglec recognizes that the modern lifestyle is changing and while current energy production relies heavily on the use of fossil fuels, available supply is constantly decreasing. Anglec is therefore a part of Anguilla's vision for a sustainable renewable energy model, and is well represented on the Anguilla Energy Committee – a national body, focused on helping Anguilla achieve energy independence. Anglec is diligently working on the best renewable energy solutions for our environment.

The fuel surcharge mechanism embedded in the current tariff is currently being reviewed as key factors (such as the volatility of fuel prices) have changed significantly since the creation of the formula in 1991. Some of the issues that the new tariff structure will address are:

- *Providing the flexibility to accommodate renewable energy usage patterns;*
- *Providing greater transparency (for independent verification of fuel charges)*

The Board recognizes the importance of good corporate governance, and is committed to ensuring that the tenets of good corporate governance are the keystones of all decisions. In 2008, five Board members were certified by the Eastern Caribbean Securities Exchange in Corporate Governance.

CHAIRMAN'S MESSAGE

Significant changes were implemented in key management positions within the Company last year. In June 2008, Mr. David Gumbs whose portfolio includes executive management responsibility for Financial Accounts and Customer Service was hired as Chief Financial Officer. In December, Mr. Thomas Hodge was appointed General Manager, replacing Mr. Neil McConnie who retired after nine years in that position. Mr. Hodge's primary focus is to lead Anglec to the next level of development in an era of volatile energy prices and integration of renewable energy technologies.

I know that the Board of Directors and Anglec's Management and Staff join me in wishing Mr. McConnie well in his retirement and thanking him for his many contributions to Anglec's success during his tenure as General Manager. While in his capable hands, the Company underwent significant changes in ownership, generation and distribution system expansion, investigation of alternate energy sources, installation of the Company's first transmission line and substation project and the initial stages of succession planning. Under his leadership, Anglec became a much stronger, financially sound and forward-looking entity.

We are not fearful of change. We will always anticipate and prepare for it. We believe that this is the backbone of Anglec's continued success, and we continue together toward a common vision. I thank my fellow Board members, management and staff for their exceptional commitment and support during the year.

Rodney Rey

Chairman

DEVELOPING CUSTOMER SATISFACTION

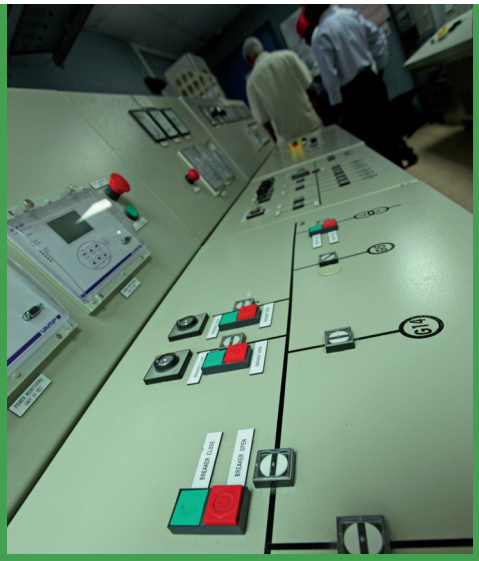
At Anglec, we have set Customer Satisfaction as one of our main objectives. We will accomplish this through the provision of an efficient, cost-effective and reliable source of electricity. We believe that every interaction we have with our customers should be professional, courteous and informative. To that end, we have developed several systems to promote excellent communication with our customers.

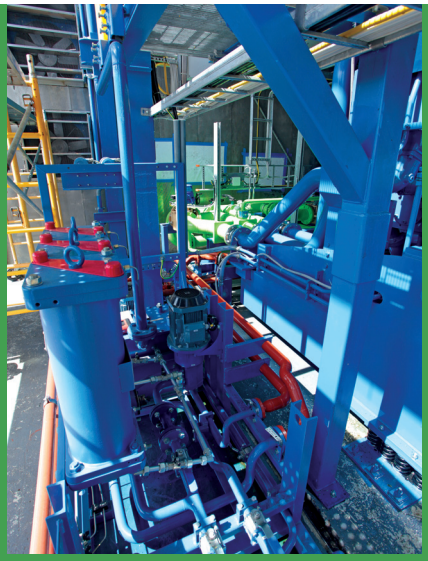
During 2008, Anglec built an internal Customer Relationship Database to facilitate the efficient management of customer applications, complaints, trouble calls, and various work orders and service requests. This effort should result in greater efficiencies, tracking, coordination and delivery of services to the customer. Since information is a key factor in the provision of quality service, this system will allow our employees to provide status updates at the touch of a button. It will also serve as a management tool for the analysis of work flows and identification of bottlenecks in the Company's processes.

Toward the end of the year, the Company acquired its Customer Calling System. The newly installed calling system will serve as a courtesy reminder to customers whose bills are past due. This system will help us escalate the quality of service we provide to our customers and help our customers avoid the inconvenience of disrupted service.

While we strive to provide an uninterrupted power source to our customers, problems do occasionally occur on our system. Vehicle accidents, storms, corrosion from Anguilla's salty air and tree growth along power routes can cause unplanned system outages. While we cannot control the occurrence of these unplanned outages, we try to minimize their impact through isolation of the problem area, rerouting feeders and quick response by our emergency crews.

As a growing utility with ever-changing customer needs, we must plan outages for the construction and preventive maintenance of lines, tree trimming and installation of updated equipment. We know that these can be disruptive, but through good communication with our customers, we hope to garner their understanding. Planned outages are communicated via all major radio stations in Anguilla. In 2008, we added an outage schedule to Anglec.com so that customers who do not listen to the radio can access outage information via the internet.





ANGLEC: A PART OF THE COMMUNITY AND ENVIRONMENT

We recognize that we have an important responsibility to be a significant participant in community activities that serve to strengthen the fabric of Anguilla's community life. That is why we continue to support social development through contributions to educational, youth, sports and geriatric activities. In 2008, Anglec was again, the sole sponsor for the Test of Standards Performance Recognition evening, which celebrated students who excelled in academia and sports.

At Anglec, we are committed to being environmentally friendly. We actively encourage young people's participation in environmental activities through support of Camp Be Aware's initiatives. Additionally, we continue to support activities put on by leading civic organizations in our community such as the Soroptimist and Optimist clubs of Anguilla.

One of the tenets of our community donations programme is to make meaningful contributions to the Community we serve. We embrace cultural events such as Festival d'Noel and various carnival troupes. Anglec prides itself in making contributions to sports organizations such as the Anguilla Amateur Volleyball Association, Anguilla Netball Association and the Anguilla Tennis Academy.

To assure that Anglec's charitable contributions meet the needs of the community, a Donations Committee, comprised of five employees was established. The committee's objective is to assure that all of the company's donations are made to not-for-profit community, sporting, cultural and service groups that foster high quality programmes, community events, facilities and services in a way that benefits Anguilla as a whole. The committee is working to establish a set of guidelines for donation requests, which will be finalized in 2009.

We are committed to improving the quality of life of the citizens of Anguilla and making a positive difference where we live and work.

FOCUSING ON EMPLOYEES

One of the main functions of Human Resources is to recruit, hire, develop and retain a high quality workforce through constant evaluation of compensation levels, training needs and employee welfare.

Compensation administration continued to be challenging as the Company and the country entered an era of economic volatility. To ensure that Anglec's employees were compensated fairly in relation to other companies in Anguilla, Anglec developed a compensation and benefits survey and invited major employers in Anguilla to participate. The results of the survey indicated that some adjustments were required to remain competitive with other employers. Some existing and proposed jobs were also measured to ensure that there was equity in the pay structure within the Company.

As training needs became apparent, courses were developed and delivered to prepare our employees to meet the ever changing needs of our customers. During calendar year 2008, Transmission & Distribution employees attended courses in Grounding & Bonding for Electrical Systems and Generation Operations and Maintenance employees attended courses in Modern Maintenance Management. Work attachments to regional utilities were also undertaken to expose key personnel to a wider array of procedures and methodologies within our industry.

