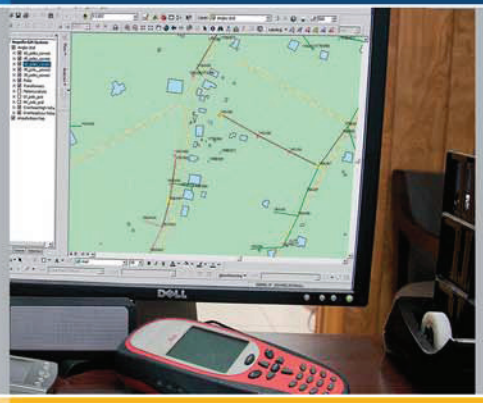


Anguilla Electricity Company Limited

Annual Report 2009

Committed to serve you better

Corporate Information

Divisional Reviews

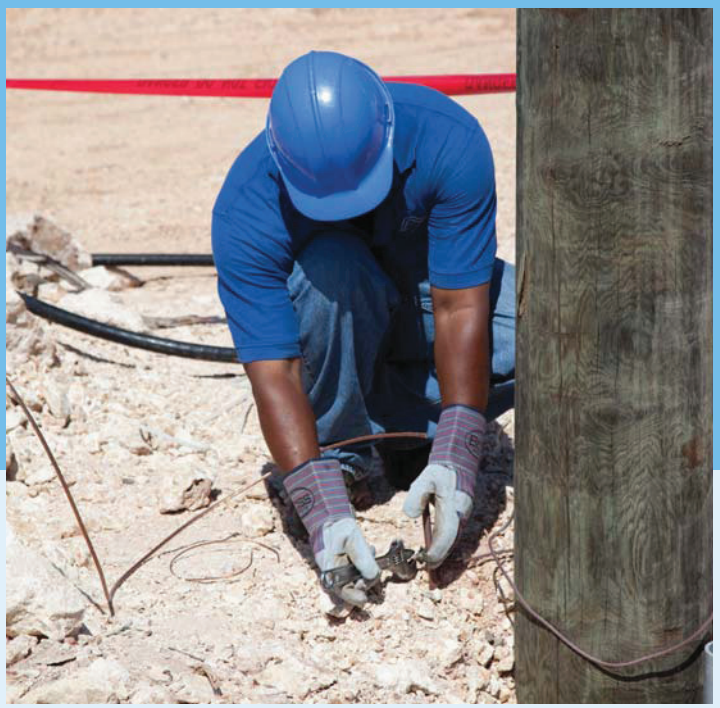
Operational Statistics

Selected Financial Information

SELECTED FINANCIAL INFORMATION

(In 000's)	2009	2008	2007	2006	2005
Income Statement Information					
Gross Operating Revenue	$62,557	$81,542	$67,534	$60,459	$47,098
Cost of Operating Revenue	(45,532)	(65,166)	(49,712)	(41,182)	(36,057)
Gross Operating Profit	17,025	16,376	17,822	19,277	11,041
Operating Expenses	(7,562)	(6,923)	(6,612)	(5,441)	(4,604)
Other Income	3,561	3,596	1,763	2,196	1,111
Net Operating Profit	13,024	13,049	12,972	16,032	7,548
Environmental Levy	(863)	(3,653)	(2,877)	(2,612)	(1,983)
Financing Cost	(1,707)	(1,425)	(1,325)	(1,368)	(638)
Provision for claim settlement	-	(570)	9	0	0
Net Profit	**10,454**	**7,401**	**8,762**	**12,052**	**4,927**
Balance Sheet Information					
Non-current Assets	81,139	76,619	49,674	49,751	49,118
Current Assets	28,609	27,897	39,582	26,148	17,990
Total Assets	**109,748**	**104,516**	**89,256**	**75,899**	**67,108**
Long-term Liabilities	32,545	36,731	32,278	26,232	27,337
Current Liabilities	12,154	12,027	7,440	5,283	6,043
Total Liabilities	**44,699**	**48,758**	**39,717**	**31,515**	**33,380**
Shareholders' Equity	65,049	55,758	49,539	44,384	33,728
Total Liabilities & Shareholders' Equity	**109,748**	**104,516**	**89,256**	**75,899**	**67,108**
Dividends Declared	**1,164**	**1,164**	**1,752**	**3,607**	**1,396**
Statistical Information (000's)					
Total Sales - kWh	79,918	78,934	78,854	70,561	63,601
Energy Losses - kWh	10,117	9,385	9,016	7,750	7,068
Net Generation (Units Sent Out) - kWh	90,034	88,319	87,870	78,311	70,669
Station Usage - kWh	1,189	1,183	1,129	1,195	1,382
Gross Generation - kWh	91,223	89,502	88,999	79,507	72,041
Fuel Used - Imperial Gallons	4,839	4,872	4,830	4,399	4,233

TABLE OF CONTENTS



Selected Financial Information	p. 02
Chairman's Message	p. 04
Caring for Customers	p. 08
Focusing on Employees	p. 10
ANGLEC in the Community	p. 12
Strategies for Success	p. 14
Operating Highlights	p. 17
Improving the Efficiency of Our Operations	p. 18
Operating Statistics	p. 21
Auditor's Report	p. 22
Statement of Financial Position	p. 23
Statement of Income and Other Comprehensive Income	p. 24
Statement of Changes in Shareholders' Equity	p. 25
Statement of Cash Flows	p. 26
Notes to the Financial Statements	p. 27
Board of Directors	p. 51
Divisional Managers	p. 52
Expenditure	p. 53
Corporate Information	p. 55

CHAIRMAN'S MESSAGE

Rodney Rey, Chairman

Anguilla's economy felt the brunt of the global financial collapse in 2009. The economic slow-down permeated through almost every facet of Anguilla's operations and brought financial hardships for many of our customers. These circumstances tested ANGLEC's ability to respond to unique challenges. The company held close to its mission and continued to focus on improving reliability and operational efficiencies. As the success of the company hinges on improvement in several aspects, the company placed special emphasis on three key areas in 2009:

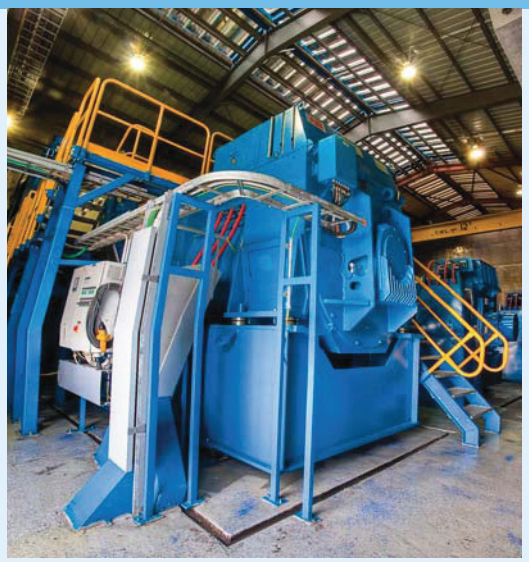
1. Improving internal and external communication
2. Improving Customer satisfaction
3. Developing ANGLEC's human resource

It is an old adage that a very satisfied customer will tell perhaps one or two others, whilst a dissatisfied customer will tell many others. ANGLEC believes that effective communication is vitally important to keep our customers satisfied. For our employees, we realize that effective communication is important in encouraging an environment of constant learning, where our staff feels involved. In 2009, mainly through the customer service and human resource sections, ANGLEC revamped the company newsletter, broadened the circulation base and launched several energy conservation campaigns on radio and television. As part of this campaign, the company launched several informative newspaper articles about ANGLEC's operations.