To enhance their managerial skills, senior personnel underwent a training program which included modules on strategic planning implementation, leadership, marketing in the new millennium, negotiation & conflict resolution, leading transformation, financial management and communication.

During 2008, significant changes were implemented in key management positions within the Company. In June, Mr. David Gumbs whose portfolio includes executive management responsibility for Financial Accounts and Customer Service was hired as Chief Financial Officer. In November, Mr. Thomas Hodge was appointed General Manager, replacing Mr. Neil McConnie who retired after nine years in that position. Mr. Hodge's primary focus is to lead Anglec to the next level of development in an era of volatile energy prices and integration of renewable energy technologies.

The Human Resources Section also developed a recognition program to award employees who make meaningful contributions to Anglec's success and focus attention on their consistent positive achievements. The program will be implemented in 2009.

STRATEGIES FOR SUCCESS

How does Anglec define success? Being able to provide the energy required to meet the current and future needs of our growing country. As Anguilla grows, Anglec needs remain one step ahead. This process begins with load forecasting. We do this with input from our historical growth patterns, review of economic trends and analysis of data from Anguilla's Planning Department outlining approved house plans, commercial developments and tourism facilities. The load forecast is updated annually and includes a forward-looking 5 year projection.

Due to the specialized nature and cost of the equipment used to produce electricity, it is not possible for the Company to buy equipment "off the shelf". Each system must be developed and manufactured to meet our specific needs, which usually takes a one to two year lead time prior to installation.

In 2008, Anglec began work on two projects to strengthen the supply of electricity it provides to Anguilla. This included the preliminary work for the addition of a 5.2MW generating set and the development of a high-voltage transmission line to serve the western part of the island.

No.15 Wartsila 5.2mw Diesel Generator Installation:

The time interval from when a new generator is ordered to its commissioning is typically two years; such that forward planning for a new generator needs to be done well in advance of ordering. This ensures that sufficient generating capacity is installed in time to meet the projected electricity demand on the system.

With a fairly constant annual load growth in Anguilla of around 9.7% since 2003, it was anticipated in 2007 that a new generator would be needed by 2009. The Anglec Board gave its approval for the procurement of a 5.2 Megawatt Wärtsilä diesel generator in June of that year. Although 2007 could be seen as the year when the contractual issues for a new generator were successfully negotiated; 2008 was the year when the project shifted from the contractual phase to the design and manufacturing phase, with the fully assembled generator departing the Wärtsilä factory in Finland in November of that year.

STRATEGIES FOR SUCCESS

Being Anglec's biggest capital project since the installation of units 13 and 14 in 2006, Anglec was firmly poised at the end of 2008 to commence the installation and commissioning phases of the No 15 Wartsila 5.2 MW diesel generator project.

Western Transmission Line Project

The Western Transmission Line Project came into being in 2007 due to the need to reinforce the electricity supply to the western half of Anguilla, driven by the large number of tourist industry projects that were either in the planning stage or under construction in that area.

The project, which is comprised of substations at the Corito power station and at West End, and a six mile 34.5kV transmission line linking the two substations, progressed from the design phase to the construction phase during 2008.

Substation Equipment

By year's end, the switchboard installation had made extremely good progress with the two switchboards at the Corito 13.8kV and 34.5kV substations installed. The remaining two switchboards at the West End substation were installed in January 2009.

34.5kV Transmission Line

By January 2008, some 130 poles of the six-mile long transmission line had been erected. This amounted to around 90% of the poles that needed to be installed; and by February the pole erection work was all but completed.

STRATEGIES FOR SUCCESS

As a valuable training exercise for Anglec's Transmission & Distribution staff and contractors responsible for stringing conductors on the taller 60 foot wooden poles, a small pilot project was carried out behind the Corito compound the same month. Following the pilot project, stringing of the conductors commenced in April. By August, some 40% of the line had been strung, with the remainder necessitating two or more outages each week through early December. The work was spread out over three months to minimize the inconvenience to customers.

The transmission line was targeted for completion by the middle of December, but due to the passage of Hurricane Omar, most of the manpower was diverted to restoring the system and residual damage repair. After a three week suspension, work on the transmission line resumed at a much slower pace on areas not requiring line outages. By year's end, the scheduled completion of the line had been moved to late February, 2009.

Stores Warehouse

As the amount and complexity of the equipment installed at Anglec increases, it is necessary to provide additional storage space for replacement parts and materials. To that end, construction of a new stores building to replace the undersized existing facility began in 2008.

This facility, upon completion, will provide ample storage space for Generation and T&D equipment and materials, a large cooling room for materials requiring a protective environment and ample office space for the Stores Section.

OPERATING HIGHLIGHTS

Finance

Revenues

Total revenues for 2008 including fuel surcharge, increased to EC$81.542 million. This represents an increase of 20.7% over the previous year's figure of EC$67.534 million. As there was no increase in the basic tariff during the year, the growth in revenue can be attributed to new customer growth, the continued efficiency and reliability of our distribution system and an increase in the fuel surcharge recovery over the previous year.

Operating Costs

Like most utilities throughout the globe, the escalating cost of fuel was a significant challenge in 2008. As the price of fuel escalated to unprecedented levels in 2008, fuel costs increased by 45.3% over the previous year. Fuel costs accounted for 64.5% of revenue and 80.7% of operating costs compared to 53.6% and 72.2%, respectively, for the previous year.

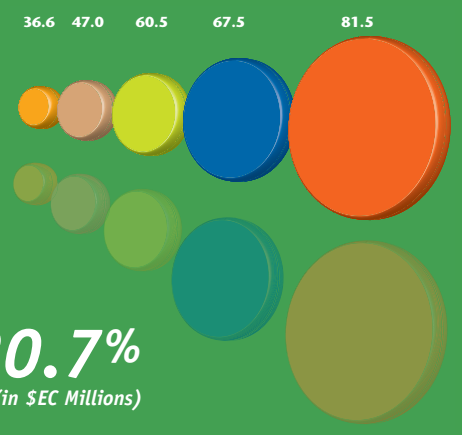
Total operating costs for the year including depreciation were EC$65.166 million compared to the previous year's figure of EC$50.154 million. Fuel cost for the year was EC$52.596 million compared to EC$36.199 million for the previous year.

By implementing a conscious effort to reduce controllable costs across all areas of our operations the Company reduced expenses in various sections of operations. Generation "Other Costs" were 8.0% of sales compared to 12.1% for the previous year. Transmission and Distribution cost was 7.0% of sales compared to 8.2% of sales for the previous year. Administration and Consumer Services costs were 8.5% compared to 9.7% for the previous reporting period. Net Finance costs decreased by 6.4% as a result of higher earnings on various investments and certificates of deposit held at National Bank of Anguilla Limited (NBA) and Caribbean Commercial Bank Limited (CCB) during the year.

Trading Profits

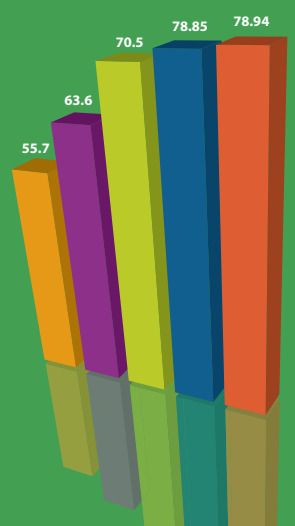
Gross operating profit at $16.376 million decreased by 5.8% from the previous year's figure of EC$17.379 million. Net profit for the year at EC$7.401 million was 9.1% of sales compared to 13.0% in 2007. The 13.0% decrease in profits for the year can be attributed in part to the under-recovery of the fuel surcharge, declining consumption in the last quarter driven by higher

Gross revenue (from 2004 to 2008)



+20.7%
(in $EC Millions)

Units sold (from 2004 to 2008)



+0.1%
(KWh, in 000's)

fuel prices and resulting fuel surcharge, and the economic downturn. During 2008, management closely monitored the movement in fuel prices so as to make the necessary timely adjustments to the fuel surcharge in accordance with the Electricity Regulations. This effort was delicately balanced with the impact on the consumer and the corresponding decline in sales caused by the higher prices.

Capital Expenditures

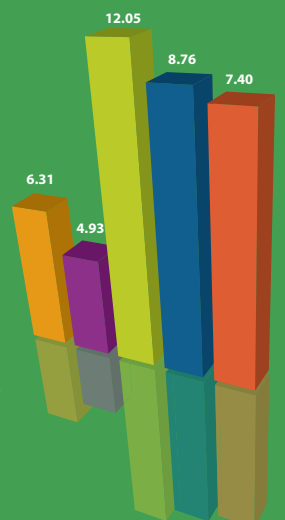
The need to continue investing to improve the efficiency of our operations, particularly in the Generation and the Transmission and Distribution areas is of strategic importance. These investments strengthen and make our system more reliable and improve the service we provide to our customers. This year, capital expenditure of EC$30.752 million was incurred to acquire additional fixed assets. The breakdown by category is as follows:

	(in millions)
Generation Plant and Machinery	*EC$ 3.476*
Furniture, Fixtures and Equipment	*0.182*
Buildings	*0.379*
Vehicles	*0.195*
Work-in-Progress	*26.520*
Total	*EC$30.752*

Earnings Per Share

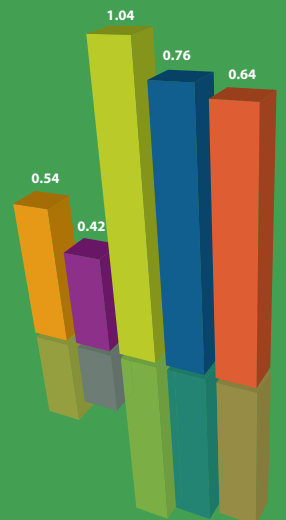
As a result of the decrease in profits compared to 2007, earnings per share at EC$0.64 fell in 2008 by EC$0.12 from EC$0.76 in the previous year. Prudently, the Board of Directors, taking into account the short and long term investment needs of the Company, the current global economic crisis, available cash resources and covenant obligations with lending institutions, approved a reduced dividend of EC$0.10 per share for 2008.

Net Profit (from 2004 to 2008)



-15.5%
(in $EC Millions)

Earning per share (from 2004 to 2008)



-14.7%
(in $EC Cents)

OPERATING HIGHLIGHTS

Generation

Operationally, the division met a new peak demand for electricity of 14.37 MW during July of 2008. By year's end however, the peak demand had fallen to 12.35MW. This decline clearly illustrates the effect of the economic downturn on energy consumption. Total units generated of 89.502 MW were virtually flat when compared to 2007's total of 88.999 MW. While fuel consumption was also flat, fuel cost increased by 45.3%.

T&D

The Transmission and Distribution System performed extremely well in 2008. System reliability, a calculation of the average amount of time that power was available, reached 99.91%. While Anglec strives for 100% reliability, bad weather, vehicle accidents, equipment corrosion and line maintenance limit our ability to meet this goal.

Hurricane Omar

Neither the Corito power station nor the Anglec transmission and distribution system were spared with the passing of Hurricane Omar during the early hours of 15 October 2008.

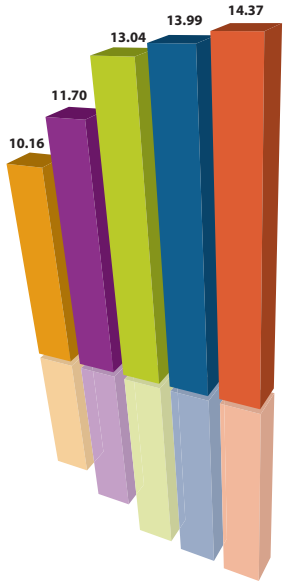
The 13.8kV switchboard in the power station to which the four Wärtsilä generators and the northwest and central feeders are connected, suffered rainwater penetration. The switchboard was out of service for some 12 hours while drying of the individual panels was being carried out.

The Transmission & Distribution system suffered fairly light damage with only a few poles uprooted and one transformer needing replacement.

System restoration was 90% complete within 2 days and substantially completed within five days. Anglec's staff was assisted by local lines contractors and heavy equipment contractors.

OPERATIONAL STATISTICS

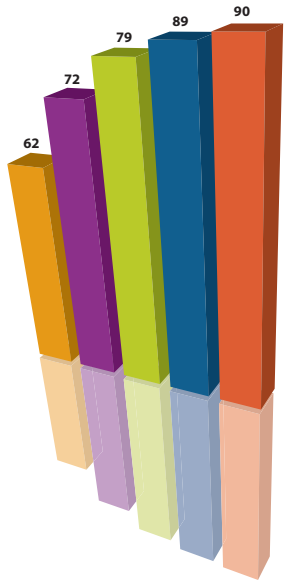
+2.7%



Peak Demand *(from 2004 to 2008)*

The maximum demand increased from 13.99MW in 2007 to 14.37 MW in 2008 showing an increase of 2.70%.

+0.6%



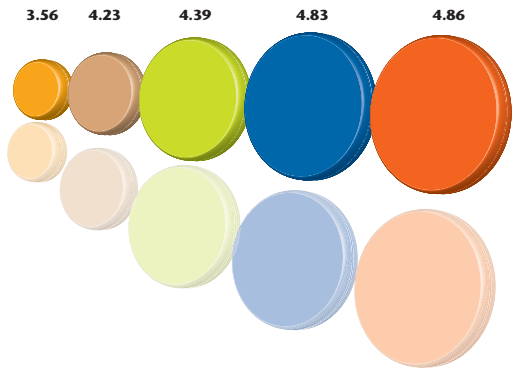
Units Generated *(from 2004 to 2008)*

Corito Power Station generated 89,501,913 kilowatt hours of electricity in 2008 compared to 88,995,923 kilowatt hours in 2007, a 0.6% increase.

OPERATIONAL STATISTICS

+0.6%

In Imperial Gallons (000's)

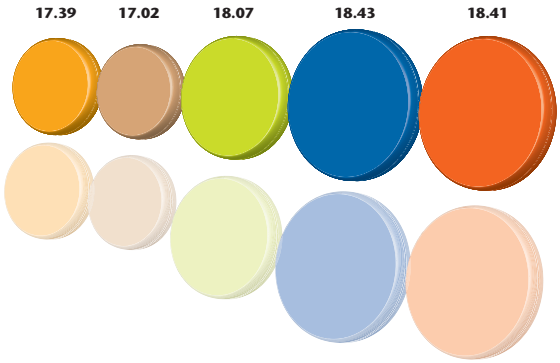


Fuel Consumed *(from 2004 to 2008)*

Fuel consumption rose by 0.6% over 2007 consumption to 4.86 million imperial gallons in 2008.

-0.1%

In Kilowatt hour

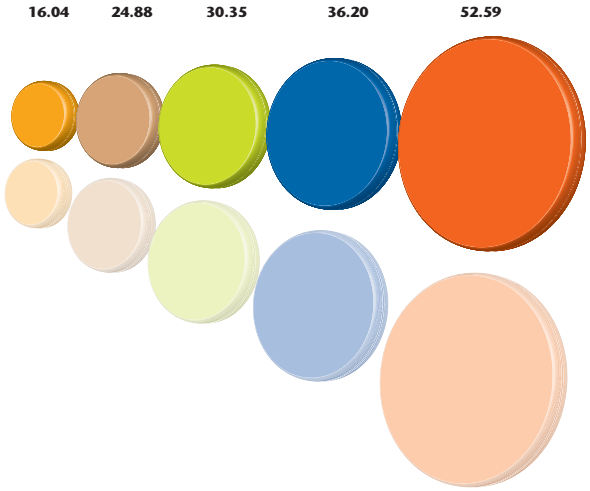


Fuel Efficiency *(from 2004 to 2008)*

Fuel efficiency reflects the performance of Anglec's generating sets. Efficiency declined from 18.43 kilowatt hours produced per imperial gallon of fuel consumed to 18.41 kilowatt hours per gallon in 2008.