Creating partnerships to develop strategies for a successful future

The Board of Directors met with management for several strategic planning sessions throughout 2009. Within these sessions, key company objectives for the next five years were identified and prioritized. These included development of renewable energy sources, tariff restructuring, system reliability improvements, increased employee training opportunities and increased community development activities.

An employees' retreat was convened for the management and staff of Anglec at the Teacher's Resource Center in July 2009. In an environment of collaboration, the company tackled various problems and issues ranging from company processes, culture and human resource to its approach to customer care. The retreat was considered to be a great success, as it resulted in the immediate implementation of many new initiatives which were supported by a high degree of staff buy-in. Some of the new measures implemented were the streamlining work orders and the restructuring of the company's vehicle maintenance system. A second annual retreat is scheduled for mid-2010.



In terms of operating performance, I must highlight that while the economy remained dormant in 2009, ANGLEC saw a slight increase of 1% in kilowatt hour sales and a similar increase in peak demand. Anglec's net income in 2009 is still commendable, and this is mainly the result of improved plant efficiency and effective cost management. We are constantly looking for new and creative ways to improve operating efficiency and reliability. 2009 was no different for ANGLEC as the company undertook innovative initiatives.

Some of the initiatives include:

- The Company researched and installed advanced fault detection systems which are best suited to Anguilla's terrain, network, and coastal environment. This type of system will not only enable technicians to pinpoint network faults, but may also prevent the occurrence of some outages through early detection.
- The company is currently evaluating several proposals for implementation of a vehicle management system. This system will give supervisors and managers the ability to determine the "real-time" location of any company service vehicle and monitor driving practices. This is expected to have a positive impact on customer service, while improving the operating efficiency of ANGLEC's vehicle fleet which is vital for company operations.
- Increase the distribution capacity to West End by over 400%

In 2009, the company commissioned and completed several projects:

- At the end of 2009, the Western Transmission Line was near completion. By April 2010 the line will be fully strung and tested at a lower voltage level. It is expected that the substations will be energized to full capacity by June of 2010. This will creating partnerships to develop strategies for a successful futureand further reduce distribution losses.
- Based on an assessment in 2008, ANGLEC began the tendering process in 2009 to upgrade the fire protection systems at the Corito Power Plant. The new design includes improved electronics and equipment which will bring advanced fire detection and suppression systems to protect our crucial production facility. By the end of 2009, a contract for supply was agreed upon and financing options had been investigated. Implementation of the fire protection system upgrade is expected to commence in 2010.

- A 5.2 Mega-watt generator (Unit #15) was commissioned at the Power Station in May of 2009. This increased the generating capacity at Corito Power Station to 29 Mega-watts. This project began in 2007, in anticipation of the increased demand associated with the opening of the Temenos and Viceroy projects. As the largest and most fuel efficient machine, the overall plant efficiency has improved and the benefits of this fuel efficiency can be seen in the reported fuel consumption statistics for 2009. While Anglec generated more power in 2009 (over 2008), less fuel was consumed in 2009.

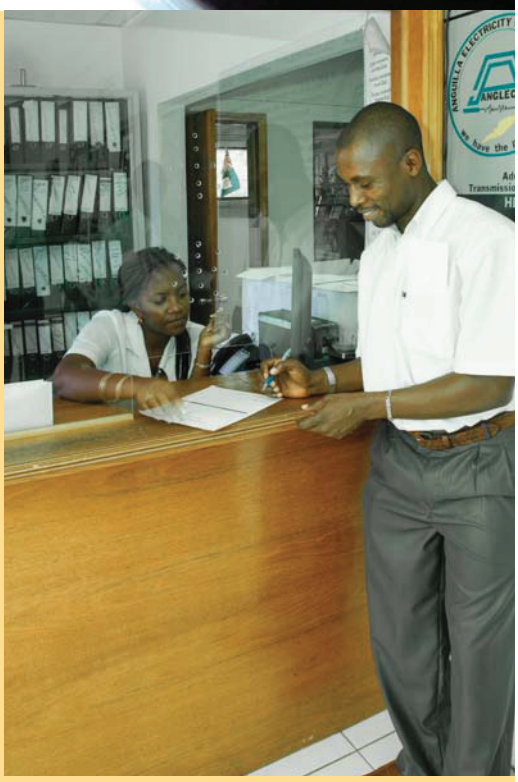
Putting our stakeholders first

- ANGLEC is in the design stage of a new Administration Building. The new facilities will enable ANGLEC to provide an enhanced level of service to our customers, while improving operating efficiencies. Energy efficiency will be a primary consideration in our design.

All of our projects are geared towards improving company performance; however, we know that the quality of our service is not measured by what we put into it, but rather what our stakeholders can get out of it – the proof of the pudding is in the eating. We remain "committed to serve you better".

Let me take this opportunity to thank our customers for their support during 2009. We know that ANGLEC exists because of its customers, and we are driven to deliver the best service at the most affordable price. This is even more important to our customers in challenging economic times. I also thank my fellow Board members, management and staff for their support during 2009.

CARING FOR CUSTOMERS



The Customer Service and Billing Department overcame many challenges and hurdles during 2009. After successfully navigating the impact high fuel prices in 2008, the continued global economic recession and the related consumer hardships, the Customer Service and Billing Department undertook several initiatives to improve customer service standards, while minimizing the impact to the Company and Shareholders. The department launched a company-wide customer service training program, developed and deployed a centralized customer service application, launched a campaign to reduce the number of estimated billings, deployed a customer calling program to inform customers of pending disconnections, enhanced the disconnection-reconnection process to further improving collection practices, reengineered collection processes and successfully deployed and automated a deferred payment program. This customer service training program focused on the CORE principles of customer service including developing a customer first mindset, maintaining an optimistic attitude, increasing reliability and enhancing the customer experience through resourcefulness and professionalism.

During the first months of 2009, ANGLEC deployed a centralized customer service database. This system centralized customer applications, service orders, trouble calls and internal work orders generated on a customer account. This system will allow for significant improvements in the communication and sharing of information between the various ANGLEC departments.

To reduce the number of estimated billings, the team launched a series of campaigns to reach out to customers with locked gates, guard dogs or meters that were inaccessible for a variety of other reasons. This effort helped to reduce the number of estimated billings and related customer inconvenience produced each month.

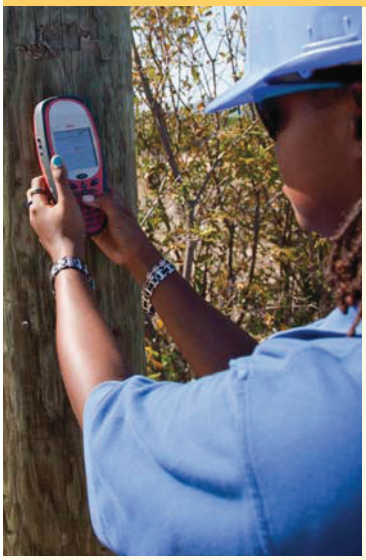
"Centralized customer service database"

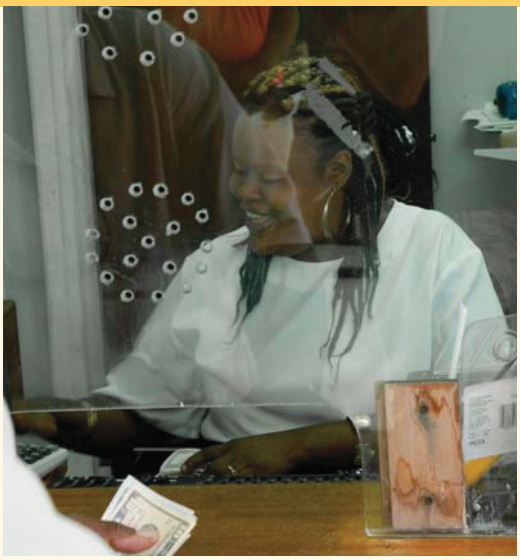
Due to the global-local economic recession, the number of customers facing disconnection increased from 2008. The Company took action by revising and implementing its delinquent accounts policy and reengineering its disconnection and reconnection practices. The Customer Service and Billing team took ownership of this effort and ensured appropriate resources were aligned to successfully complete the required tasks.