+45.3%

In $EC (000's)



Fuel Cost *(from 2004 to 2008)*

The cost of fuel consumed increased 45.3% over 2007, from EC$36.2 million to EC$52.59 in 2008.

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 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 balance sheet as at 31 December 2008, 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 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 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
July 20, 2009
The Valley, Anguilla, B.W.I

KPMG LLC

BALANCE SHEET

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

ASSETS

	Notes	2008	2007 (As Restated)
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	75,878,625	49,593,860
Other assets	7	739,977	643,928
		76,618,602	50,237,788
CURRENT ASSETS			
Investment securities	8	3,674,474	2,385,971
Inventories net	9	5,373,048	6,140,238
Trade and other receivables, net	10	12,908,861	12,508,669
Prepayments and other current assets	11	309,983	2,587,672
Cash and cash equivalents	12	5,630,813	15,959,493
		27,897,179	39,582,043
		104,515,781	**89,819,831**

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY			
Share capital	13	14,536,147	14,536,147
Retained earnings		41,221,910	35,566,268
		55,758,057	50,102,415
LONG-TERM LIABILITIES			
Borrowings net of current portion	14	32,515,266	29,036,474
Contribution in aid of construction	15	3,665,790	3,241,314
		36,181,056	32,277,788
CURRENT LIABILITIES			
Borrowings current portion	14	2,767,289	1,389,396
Customer deposits		1,883,007	1,219,318
Provision for claim settlement	31	569,898	-
Trade and other payables	16	3,770,735	4,830,914
Bank overdraft	12	3,585,738	-
		12,576,668	7,439,628
		104,515,781	**89,819,831**

These financial statements were approved on behalf of the Board of Directors on July 6, 2009 by the following:

Chairman — *Rodney Rey*

Vice Chairman — *Fritz Smith*

The accompanying notes on pages 24 to 49 are an integral part of these financial statements.

STATEMENT OF INCOME

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2008	2007 (As Restated)
REVENUES			
Energy sales	17	49,277,361	49,572,920
Fuel surcharge recovered		32,264,717	17,960,848
		81,542,078	67,533,768
COST OF OPERATIONS			
Generation Fuel		(18,515,869)	(17,505,353)
Fuel surcharge		(34,080,622)	(18,693,246)
Other expenses	18	(6,531,224)	(8,150,809)
Transmission and Distribution expenses	19	(5,735,775)	(5,565,258)
Other		(302,292)	(239,755)
		(65,165,782)	(50,154,421)
GROSS OPERATING INCOME		16,376,296	17,379,347
OTHER INCOME	20	3,595,643	2,349,999
GROSS INCOME		19,971,939	19,729,346
OPERATING EXPENSES			
Administrative expenses	21	(6,403,316)	(5,992,881)
Consumer service	22	(519,481)	(548,574)
INCOME FROM OPERATIONS		13,049,142	13,187,891
OTHER EXPENSES			
Environmental levy	28	(3,653,080)	(2,877,105)
Finance cost		(1,425,100)	(1,522,300)
Provision for claim settlement	31	(569,898)	-
NET INCOME		**7,401,064**	**8,788,486**
Additional disclosures:			
Earnings per share	25	0.64	0.76
Dividends per share	26	0.10	0.15

The accompanying notes on pages 24 to 49 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	Share capital	Retained earnings	Total
Balance at December 31, 2006 as previously reported		14,536,147	29,847,920	44,384,067
Effect of the prior period adjustment on net pension asset	30	-	537,068	537,068
Balance at December 31, 2006 as restated	30	14,536,147	30,384,988	44,921,135
Net income during year				
As previously reported		-	8,761,921	8,761,921
Effect of the prior period adjustment on net pension asset	30	-	26,565	26,565
Net income, as restated	30	-	8,788,486	8,788,486
Dividends paid		-	(3,607,206)	(3,607,206)
Balance at December 31, 2007				
As previously reported		14,536,147	35,002,635	49,538,782
Effect of the prior period adjustment on net pension asset	30	-	563,633	563,633
Balance at December 31, 2007, as restated	30	14,536,147	35,566,268	50,102,415
Net income during year		-	7,401,064	7,401,064
Dividends paid	26	-	(1,745,422)	(1,745,422)
Balance at December 31, 2008		14,536,147	41,221,910	55,758,057

The accompanying notes on pages 24 to 49 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2008	2007 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		7,401,064	8,788,486
Adjustments for:			
Depreciation	6	4,467,561	4,299,699
Interest expense		1,438,832	1,502,382
Provision for claim settlement	31	569,898	-
(Recovery from)/provision for slow moving/obsolete inventories	9	(694,133)	629,445
Amortisation of contributions in aid of construction	15	(538,063)	(390,000)
(Recovery from allowance)/provision for doubtful accounts	27	(3,008)	724,526
Operating income before working capital changes		12,642,151	15,554,538
(Increase)/decrease in assets:			
Inventories	9	1,461,323	(1,302,260)
Trade and other receivables	10	(397,184)	(3,495,178)
Prepayments and other current assets	11	2,277,689	(1,527,036)
Other assets	7	(96,049)	(46,925)
Increase/(decrease) in liabilities:			
Customer deposits		663,690	565,796
Trade and other payables	16	(1,060,179)	1,607,919
Net cash provided by operating activities		15,491,441	11,356,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	6	(30,752,326)	(4,202,554)
Increase in investment securities	8	(1,288,503)	(1,414,654)
Net cash used in investing activities		(32,040,829)	(5,617,208)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	14	7,511,565	7,926,331
Repayment of borrowings	14	(2,654,880)	(2,215,853)
Contributions in aid of construction	15	962,539	724,772
Dividends paid	26	(1,745,422)	(3,607,206)
Interest paid		(1,438,832)	(1,519,193)
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,634,970	1,308,851
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(13,914,418)	7,048,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**12**	**15,959,493**	**8,910,996**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**12**	**2,045,075**	**15,959,493**

The accompanying notes on pages 24 to 49 are an integral part of these financial statements.

December 31, 2008 (With Comparative Figures for 2007)
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) and interpretations issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on July 20, 2009

(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 judgements

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.

December 31, 2008 (With Comparative Figures for 2007)
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 within "Other income" in the statement of income.

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 the statement of income as incurred.

iii. Depreciation

Depreciation is recognized 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:

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 each balance sheet 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, trade and other payables and bank overdraft.

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:

Investments securities
Held-to-maturity investments are nonderivative 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.

December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(b) 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 the statement of income. Trade receivables, being short-term, are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and short-term highly liquid investments with maturities of three months or less when purchased and that are subject to a significant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

Others

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. An allowance is made for obsolete and slow moving items.

As at December 31, 2008 (With Comparative Figures for 2007)
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 the statement of income.

An impairment is reversed if the reversal can be related objectively to an event occuring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of income.

ii. Non-financial assets

The carrying value of the Company's non-financial assets, other than inventories, 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. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of income.

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 pretax 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 the statement of income.

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 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.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

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.

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 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 the statement of income 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 the statement of income.

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 the statement of income 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.

(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.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(k) Foreign currency

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 balance sheet 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 re-translated 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 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.

(l) Income tax

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

(m) 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 pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Amendments to standards and interpretations adopted in 2008

The Company adopted the following amendments to standards and interpretations:

- IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures, Reclassification of Financial Assets (Amendments), permits an entity to reclassify non-derivative financial assets, other than those designated as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., held for trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

  If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention to hold the financial asset for the foreseeable future or until maturity;

  If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the held for trading category only in "rare circumstances";

  If the financial asset would have met the definition of loans and receivables, if the financial asset had not been designated as availableforsale, then it may be reclassified if the entity has the intention to hold the financial asset for the foreseeable future or until maturity.