After a 3 month campaign to update and collect customer phone records, the ANGLEC customer calling system was put into place. This system allowed participating customers to receive disconnection voice notification prior to their disconnection date. Through the implementation of this system, the inconvenience experience by our customers due to loss power was significantly reduced.

To overcome challenges faced with the increase in customers with delinquent balances, the Company worked closely with the billing system programmers to develop and automate a deferred payment system. The automated process allowed customers to receive bills for both current and past due balances on a monthly basis.

The Company launched various customer education initiatives throughout the year. To start, a frequently asked questions sheet was developed to provide the Customer Service and Billing





team with the information needed to address customer concerns on fuel price increases, ANGLEC's rate structure and practices. Various team meetings were held to ensure the team was equipped with the requisite knowledge to confidently address general concerns raised by customers.

In late 2009, the Company launched a Customer Service Survey to help gauge customer satisfaction with ANGLEC and the services it provides. The survey results revealed that customers were generally very satisfied with the service ANGLEC provides. However, several areas for improvement were noted.

FOCUSING ON EMPLOYEES

In order to achieve our business objectives, we rely on the knowledge, skills and teamwork of our employees. At ANGLEC we consider our employees to be one of our most valuable assets.

Our ability to deliver efficient services is dependent on our employees. For this reason, ANGLEC continues to attract and retain our employees, and foster an environment that enables employees to fulfill their potential.

During the year 2009, our focus on Human Resources Strategies emphasized the following themes:

1 - People Thrive
2 - Performance Excels
3 - Partnerships Prevail

In essence, The Human Resources operational plan played a significant role in the company's overall strategic objectives by ensuring that the Company had the right people in place, the right mix of skills, employees displayed the right attitudes and behaviour and they were developed in the right way.

People Thrive

As the need to develop 21st Century leadership capacity presents a particular challenge, improving our leadership development through formalizing our succession plan was emphasized. In 2009, ANGLEC implemented a succession plan for all key managerial and supervisory positions within the Company. The objective of this exercise was to ensure that ANGLEC has the right human resources skills in place to be able to grow and perform in a future which is increasingly unpredictable.

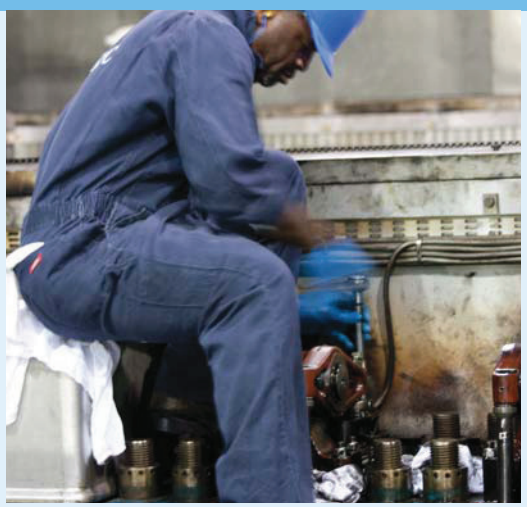
With the rapid changes in our operating environment and in keeping with our aspirations of "People thrive", significant focus was placed on training which invests in upgrading our staff skill set and ensuring the continuous development of the organization through its human resources. To attain the best possible returns for the organization from its training programme, the Company developed a three (3) year training needs analysis.

During the year, approximately 80% of employees participated in various training programmes including Geographic Information Systems, Diesel Mechanic, Power Plant Operations, Linesman, Office Professionals Development, Electrical Technician and Customer Service. Managerial and Professional staff attended Caribbean Energy Forum, Daffron User Group Meeting, Carilec Human Resources and Engineering Conferences.

Performance excels

In 2009, we strived to engage in the best human resources techniques that will enable ANGLEC to achieve excellence. ANGLEC launched its first Spot Award Program. The development and implementation of the program was significant as it will help to foster a working environment that provides and supports opportunity for achievement. The program celebrated staff who excelled in certain areas of the company's operations such as performance, time management, customer service, punctuality and other areas that impact company performance. such as punctuality amongst other key performance indicators.

Another area of focus was the utilization of a transparent performance appraisal system. The performance appraisal system was revised to ensure consistency and transparency in the system.



Partnerships Prevail

ANGLEC was proud to have brought our employees together for the first staff retreat, which was held in 2009. This event was created to foster and sustain stronger relationships among our staff. This retreat was deemed a success and it is intended to be an annual event.

Over the next two years, the Human Resource Department will focus on the following areas:

- Staff and organizational renewal-recruiting and retaining high quality staff
- Continual learning
- Creating a safe and supportive workplace culture
- Analyzing & improving the effectiveness of our employees' benefit plans

ANGLEC IN THE COMMUNITY

We believe that corporate social responsibility is important. At ANGLEC, we are committed to making a real difference in the communities in which we serve. The community involvement program is designed to assist community organizations in the valuable work they do to strengthen our communities and island. In 2009, through our sponsorship initiatives, we supported programmes large and small throughout the island.

Horizons Scholarship

One of the highlights of the 2009 sponsorship initiatives was the launching of the ANGLEC Horizons Scholarship, which is designed to assist primary school students who are in need of financial assistance and have a record of good behaviour. This program allowed nineteen students who were less financially fortunate to have a chance to excel in their education.

Sports - Netball Sponsorship

ANGLEC recognizes that we have an important responsibility to support the sporting activities that serve to strengthen our community life. At ANLGEC, we are cognizant of the fact that sports build valuable skills such as discipline, teamwork and dedication. These characteristics contribute to an individual's success in education. We were delighted to provide an avenue for our youths to develop their sportsmanship skills and character through our sponsorship of the 2nd Anguilla Amateur Netball Primary School Festivities.

"ANGLEC Horizons Scholarship"

Test of Standards

ANGLEC believes education is one of the vehicles through which a nation achieves economic and social success. This is our third consecutive year in which we committed to sponsor the Test of Standards ceremony, which celebrates our primary school students' academic, music and sports excellence.

In keeping with the Company's objective to be a serious contributor to the development of youth, education, sports and culture, ANGLEC made contributions to the following organizations and projects:

Education: Literary & Debating Society, Department of Library Services, Maranatha Methodist Preschool, Albena Lake Hodge Comprehensive School.

Sports: Anguilla Tennis Academy, Jamida Webster Memorial Race, Anguilla cricket Association.