  The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008. The adoption of these amendments to standards did not affect the Company's reported net income or financial position during the year.

- IFRIC 12, Service Concession Arrangements, provides guidance on the accounting by operators of public-to-private service concession arrangements; and

- IFRIC 14, IAS 19 The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, addresses how to assess the limit, under IAS 19, Employee Benefits, on the amount of the surplus that can be recognized as an asset particularly when a minimum funding requirement exists.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

The adoption of the above interpretations effective for periods beginning on or after 1 January 2008 did not affect the Company's reported net income or financial position during the year.

(o) New standards, amendments to standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008 and have not been early adopted by the Company or are not relevant to the Company's operations. These are as follows:

	Accounting standards	Effective date
IFRS 1 and IAS 27 (Amendments)	IFRS 1 First-time Adoption of International Reporting Standards and IAS 27 Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2 (Amendment)	IFRS 2 Sharebased Payment Vesting Conditions and Cancellations	1 January 2009
IFRS 3 (Revised)	IFRS 3 Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1 (Revised)	IAS 1 Presentation of Financial Statements	1 January 2009
IAS 23 (Revised)	IAS 23 Borrowing Costs	1 January 2009
IAS 27 (Amendments)	IAS 27 Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
IAS 32 and IAS 1 (Amendments)	IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39 (Amendment)	IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items	1 July 2009
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
Various	Improvements to IFRSs 2008	1 January 2009

- Amendments to IFRS 1, First-time Adoption of International Reporting Standards and IAS 27, Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, permits a first-time adopter of IFRSs, at the date of transition, to measure the cost of its investment in a subsidiary, jointly controlled entity or associate at a deemed cost in its separate financial statements rather than having to determine cost under IFRSs. Amendments to IFRS 1 and IAS 27, which will become mandatory for 2009 financial statements, are not expected to have any impact on the Company's financial statements.
- Amendment to IFRS 2, Sharebased Payment Vesting Conditions and Cancellations, clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions reflected in grant-date fair value and provides the accounting treatment for nonvesting conditions and cancellations. Amendment to IFRS 2, which will become mandatory for 2009 financial statements with retrospective application required, is not expected to have any impact on the Company's financial statements.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

- Revised IFRS 3, Business Combinations, incorporates changes as to (a) the definition of business has been broadened; (b) contingent consideration will be measured at fair value, with subsequent changes in fair value recognized in the statements of income; (c) transaction costs, other than share and debt issue costs, will be expensed as incurred; (d) any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognized in the statements of income; (e) any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which will become mandatory for 2010 financial statements, is not expected to have any impact on the Company's financial statements.

- 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, which will become mandatory for 2009 financial statements, is not expected to have any significant impact on the Company's financial statements.

- Revised IAS 1, Presentation of Financial Statements, introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income" (i.e., changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in : (a) one statement (i.e, a statement of comprehensive income); or (b) two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income). The revised standard also prohibits presenting components of comprehensive income in the statements of changes in shareholders' equity.

  Other requirements in the revised standard that are not current IAS 1 requirement includes: (a) a statement of financial position (formerly "balance sheet") is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements; (b) reclassification adjustments to profit or loss of amounts previously recognized in other comprehensive income (formerly "recycling") are disclosed for each component of other comprehensive income; (c) income tax is disclosed for each component of other comprehensive income; (d) dividends and related per-share amounts are disclosed either on the face of the statements of changes in shareholders' equity or in the notes.

  Revised IAS 1, which will become mandatory for 2009 financial statements, will require adjustments and additional disclosures in the Company's financial statements.

- Revised IAS 23, 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. Revised IAS 23, which will become mandatory for 2009 financial statements, is not expected to have any impact on the Company's financial statements.

- Amendments to IAS 27, Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognized as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the statements of income. Amendments to IAS 27, which will become mandatory for 2010 financial statements, are not expected to have any impact on the Company's financial statements.

- Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation, requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which will become mandatory for 2009 financial statements with retrospective application required, are not expected to have any impact on the Company's financial statements.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

- Amendment to IAS 39, Financial Instruments: Recognition and Measurement Eligible Hedged Items, clarifies the application of existing principles in a hedging relationship. The amendments, which will become mandatory for 2010 financial statements with retrospective application required, are not expected to have any impact on the Company's financial statements.
- IFRIC 13, Customer Loyalty Programmes, addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which will become mandatory for 2009 financial statements with retrospective application required, is not expected to have any impact on the Company's financial statements.
- IFRIC 15, Agreements for the Construction of Real Estate, determines whether an agreement for the construction of real estate is within the scope of IAS 11, Construction Contracts or IAS 18, Revenue. IFRIC 15, which will become mandatory for 2009 financial statements with retrospective application required, is not expected to have any impact on the Company's financial statements.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, provides guidance in respect of hedges of foreign currency gains and losses on a net investment in a foreign operation. IFRIC 16, which will become mandatory for 2009 financial statements, is not expected to have any impact on the Company's financial statements.

(p) Comparative information

Comparative information has been reclassified where necessary to conform to the current year financial statements presentation. Such reclassifications do not affect previously reported net income or shareholders' equity.

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 receivables.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

4. Financial risk management (continued)

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. Approximately 12 percent of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of 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 9.2% per annum.

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 Notes 14 and 27.

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 balance sheet 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.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

4. Financial risk management (continued)

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 investments

The fair value of heldtomaturity 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.

(c) Cash and cash equivalents

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

(d) Nonderivative 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
At Cost:							
31 December 2006	240,000	9,559,670	75,326,846	3,753,963	3,145,774	52,185	92,078,438
Additions/(transfer)	-	213,103	2,227,857	87,241	437,747	1,236,606	4,202,554
31 December 2007	240,000	9,772,773	77,554,703	3,841,204	3,583,521	1,288,791	96,280,992
Additions/(transfer)	-	378,918	3,476,191	182,020	195,507	26,519,690	30,752,326
31 December 2008	**240,000**	**10,151,691**	**81,030,894**	**4,023,224**	**3,779,028**	**27,808,481**	**127,033,318**
Accumulated depreciation							
31 December 2006	-	2,096,606	35,317,108	2,686,346	2,287,373	-	42,387,433
Depreciation	-	283,453	3,602,913	127,364	285,969	-	4,299,699
31 December 2007	-	2,380,059	38,920,021	2,813,710	2,573,342	-	46,687,132
Depreciation	-	264,254	3,651,093	213,149	339,065	-	4,467,561
31 December 2008	**-**	**2,644,313**	**42,571,114**	**3,026,859**	**2,912,407**	**-**	**51,154,693**

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

6. Property, plant and equipment - net (continued)

Net book values

31 December 2008	**240,000**	**7,507,378**	**38,459,780**	**996,365**	**866,621**	**27,808,481**	**75,878,625**
31 December 2007	240,000	7,392,714	38,634,682	1,027,494	1,010,179	1,288,791	49,593,860

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 8 and 32) 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.

7. Other assets

	Notes	2008	2007
Net pension asset	24, 30	592,461	563,633
Other		147,516	80,295
		739,977	**643,928**

8. Investment securities net

	Notes	2008	2007
Held-to-maturity investments			
Caribbean Commercial Bank (Anguilla) Limited (CCB)	8.1,32	2,148,803	1,368,517
Held-to-maturity investments NBA	8.2	1,525,671	1,017,454
		3,674,474	**2,385,971**

8.1 These comprise certificates of deposit with Caribbean Commercial Bank (Anguilla) Limited maturing in January and July 2009 and earn interest at 4.56% and 5.50% per annum, respectively. This amount is restricted for the selfinsurance of the Company's transmission and distribution system.

8.2 These comprise certificates of deposit with National Bank of Anguilla Limited maturing in April and October 2009 and earn interest at 4.5% and 4.75% per annum, respectively.