Community: Citrus Fun Day, Carnival Opening Night, North Side Community, Festival De Noel, Klassique Academy, Je Le Cour Productions, Malliouhana Poetry

Competition, Champion of Champion Boat Race, Christmas Gifts to foster children, Anguilla Pepper Steppers, Anguilla Beautification Club, Friends of the Hospital, Miriam Gumbs Senior Citizens Home.

STRATEGIES FOR SUCCESS

At the Anguilla Electricity Company we are continuously seeking to improve employee productivity and enhance service to our customers, while ensuring that our shareholders interest is not only maximized but protected. In an age where change constantly affects the way we do things, Anglec strives to ensure that whatever we do conforms to acceptable standards both socially, economically and environmentally. Nothing worthwhile comes easily. To work, continuous work and hard work, is the only way to accomplish results that last. The key to organizational success is to enable an environment of continuous improvement of our systems, enable a continuous learning environment for our employees, and to develop innovative ways to care for and embrace our customers.

New Administration Building

In September 2009, ANGLEC advertised for the design of a new Administration and Customer Service Center. By November 2009, the company entered negotiations with Morlens Architectural Services to design the new building and develop the construction tender documents. The concept will take a fresh and green approach to provide staff and customers with a convenient and comfortable facility by making use of an internal courtyard, natural ventilation, cavity walls, and windows shaded by pergolas and plants. All of these features will serve to increase Anglec's energy efficiency and make the statement that although Anglec is the sole producer of electricity in Anguilla and we are at the forefront of energy conservation. Morlens Architect has exhibited the type of forward-looking design and construction that will also provide for expansion as the Company grows without inconvenience to customers and staff.

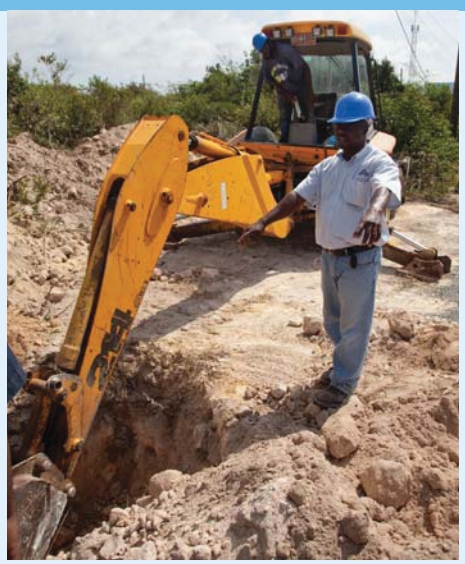
During the design process, Anglec will ensure that feedback is solicited from its customers and employees through surveys and design committees. The final design is expected to be completed in June 2010.

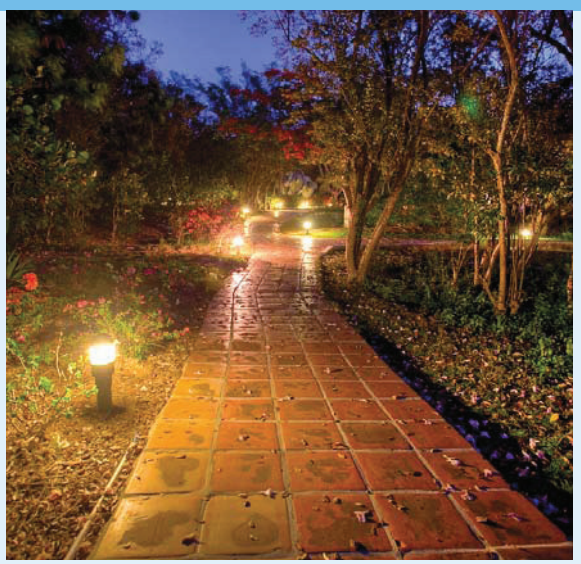
Information Technology

The Information Technology (IT) department continues to implement innovative ways to enhance our product /service for employees, customers and all other stakeholders.

During the year, a number of IT Projects were undertaken and completed. The following projects have served to enhance the performance of operations within the organization by increasing the speed and reliability. Some of the projects undertaken during the period are listed below:

- Billing system upgrade to facilitate the 2% increase in the Government of Anguilla environmental levy;
- Commissioning of a new Dell Power Edge 2900 Server with windows 2008, which facilitated smoother, faster, and more efficient operations;
- Acquisition and implementation of an automated Purchase Order System, which facilitates approvals in real time via the world-wide-web;
- Improved the network and telephone communication systems by installing a multi-core fibre optic cable line between the main office and Corito transmission and distribution and power station;
- Implemented a customer calling system to notify customers of pending disconnections and installed a music-on-hold system to inform and entertain customers while awaiting assistance.





Corito Fire Upgrade

In an effort to comply with International Fire Safety Standards (NFPA850), ANGLEC engaged the consulting firm Energy & Advanced Control Technologies Inc to carry out a thorough risk assessment of fire fighting needs at the station. This assessment culminated into the "Corito Power Plant Fire Safety Upgrade" report.

Regional Fire & Safety Limited of Barbados has been contracted to install a state of the art fire detection and suppression system to cover the Corito power station complex. This includes the engine halls, switch-rooms, offices, workshops, fuel storage areas and the control room. The system will be fed from a water storage tank located at the compound. The project is expected to be completed and implemented by the end of year 2010.

Power Station Upgrade

Anglec seized the opportunity to address the increasing demand for electricity driven by the construction of major projects on the island. The #15 Wartsilla Engine purchased in 2008 was installed early in 2009. This 5.2MW generating set has increased Anglec's firm capacity by an additional 25% and is expected to satisfy the energy needs of the island for the next five years. This added capacity will also replace two despite units (a 1.6MW Caterpillar and 1.0MW Mirrlees/Blackstone).

Transmission line Construction

In light of the growing power demand on the Western side of Anguilla driven by development in the hotel sector, ANGLEC embarked on a Western Transmission Line project. This project includes the building of substations at Corito and West End and building connecting lines. This line is rated to transmit power at 34.5kV. Currently power is distributed to the West End at 13.8kV.

The new line will have the benefit of improving voltages, transmitting more power and reducing losses in the western end of the Island.

Pole Numbering Project

Several years ago, the Company decided decided to implement an intricate pole identification system comprising of geographically sequenced letters and numbers. This system would use global positioning coordinates to determine each pole's location and create a unique ID for each pole.

The pole identificaiton project commenced during May and continued through December 2009. The team covered over 3,000 poles within a 125 day period averaging roughly 26 poles per day.

In addition to the pole location, the team recorded the number of customer meters, streetlights and transformers attached to each pole.

The pole identification system will provide technicians with a global view of the island wide electrical grid. With a global view of the electrical grid and the relevant data like sorrounding land parcels, transformer sizes and age of pole, technicians can initiate faster and more accurate responses to customer needs.

OPERATING HIGHLIGHTS

Revenues

Total revenues for 2009 including fuel surcharge, decreased to EC$62.56 million. This represents a 23.3% decrease of over the previous year's figure of EC$81.54 million. This decrease is primarily attributed to a decrease in the average fuel surcharge rate from 41 cents per kwH in 2008 to 18 cents per kwH in 2009. The decline in fuel surcharge rate resulted from a corresponding decline in cost of fuel from the previous year.

Operating Costs

Throughout 2009, the cost of fuel remained a significant challenge. Although fuel prices declined from 2008's historical highs, fuel cost remained a significant factor for ANGLEC accounting for 50.2% of revenue and 79.6% of operating costs compared to 64.5% and 80.7%, respectively, for the previous year.

Total operating costs for the year including depreciation were EC$45.53 million compared to the previous year's figure of EC$65.14 million. Fuel cost for the year was EC$31.40 million compared to EC$52.60 million for the previous year.

Excluding fuel costs, Generation costs were 12.0% of revenues compared to 7.8% of revenues in the previous year. Transmission and Distribution cost was 10.6% of revenues compared to 7.19% of revenues for the previous year. Administration and Consumer Services costs were 12.1% of revenues compared to 8.5% for the previous reporting period. Net Finance costs were 2.3% of sales compared to 1.2% for the prior year. This increase is due to two loans used to finance the purchase of the #15 Wartsila generator. These loans are held at National Bank of Anguilla Limited (NBA) and Caribbean Commercial Bank Limited (CCB). investments

IMPROVING THE EFFICIENCY OF OUR OPERATIONS

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 $20.02 million increased by 0.8% from the previous year's figure of EC$19.86 million. Net profit for the year at EC$10.46 million was 16.7% of sales compared to 9.10% in 2008. The 41.3% increase in profits for the year can be attributed in part to increased fuel efficiencies and lower absorption of the fuel surcharge by ANGLEC compared to 2008. Just as in 2008, management closely monitored the movement in fuel prices so as to make the necessary and timely adjustments to the fuel surcharge in accordance with the Electricity Regulations. This effort was delicately balanced with the impact on the consumer while monitoring and managing the Company's cash position and operational needs.

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$10.34 million was incurred to acquire additional fixed assets.

The breakdown in capital expenditure by category is as follows:

	(in millions)
Generation Plant and Machinery	EC$ 19.549
Furniture, Fixtures and Equipment	0.325
Buildings	2.026
Vehicles	0.245
Work-in-Progress	(11.823)
Total	EC$ 10.322

Earnings Per Share

Earnings per share at EC$0.90 increased by EC$0.26 from EC$0.64 in the previous year. Taking into account the short and long term investment needs of the Company, the current global economic crisis, available cash resources and covenant obligations with lending institutions, the Board of Directors approved a dividend of EC$0.10 per share for 2009.

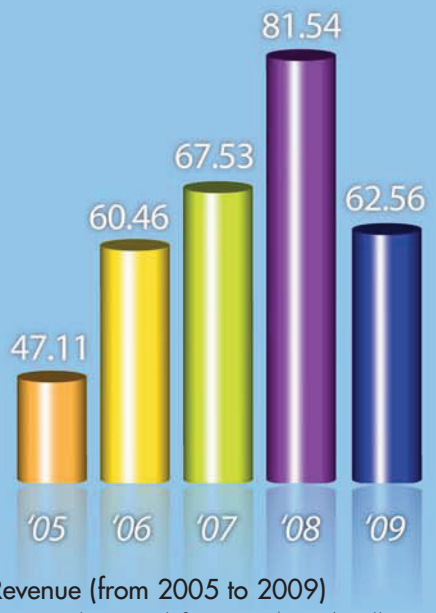
Generation

Operationally, the division met a new peak demand for electricity of 14.90 MW during December 2009 compared to 14.37 MW in 2008. Total units generated of 91.22 MW were virtually flat when compared to the total in 2008 of 89.50 MW. The marginal increase in units generated is driven by the increased consumption of FLAG and Viceroy properties that came on stream late 2008 and early 2009. Despite the increase in units generated, fuel consumption decreased by 0.7%. This reflects the significant increase in fuel efficiency gained by the commissioning of the #15 Wartsila generator.

T&D

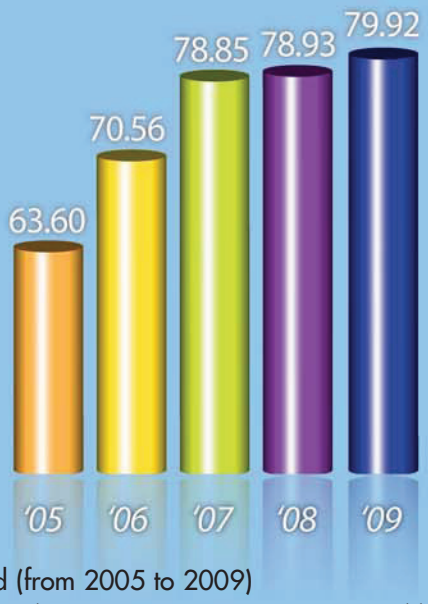
The Transmission and Distribution System performed extremely well in 2009. System reliability, a calculation of the average amount of time that power was available, reached 99.91%. While Anglec strives for 100% reliability, bad weather, vehicle accidents, equipment corrosion and line maintenance limit our ability to meet this goal.

OPERATING HIGHLIGHTS



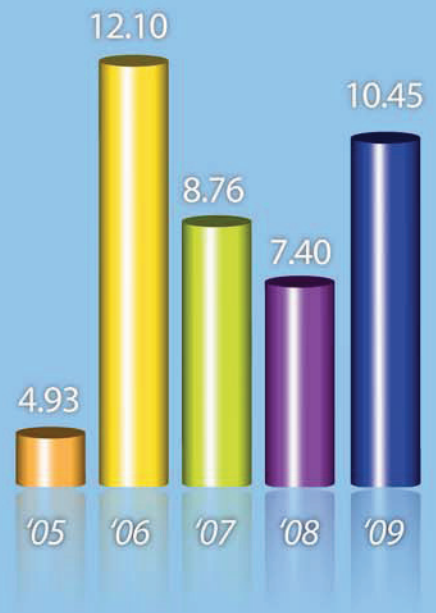
Gross Revenue (from 2005 to 2009)

Gross revenue decreased from EC$81.54 million in 2008 to EC$62.56 million in 2009. The decrease is a direct result of lower fuel charge experienced throughout 2009.



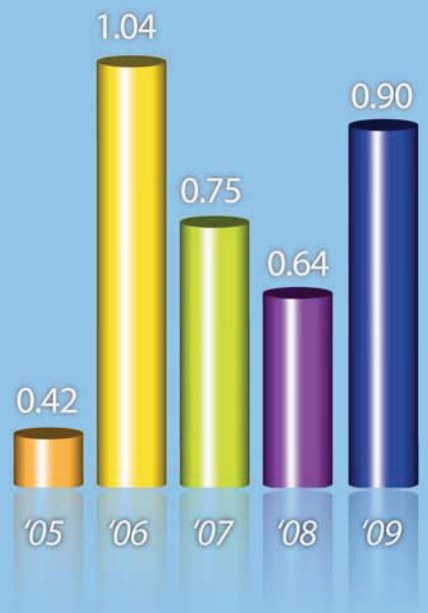
Units Sold (from 2005 to 2009)

Despite the decrease in gross revenue, units sold increased from 78.93 kilowatt hours in 2008 to 79.92 kilowatt hours in 2009, an increase of 1.25%.



Net Profit (from 2005 to 2009)

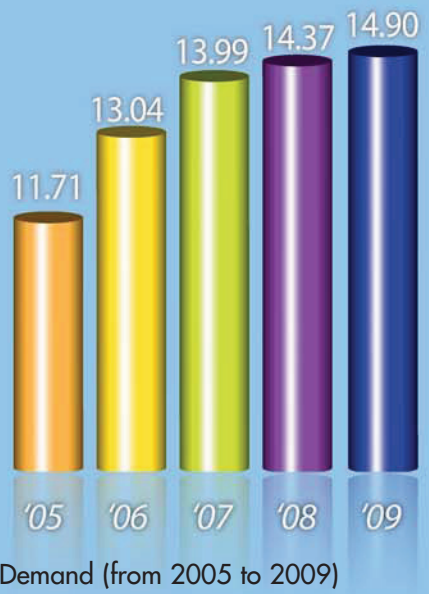
Net profit increased from EC$7.40 million in 2008 to EC$10.45 million in 2009 despite the decrease in Gross Revenues. This is due to the decline in fuel in fuel cost.