9. Inventories - net

	2008	2007
Transmission and distribution parts	3,083,077	3,367,332
Generation parts and fuel	2,453,304	3,600,236
Administration supplies	102,542	132,678
	5,638,923	7,100,246
Less: Provision for slow-moving and obsolete inventories	(265,875)	(960,008)
	5,373,048	**6,140,238**

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

9. Inventories - Net (continued)

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

	2008	2007
Balance at beginning of year	(960,008)	(330,563)
Additional provision during the year	-	(629,445)
Recovery during the year	694,133	-
Balance at end of year	**(265,875)**	**(960,008)**

10. Trade and other receivables - net

	Notes	2008	2007
Trade	27	14,791,731	14,611,828
Others		384,096	166,815
		15,175,827	14,778,643
Less: Allowance for doubtful accounts	27	(2,266,966)	(2,269,974)
		12,908,861	**12,508,669**

11. Prepayments and other current assets

	2008	2007
Advance deposits	174,852	2,459,044
Prepaid insurance	133,170	126,667
Other	1,961	1,961
	309,983	**2,587,672**

12. Cash and cash equivalents

	Note	2008	2007
Cash on hand and in bank		1,060,873	14,590,976
Certificate of deposit	12.1	4,569,940	1,368,517
Total cash and cash equivalents before overdraft		5,630,813	15,959,493
Bank overdraft		(3,585,738)	-
Cash and cash equivalents in the statement of cash flows		**2,045,075**	**15,959,493**

12.1 This comprises of a certificate of deposit with National Bank of Anguilla Limited maturing in January 2009 and earning interest at 4.75% per annum.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

13. Share capital

	2008	2007
Authorized:	30,000,000	30,000,000
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:	2008	2007
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%
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.

December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

14. Borrowings

	Notes	2008	2007
Caribbean Development Bank (CDB)	14.1	14,663,403	16,027,440
National Bank of Anguilla Limited	14.2	7,511,565	7,440,884
Caribbean Commercial Bank (Anguilla) Limited	14.3	7,511,565	-
Caribbean Development Bank	14.4	4,724,625	5,557,967
Caribbean Commercial Bank (Anguilla) Limited	14.5	871,397	1,399,579
		35,282,555	30,425,870
Less: Current Portion		(2,767,289)	(1,389,396)
		32,515,266	**29,036,474**

14.1 This loan (03/ORANL) 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$158,553 (EC$426,222) with a current interest rate of 6.25% per annum. This is payable after two (2) years following the expiry of the first disbursement. Borrowing costs of US$224,686 (EC$604,000) were capitalized in 2006 and included in property, plant and equipment. However, the generators were commissioned in 2006 and as such there were no capitalized borrowing costs in 2007. 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.

14.2 This loan was made to the Company by the National Bank of Anguilla Limited in 2007 to finance the expansion of the power plant. The total amount disbursed was US$2,794,273 (EC$7,511,565). Interest payments will be made quarterly beginning 30 January 2008 until 30 October 2009. Thereafter, the loan will be repaid in forty (40) equal and consecutive quarterly installments of US$96,632 (EC$258,974) with a current interest rate of 6.75% per annum. 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.

14.3 This loan was made with the Caribbean Commercial Bank (Anguilla) Limited for US$2,794,273 on 6 November 2007 for the power station expansion. The loan agreement although signed in 2007 was consummated in July 2008. Interest payments will be made quarterly beginning 6 August 2008 until 6 November 2009. Thereafter, the loan will be repaid in forty (40) equal and consecutive quarterly installments of US$96,632 (EC$258,974) with a current interest rate of 6.75% per annum. Borrowing costs of US$47,153 (EC$126,758) were capitalized in 2008 and included in property, plant and equipment. 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.

14.4 This loan (02/ORANL) 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$113,280 (EC$304,519) with a current interest rate of 6.25% per annum. This is payable after two (2) years following the expiry of the first disbursement. 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.

14.5 This loan was made to the Company by Caribbean Commercial Bank (Anguilla) Limited on 7 May 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 repayable in equal semiannual installments of US$116,550 (EC$313,310), including interest at the rate of 7.75% per annum. The final payment is due on 7 May 2010.

December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

15. Contributions in aid of construction

	Note	2008	2007
Balance at beginning of year		3,241,314	2,906,542
Contributions during the year		962,539	724,772
Amount amortised during the year	20	(538,063)	(390,000)
Balance at end of year		**3,665,790**	**3,241,314**

16. Trade and other payables

	2008	2007
Trade payables	3,065,954	3,794,615
Others	704,781	1,036,299
	3,770,735	**4,830,914**

17. Energy sales

	2008	2007
Amounts billed during the year	49,160,797	49,311,183
Less: unbilled revenue at beginning of the year	(2,369,120)	(2,107,383)
	46,791,677	47,203,800
Add: unbilled revenue at end of the year	2,485,684	2,369,120
	49,277,361	**49,572,920**

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$0.26 to EC$0.55 per kwh during the year due to the unprecedented escalations in the price of fuel. However, the surcharge was reduced to EC$0.30 per kwh in November and December 2008.

18. Generation - Other expenses

	Notes	2008	2007
Depreciation	6	2,374,061	2,597,320
Staff costs	23	1,928,326	2,100,093
Repairs and maintenance		1,727,537	2,642,610
Insurance		501,300	810,786
		6,531,224	**8,150,809**

December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

19. Transmision and Distribution expenses

	Notes	2008	2007
Staff costs	23	2,453,378	2,411,921
Depreciation	6	1,503,856	1,215,761
Repairs and maintenance		1,469,623	1,657,170
Hurricane Omar expenses	19.1	308,918	-
Insurance		-	280,406
		5,735,775	**5,565,258**

19.1 In the Board of Directors meeting held on 23 February 2009, 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$277,748.

20. Other income

	Note	2008	2007
Late charges		1,845,929	1,305,931
Reconnection fees		161,132	145,510
Upgrades and relocation of poles		87,998	75,536
Revenue from contributions in aid of construction	15	538,063	390,000
Miscellaneous		962,521	433,022
		3,595,643	**2,349,999**

21. Administrative expenses

	Notes	2008	2007 (As Restated)
Staff costs	23	2,321,257	2,060,051
Office expenses		1,163,504	1,487,932
General		1,109,764	1,145,531
Consultancy and professional fees		748,251	687,158
Depreciation	6	547,644	443,218
Insurance		512,895	168,991
		6,403,315	**5,992,881**

22. Consumer services

	Notes	2008	2007
Staff costs	23	345,364	367,535
Depreciation	6	42,000	43,400
Other		132,117	137,639
		519,481	**548,574**

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

23. Staff costs

	Notes	2008	2007
Salaries, wages and other benefits		6,297,081	5,975,075
Pension expenses defined contribution plan	24	212,724	200,538
Pension expenses defined benefit plan	24	113,100	111,477
Training		178,636	443,655
Social security		246,784	208,855
		7,048,325	**6,939,600**

24 Personnel 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 EC$212,724 and EC$200,538 in 2008 and 2007, respectively (see Note 23).

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 balance sheet are as follows:

	2008	2007
Present value of obligations	2,276,381	1,687,384
Fair value of plan assets	(1,564,283)	(2,272,212)
Deficit/(excess)	712,098	(584,828)
Unrecognized actuarial gains and losses	(1,304,559)	21,195
Net pension asset for defined benefit obligation	**(592,461)**	**(563,633)**

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

	2008	2007
Present value of obligation at beginning of year	1,687,384	1,478,142
Interest cost	118,117	103,470
Current service cost	154,038	149,072
Actuarial (gain)/loss on obligation	316,842	(43,300)
Present value of obligation at end of year	**2,276,381**	**1,687,384**

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

24 Personnel expenses (continued)

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

	2008	2007
Fair value of plan assets at beginning of year	2,272,212	2,015,210
Expected return on plan assets	159,055	141,065
Contributions	141,928	138,043
Actuarial loss on plan assets	(1,008,912)	(22,106)
Fair value of plan assets at end of year	**1,564,283**	**2,272,212**

The plan assets as at balance sheet date consist of the following:

	2008	2007
Equities	93%	98%
Other	7%	2%

Pension expense recognized in the statement of income is shown below:

	Note	2008	2007
Current service cost		154,038	149,072
Interest cost		118,117	103,470
Expected return on plan assets		(159,055)	(141,065)
Pension expenses defined benefit plan	23	113,100	111,477
Actual (loss)/return on plan asset		**(849,857)**	**118,959**

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	7.00%	7.00%
Expected return on plan assets	7.00%	7.00%
Salary increase rates	9.00%	9.00%

The historial information of the amounts as at balance sheet date follow:

	2008	2007
Present value of obligation	2,276,381	1,687,384
Fair value of plan assets	**1,564,283**	**2,272,212**
(Deficit)/surplus	(712,098)	584,828
Experience adjustments arising from plan liabilities	(444,050)	53,735
Experience adjustments arising from plan assets	(1,008,912)	(22,105)

The Company expects to pay $202,784 in contributions to the defined benefit plan in 2009.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

25. Earnings per share

The calculations of basic earnings per share as at 31 December 2008 and 2007 were based on the net income for the year and the total number of capital shares issued and outstanding as at balance sheet date calculated as follows:

	2008	2007 (As Restated)
Net income for the year	7,401,064	8,788,486
Total number of shares issued at end of year	11,636,147	11,636,147
Earnings per share	**0.64**	**0.76**

26. Dividends

Dividends of EC$0.10 per share were declared by the Board of Directors on 20 July 2009 but not yet sanctioned by shareholders.

	2008	2007
Retained earnings	41,221,910	35,566,268
Appropriated for dividends declared to be sanctioned by shareholders	(1,163,165)	(1,745,422)
Retained earnings unappropriated	**40,058,295**	**33,820,846**

27. 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	2008	2007
Investment securities	8	739,977	643,928
Trade and other receivables	10	12,908,861	12,508,669
Cash and cash equivalents	12	5,630,813	15,959,493
		19,279,651	**29,112,090**

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

	Note	2008	2007
Hospitality		4,347,670	4,643,690
Commercial		3,077,392	2,768,681
Residential		2,578,848	2,458,048
Government		919,348	784,192
Other		3,868,473	3,957,217
	10	**14,791,731**	**14,611,828**

Receivables from a hospitality company, one of the Company's major customers, with carrying amount of EC$2,121,341 as at 31 December 2008 had been provided by the Company with 50% provision for the year then ended.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

27. Financial instruments (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

	2008		2007	
	Gross	Impairment	Gross	Impairment
Current	7,272,526	-	7,635,780	-
Past due 3060	1,658,187	196,701	1,823,732	124,342
Past due 6090	1,522,846	473,359	1,130,062	182,621
Past due 90120	919,433	266,491	621,263	394,815
Over 120	3,418,739	1,330,415	3,400,991	1,568,196
Total	**14,791,731**	**2,266,966**	**14,611,828**	**2,269,974**

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

	Note	2008	2007
Balance at beginning of year		2,269,974	1,545,448
Impairment loss/(recovery of allowance)		(3,008)	724,526
Balance at end of year	**10**	**2,266,966**	**2,269,974**

Based on past experience, the Company believes that no impairment allowance is necessary in respect of trade receivables that are current.

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 2008						
Borrowings	35,282,555	48,797,533	4,563,646	10,315,502	15,003,289	18,915,096
Trade and other payables	3,770,735	3,770,735	3,770,735	-	-	-
Bank overdraft	3,585,738	3,585,738	3,585,738	-	-	-
	42,639,028	**56,154,006**	**11,920,119**	**10,315,502**	**15,003,289**	**18,915,096**
31 December 2007						
Borrowings	30,425,870	43,073,000	3,549,587	8,863,995	16,460,445	14,198,973
Trade and other payables	4,830,914	4,830,914	4,830,914	-	-	-
	35,256,784	**47,903,914**	**8,380,501**	**8,863,995**	**16,460,445**	**14,198,973**

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

27. Financial instruments (continued)

Interest rate risk

	2008		2007	
	Interest rate	***Carrying amount***	***Interest rate***	***Carrying amount***
Investment securities	4.5% 5.5%	3,674,474	4.75%	2,385,971
Borrowings	**6.25% 7.75%**	**35,282,555**	**4.00%7.75%**	**30,425,870**

Fair values

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

	2008		2007	
	Carrying amount	***Fair values***	***Carrying amount***	***Fair values***
Investment securities	3,674,474	3,674,474	2,385,971	2,385,971
Trade and other receivables	12,908,861	12,908,861	12,508,669	12,508,669
Cash and cash equivalents	5,630,813	5,630,813	15,959,493	15,959,493
Borrowings	(35,282,555)	(35,282,555)	(30,425,870)	(30,425,870)
Trade and other payables	(3,770,735)	(3,770,735)	(4,830,914)	(4,830,914)
Bank overdraft	(3,585,738)	(3,770,744)	-	-
	(20,424,880)	**(20,424,880)**	**(4,402,651)**	**(4,402,651)**

28. 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 postemployment benefit plan for the benefit of employees of the Company or any entity that is a related party of the Company.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

28. Related party transactions (continued)

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2008 and 2007. These transactions were conducted at market rates, or commercial terms and conditions.

	2008	2007
Directors' fees	305,974	248,930
Pension expense defined benefit plan	113,100	111,477
Benefits to executive officers	1,388,589	1,024,686
	1,807,663	1,385,093
Revenues from the Government of Anguilla	8,416,572	8,058,633
Amount paid to the Government of Anguilla for the environmental levy	**3,653,080**	**2,877,105**

The Company has entered into the following related party transactions:

a. The Government of Anguilla imposed an environmental levy of 5% on revenues, excluding Government's usage, on the Company effective 1 September 2003. The amount payable to the Government of Anguilla as of 31 December 2008 amounted to EC$285,723 (2007:EC$226,255).

b. Trade receivables from the Government of Anguilla is EC$746,698 (2007: EC$786,928).

c. License fees paid to the Government of Anguilla is EC$400,000 for 2008 and 2007.

d. Import duties paid to the Government of Anguilla is EC$2,691,791 (2007:EC$2,223,065)

e The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (03SFRANG) and Caribbean Commercial Bank (Anguilla) Limited (see Note 14).

f. The Company has two loans with Caribbean Commercial Bank (Anguilla) Limited with a total outstanding balance of EC$8,382,962 (2007:EC$1,399,579) (see Note 14).

g. 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. The Company has also a loan of EC$7,511,565 (2007: EC$7,440,884) with the said bank.

29. Commitments

During the current year, the directors have approved approximately EC$17,027,570 (2007: EC$6,744,183) for capital expenditure. The Company overspent EC$13,724,756 for capital expenditures during the year.

30. Prior period adjustment

The comparative figures in respect of 2007 were restated to reflect the retrospective adjustment resulting from the recognition of the Company's net pension asset as at and for the years ended 31 December 2006 and 2007.

Prior to 2008, the actuarial valuation report for the CDC Caribbean Pension Scheme, a multiemployer defined benefiit plan of the various participating companies including the Company, did not specifically identify the pension obligation/asset of the individual participating companies. As a result, the Company was not able to account for the obligation/asset arising from its defined benefit plan. As such, the Company restated its books to reflect its net pension liability/asset as reflected in the actuarial valuation conducted by a qualified and competent actuary.

As at December 31, 2008 (With Comparative Figures for 2007)
Expressed in Eastern Caribbean Dollars (EC$)

30. Prior period adjustment (continued)

The effect of the said adjustments are as follows:

	Retained Earnings		Net income
	1 January 2007	31 December 2007	31 December 2007
As previously stated	29,847,920	35,002,635	8,761,921
Effect of the net pension asset	537,068	563,633	26,565
As restated	**30,384,988**	**35,566,268**	**8,788,486**

31. Litigation

In January 2006, the Company received correspondence from Delta Petroleum claiming the sum of US$195,880 (EC$526,564) which represents late payments on invoices and legal costs. In a Board of Directors meeting held on 25 May 2009, the Board approved the full and final settlement of the claim amounting to US$212,000 (EC$569,898) which will be paid in four equal installments beginning July 2009. As a result, the Company provided for such claim recorded as "Provision for claim settlement" in the statement of income and in the balance sheet.