Earnings per Share in EC$'s (from 2005 to 2009)

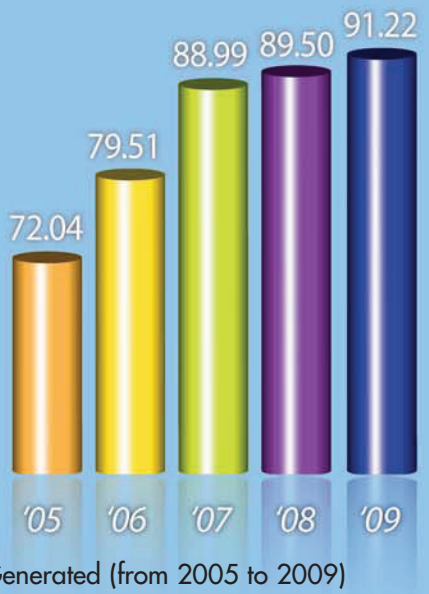
Earnings per share increased from EC$0.64 in 2008 to EC$0.90 in 2009. This is due to lower fuel costs, greater fuel efficiencies and prudent cost management.

OPERATIONAL STATISTICS



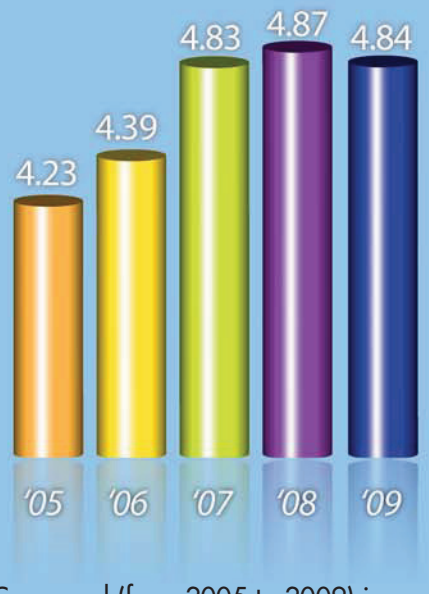
Peak Demand (from 2005 to 2009)

The maximum demand increased from 14.37MW in 2008 to 14.90MW in 2009 showing an increase of 3.70%.



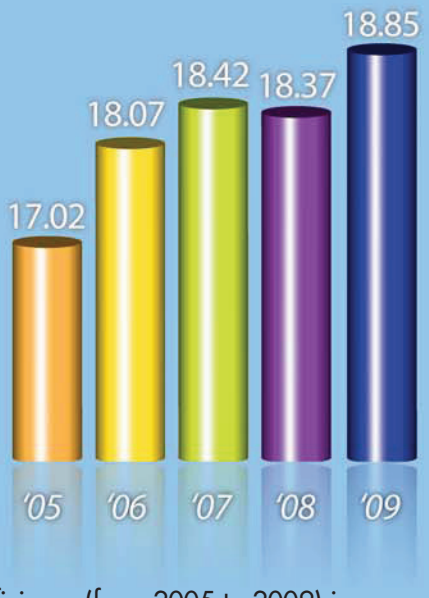
Units Generated (from 2005 to 2009)

Corito Power Station generated 91,223,439 kilowatt hours of electricity in 2008 compared to 89,501,913 kilowatt hours in 2008, a 1.9% increase.



Fuel Consumed (from 2005 to 2009) in Imperial Gallons

Fuel consumption decreased by 0.67% from 2008 consumption to 4.84 million imperial gallons in 2009.



Fuel Efficiency (from 2005 to 2009) in Kilowatt hour

Fuel efficiency reflects the performance of Anglec's generating sets. Efficiency increased from 18.37 kilowatt hours produced per imperial gallon of fuel consumed to 18.85 kilowatt hours per gallon in 2009.

KPMG LLC
Caribbean Commercial Centre
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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 statement of financial position as at 31 December 2009, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLC

Chartered Accountants
July 9, 2010
The Valley, Anguilla, B.W. I

KPMG LLC, an Anguilla limited liability company,
is a member firm of KPMG International, a Swiss cooperative.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

ASSETS

	Notes	2009	2008
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	**80,826,564**	75,878,625
Other assets	7	**312,527**	739,977
		81,139,091	76,618,602
CURRENT ASSETS			
Investment securities	8	**4,296,703**	3,674,474
Inventories, net	9	**5,497,922**	5,373,048
Trade and other receivables, net	10	**13,482,127**	12,908,861
Prepayments and other current assets	11	**547,231**	309,983
Cash and cash equivalents	12	**4,784,669**	5,630,813
		28,608,652	27,897,179
		109,747,743	**104,515,781**

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY			
Share capital	13	**14,536,147**	14,536,147
Retained earnings		**50,512,348**	41,221,910
		65,048,495	55,758,057
LONG-TERM LIABILITIES			
Borrowings, net of current portion	14	**28,925,074**	33,064,608
Contribution in aid of construction	15	**3,620,054**	3,665,790
		32,545,128	36,730,398
CURRENT LIABILITIES			
Borrowings, current portion	14	**4,139,534**	2,217,947
Customer deposits		**1,911,780**	1,883,008
Provision for claim settlement	31	-	569,898
Trade and other payables	16	**5,330,585**	3,770,735
Bank overdraft	12	**772,221**	3,585,738
		12,154,120	12,027,326
		109,747,743	**104,515,781**

These financial statements were approved on behalf of the Board of Directors on 07 July 2010 by the following:

Rodney Rey — *Chairman*

Fritz Smith — *Vice Chairman*

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2009	2008
REVENUES			
Energy sales	17	**48,021,097**	49,277,361
Fuel surcharge recovered		**14,536,186**	32,264,717
		62,557,283	81,542,078
COST OF OPERATIONS			
Generation			
Fuel		(**17,615,012**)	(18,515,869)
Fuel surcharge		(**13,786,707**)	(34,080,622)
Other expenses	18	(**7,514,624**)	(6,375,821)
Transmission and distribution expenses	19	(**6,615,979**)	(5,866,113)
Other		-	(302,292)
		(**45,532,322**)	(65,140,717)
GROSS OPERATING INCOME		**17,024,961**	16,401,361
OTHER INCOME20	**3,560,622**	3,595,643	
GROSS INCOME		**20,585,583**	19,997,004
OPERATING EXPENSES			
Administrative expenses	21	(**6,879,489**)	(6,428,381)
Consumer service	22	(**682,713**)	(519,481)
INCOME FROM OPERATIONS		**13,023,381**	13,049,142
OTHER EXPENSES			
Environmental levy		(**862,593**)	(3,653,080)
Finance cost		(**1,706,735**)	(1,425,100)
Provision for claim settlement	30	-	(569,898)
NET INCOME		**10,454,053**	**7,401,064**
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		**10,454,053**	**7,401,064**
Additional disclosures:			
Earnings per share	25	**0.90**	0.64
Dividends per share	26	**0.10**	0.10

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	Share capital	Retained earnings	Total
Balance at December 31, 2008		14,536,147	35,566,268	50,102,415
Total comprehensive income		-	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
Total comprehensive income		-	10,454,053	10,454,053
Dividends declared	26	-	(1,163,615)	(1,163,615)
Balance at December 31, 2009		14,536,147	50,512,348	65,048,495

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**10,454,053**	7,401,064
Adjustments for:			
Depreciation	6	**5,025,579**	4,467,561
Interest expense		**1,706,735**	1,438,832
Write off of property, plant and equipment	18	**348,850**	-
Interest income	20	(**260,454**)	(413,437)
Recovery of allowance for doubtful accounts	20	(**135,070**)	(3,008)
Impairment losses	21	**63,399**	-
Write off of allowance for doubtful accounts	27	(**55,461**)	-
(Recovery from)/provision for slow moving/obsolete inventories	9	-	(694,133)
Operating income before working capital changes		**17,147,631**	12,196,879
(Increase)/decrease in assets:			
Inventories	9	(**124,874**)	1,461,323
Trade and other receivables	10	(**450,466**)	(269,132)
Prepayments and other current assets	11	(**237,248**)	2,277,689
Other assets	7	**380,527**	(96,049)
Increase/(decrease) in liabilities:			
Customer deposits		**28,772**	663,690
Provision for claim settlement	30	(**569,898**)	569,898
Trade and other payables	16	**696,671**	(1,094,639)
Net cash provided by operating activities		**16,871,115**	15,709,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	6	(**10,322,368**)	(30,752,326)
Increase in investment securities	8	(**622,229**)	(1,288,503)
Interest received		**311,709**	285,385
Net cash used in investing activities		(**10,632,888**)	(31,755,444)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	14	(**2,217,947**)	(2,654,880)
Interest paid		(**1,425,363**)	(1,404,372)
Dividends paid	26	(**581,808**)	(1,745,422)
Revenue from contributions in aid of construction	15	(**507,799**)	(538,063)
Increase in contributions in aid of construction	15	**462,063**	962,539
Proceeds from borrowings	14	-	7,511,565
Net cash provided by financing activities		(**4,270,854**)	2,131,367
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**1,967,373**	(13,914,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**12**	**2,045,075**	**15,959,493**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**12**	**4,012,448**	**2,045,075**

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

December 31, 2009 (With Comparative Figures for 2008)
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-Waver House, The Valley, Anguilla, B.W.I.

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on 07 July 2010.

(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, 2009 (With Comparative Figures for 2008)
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 were located. Purchased software that is integral to the functionality of the related equipment is capitalized 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 reporting date.

(b) Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise investment securities, trade and other receivables, cash and cash equivalents, borrowings, 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 statement of income, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Investment securities
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity and 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, 2009 (With Comparative Figures for 2008)
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 comprise cash balances on hand and highly liquid financial assets with maturities of less than three months which are not subject to significant risk of change in value. 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 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 cost 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 realizable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Allowance is made for obsolete and slow moving items.

December 31, 2009 (With Comparative Figures for 2008)
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 occurring 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 reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in 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 pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash generating unit").

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses 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.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated based on the cost of fuel used to generate electricity. The surcharge is derived using the average fuel price paid by the Company in preceding weeks. The surcharge is recovered by applying the surcharge rate to units billed for that month.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

ii. Interest income

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

(g) Employee benefits

i. Defined contribution plan

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

ii. Defined benefit plan

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

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in 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.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(j) Dividends

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

(k) Foreign currency transactions

Transactions in foreign currencies are translated to EC Dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the 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 retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on conversion and translation are recognized in 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 pre-tax 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 2009

The Company adopted the following new and amended standards as at 1 January 2009:

- IFRS 8, Operating Segments, requires an entity to determine and present operating segments based on the information that internally is provided to the General Manager. The impact of this change in accounting policy due to the adoption of IFRS 8, Operating Segments, did not impact the Company only have one component of business activity from which it earns revenue and incurs expenses, that is, sale of electricity.
- IAS 1, Presentation of Financial Statements (2007), separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement or in two linked statements. The Company has elected to adopt the single statement approach. The impact of this revised standard did not materially affect the comparative presentation of the Company's financial information. Since the change in accounting policy only impacts presentation aspects, there is no impact on the Company's financial position and performance.
- IAS 23, Borrowing Costs, requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company has adopted this standard prior to 2009. Since this standard was early adopted, there is no impact on the Company's financial position and performance.

The adoption of the following new and amended standards did not affect the Company's reported net income or financial position during the year:

- IFRS 2, Share based Payment: Vesting Conditions and Cancellations;

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(n) Amendments to standards and interpretations adopted in 2009 (continued)

- IFRS 7, Financial Instruments: Disclosures;
- IAS 32, Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments: Presentation and Obligations Arising on Liquidation;
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation; and
- Improvements to IFRSs (May 2008).

(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 2009 and have not been early adopted by the Company or are not relevant to the Company's operations. These are as follows:

- IFRS 2, Share based Payment: Group Cash settled Share based Payment Transactions (effective 1 January 2010). Clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled and provides guidance on the scope and the accounting for group cash settled share based payment transactions.
- IAS 39, Financial Instruments: Recognition and Measurement Eligible Hedged Items (effective 1 July 2009). The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.
- IFRS 3, Business Combinations (Revised) and IAS 27, Consolidated and Separate Financial Statements (Amended) (effective 1 July 2009) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized of an entity, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or a loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non controlling interests of an entity.
- IFRIC 9, Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective for period ending on or after 30 June 2009). This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly changes the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through statement of income.
- IFRIC 17, Distributions of Non cash Assets to Owners (effective from 1 July 2009), provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.
- IFRIC 18, Transfers of Assets from Customers (effective from 1 July 2009), provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

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

In May 2008 and April 2009 the International Accounting Standards Board issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following amendments resulted in changes to accounting policies but did have any impact on the financial position or performance of the Company or are not applicable to the activities of the Company.

- IFRS 5, Non current Assets Held for Sale and Discontinued Operations, clarifies that the disclosures required in respect of non current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non current assets or discontinued operations.
- IAS 7, statement of Cash Flows, explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- IAS 16, Property, Plant and Equipment, replaces the term "net selling price" with "fair value less costs to sell".
- IAS 18, Revenue, the Company has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
    - Has primary responsibility for providing the goods and service
    - Has inventory risk
    - Has discretion in establishing prices
    - Bears the credit risk
- IAS 20, Accounting for Government Grants and Disclosures of Government Assistance, loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below market interest rates.
- IAS 23, Borrowing Costs, the definition of costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 36, Impairment of Assets, when discounted cash flows are used to estimate "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.
- IAS 38, Intangible Assets, expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible asset other than a straight line method has been removed.

Other amendments resulting from improvements to IFRSs to the following standards that are not applicable to the Company and/or did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 40 Investment Properties
- IAS 39 Financial Instruments: Recognition and Measurement

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(o) Amendments to standards and interpretations adopted in 2009 (continued)

- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

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 analyze 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.