32. 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 EC$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:

	Note	2008	2007
Balance at beginning of year		1,368,517	685,714
Additional provision for year		780,286	682,803
Balance at end of year	**8**	**2,148,803**	**1,368,517**

This consists of cash in bank deposited in a local bank (see Note 8).

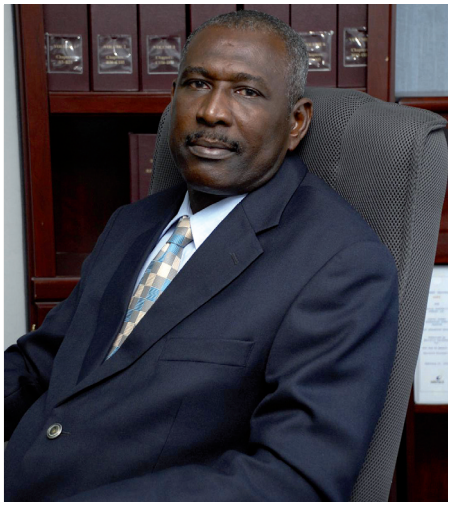
33. Alternative energy resources

The Company is presently in the exploratory stages of finding alternative sources of energy. As the Company may decide on alternative methods to generate electricity, this may lead to impairment of the generators and infrastructure that is presently in place.

34. Subsequent event

On June 17, 2009, a contractor was fatally injured while providing services at the Corito Power Station site. As at the date of the approval of these financial statements, an external investigation surrounding the accident is being conducted. The Company has not accepted responsibility for the accident. Furthermore, no claim has been made on the company for any damages as a result of the accident and therefore no provision has been made in these accounts for any claim asserted or unasserted.

BOARD OF DIRECTORS



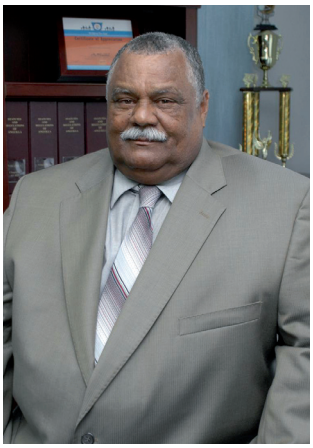
Rodney Rey,
Chairman

Fritz Smith,
Vice-Chairman

Ambrose Richardson

Dorice Fleming

Monsell Lloyd



Kent Webster

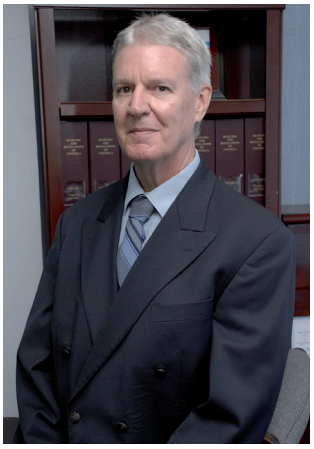
Gareth Hodge

Kenn Banks

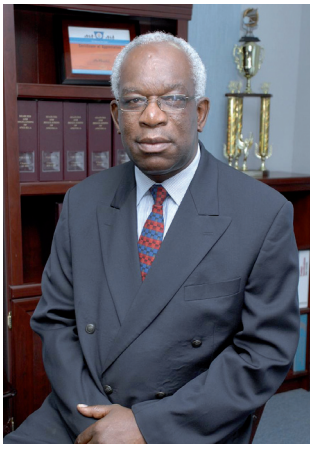
Harold Ruan
From November 2008

DIVISIONAL MANAGERS

Thomas Hodge,
General Manager (from December 2008)



Michael Nation,
Chief Engineer



Erville Hughes,
Chief Corporate Officer

David Gumbs,
Chief Financial Officer (from June 2008)

Elvin Richardson,
Information Technology Officer

Erimel Franklin,
Human Resource Officer

IvorIble, Transmission
and Distribution Superintendent

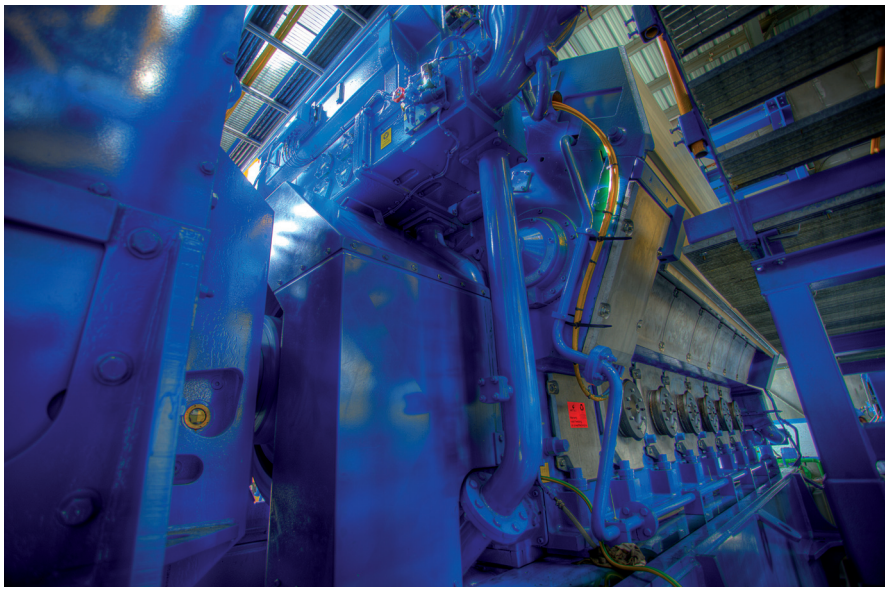
Sylvan Brooks,
Electrical Engineer

Maureen Woodley,
Accountant

Damien Lloyd,
Mechanical Engineer (Ag)

Steve Hodge,
Logistical and Supplies Engineer

PHOTO GALLERY



CORPORATE INFORMATION

REGISTERED OFFICE

Main Office
The Valley, Anguilla

Power Station
Corito, Anguilla

Mailing Address
P.O. Box 400
The Valley, Anguilla

Tel: (264) 497-5200
Fax: (264) 497-5440

E-mail: info@anglec.com
Web site: www.anglec.com

AUDITORS

KPMG LLC
Caribbean Commercial Centre
The Valley, Anguilla

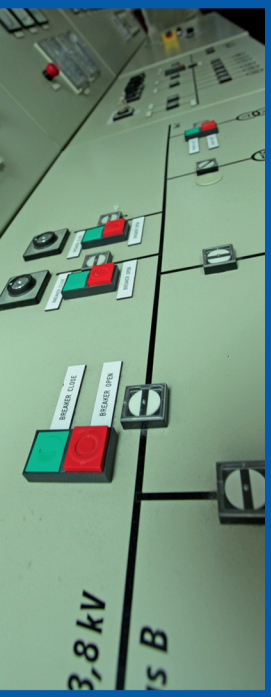
Mailing Address
P.O. Box 136
The Valley, Anguilla

Tel: (264) 497-5500
Fax: (264) 497-3755
E-mail: cvromney@kpmg.ai

ATTORNEYS-AT-LAW

Caribbean Juris Chambers
Hannah-Waver House
The Valley, Anguilla

Mailing Address
P.O. Box 328
The Valley, Anguilla



Main Office
The Valley. Anguilla
Power Station. Corito. Anguilla

Mailing Address. P.O. Box 400
The Valley, Anguilla

Telephone: (264) 497-5200
Facsimile: (264) 497-5440

E-mail: info@anglec.com
Web site: www.anglec.com

Annual Report 2008
Anguilla Electricity Company Limited

0809 - Design by T&T Publishing, LLC (Anguilla) - Photos by © thierrydehove.com & Rebecca Haskins