Trade and other receivables

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

Liquidity risk

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

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains a line of credit with a limit of EC$3.2 million with the National Bank of Anguilla Limited with an interest rate of 9.2% per annum.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

4. Financial risk management (continued)

Market risk

Currency risk

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

Interest rate risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Company to interest rate risk. The Company's exposure and the interest rates on its financial liabilities are disclosed in 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 instruments traded in the market. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

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

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

Capital management

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

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

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

5. Determination of fair values

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

(a) Held-to-maturity investment securities

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

(b) Trade and other receivables

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

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

5. Determination of fair values (continued)

(c) Cash and cash equivalents

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

(d) Non-derivative financial liabilities

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

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

6. Property, plant and equipment - net

	Land	Buildings	Plant and Machinery	Furniture, fittings and Equipment	Motor Vehicles	Capital work in Progress	Total
Cost							
31 December 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
Additions/(transfer)	-	2,026,402	19,548,910	325,010	244,935	(11,822,889)	10,322,368
Disposals	-	-	(1,023,664)	-	(616,266)	-	(1,639,930)
31 December 2009	**240,000**	**12,178,093**	**99,556,140**	**4,348,234**	**3,407,697**	**15,985,592**	**135,715,756**
Accumulated depreciation							
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
Depreciation	-	310,057	4,284,576	147,448	283,498	-	5,025,579
Disposals	-	-	(674,814)	-	(616,266)	-	(1,291,080)
31 December 2009	**-**	**2,954,370**	**46,180,876**	**3,174,307**	**2,579,639**	**-**	**54,889,192**
Net book values							
31 December 2009	**240,000**	**9,223,723**	**53,375,264**	**1,173,927**	**828,058**	**15,985,592**	**80,826,564**
31 December 2008	240,000	7,507,378	38,459,780	996,365	866,621	27,808,481	75,878,625

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 31) 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.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

7. Other assets

	Note	2009	2008
Net pension asset	24	**282,355**	592,461
Other		**77,095**	147,516
		359,450	739,977
Less: Allowance for impairment losses		**(46,923)**	-
		312,527	**739,977**

8. Investment securities - net

	Notes	2009	2008
Held-to-maturity investments			
Caribbean Commercial Bank (Anguilla) Limited (CCB)	8.1,31	**2,640,634**	2,148,803
Held-to-maturity investments			
National Bank of Anguilla Limited	8.2	**1,656,069**	1,525,671
		4,296,703	**3,674,474**

8.1 These comprise certificates of deposit with Caribbean Commercial Bank (Anguilla) Limited maturing in August 2012 and earn interest at 5.50% per annum. The EC$ deposit is restricted for the self insurance 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 2010 and earn interest at 4.5% and 4.75% per annum, respectively.

9. Inventories - net

	2009	2008
Transmission and distribution parts	**2,602,242**	3,083,077
Generation parts and fuel	**3,041,876**	2,453,304
Administration supplies	**119,679**	102,542
	5,763,797	5,638,923
Less: Provision for slow-moving and obsolete inventories	(265,875)	(265,875)
	5,497,922	**5,373,048**

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

	2009	2008
Balance at beginning of year	**(265,875)**	(960,008)
Additional provision during the year	-	-
Recovery during the year	-	694,133
Balance at end of year	**(265,875)**	**(265,875)**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

10. Trade and other receivables - net

	Note	2009	2008
Trade	27	**15,188,468**	14,791,731
Accrued interest receivables		**76,797**	128,052
Other		**309,773**	256,044
		15,575,038	15,175,827
Less: Allowance for doubtful accounts	27	(**2,092,911**)	(2,266,966)
		13,482,127	**12,908,861**

11. Prepayments and other current assets

	2009	2008
Advance deposits	**465,225**	174,852
Prepaid insurance	**80,045**	133,170
Other	**1,961**	1,961
	547,231	**309,983**

12. Cash and cash equivalents

	Note	2009	2008
Cash on hand and in bank		**3,139,350**	1,060,873
Certificate of deposit	12.1	**1,645,319**	4,569,940
Total cash and cash equivalents before overdraft	27	**4,784,669**	5,630,813
Bank overdraft	27	(**772,221**)	(3,585,738)
Cash and cash equivalents in the statement of cash flows		**4,012,448**	**2,045,075**

12.1 This comprises of a certificate of deposit with the National Bank of Anguilla Limited maturing in February 2010 and earns interst at 4.56 per annum. The deposit which matured in February 2010 was rolled over until February 2011 with an interest rate of 3.25%.

13. Share capital

	2009	2008
Authorized:	**30,000,000**	30,000,000
Issued and fully paid:		
17,036,147 ordinary shares at no par value	**17,036,147**	17,036,147
Less: Treasury shares		
5,400,000 ordinary shares at no par value	(**5,400,000**)	(5,400,000)
	11,636,147	11,636,147
Add:		
Discount on treasury stock	**2,900,000**	2,900,000
	14,536,147	**14,536,147**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

13. Share capital (continued)

The current percentage of ownership is:	2009	2008
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.

14. Borrowings

	Notes	2009	2008
Caribbean Development Bank	14.1	**13,640,372**	14,663,403
National Bank of Anguilla Limited	14.2	**7,511,565**	7,511,565
Caribbean Commercial Bank (Anguilla) Limited	14.3	**7,511,565**	7,511,565
Caribbean Development Bank	14.4	**4,099,619**	4,724,625
Caribbean Commercial Bank (Anguilla) Limited	14.5	**301,487**	871,397
		33,064,608	35,282,555
Less: Current Portion		(**4,139,534**)	(2,217,947)
		28,925,074	**33,064,608**

14.1 This loan (03/OR ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US$6,089,000 (EC$16,368,450). This loan is payable in forty eight (48) equal and consecutive quarterly installments of US$158,553 (EC$426,222) with a current interest rate of 5.32% (2008: 5.42%) per annum commencing in January 2008. This loan will mature in October 2019. 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. As at 31 December 2009, the current and non current portion of this loan is $1,704,988 and $11,935,384 (2008: $1,023,031 and $13,640,372), respectively.

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 will mature on 30 October 2019. 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. As at 31 December 2009, the current and non current portion of this loan is $545,654 and $6,965,910 (2008: Nil and $7,511,564), respectively. Borrowing costs capitalized in 2009 is EC$205,424 (2008: EC$591,536).

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

14. Borrowings (continued)

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 drawn in July 2008. Interest payments were 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 commencing on 6 February 2010. Borrowing costs of US$78,029 (EC$209,758) [2008: US$47,153 (EC$126,758)] were capitalized in 2009 and included in property, plant and equipment. This loan will mature on 6 November 2019. 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. As at 31 December 2009, the current and non current portion of this loan is $545,727 and $6,965,838 (2008: Nil and $7,511,564), respectively. Borrowing costs capitalized in 2009 is EC$209,758 (2008: EC$226,427).

14.4 This loan (02/OR ANL) was made to the Company by Caribbean Development Bank in 2000 to finance the purchase of two generators. The total amount disbursed was US$3,720,000 (EC$10,000,104).

This loan is repayable in forty eight (48) equal and consecutive quarterly installments of US$113,280 (EC$304,519) with a current interest rate of 5.32% (2008: 6.25% per annum) commencing in October 2002. This loan will mature in July 2014. 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. As at 31 December 2009, the current and non current portion of this loan is $1,041,678 and $3,057,941 (2008: $625,006 and $4,099,619), respectively.

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 semi annual installments of US$116,550 (EC$313,310), including interest at the rate of 7.75% per annum. As at 31 December 2009, the current and non current portion of this loan is $301,487 and Nil (2008: $569,910 and $301,487), respectively. The final payment was made in May 2010.

15. Contributions in aid of construction

	Note	2009	2008
Balance at beginning of year		**3,665,790**	3,241,314
Contributions during the year		**462,063**	962,539
Amount amortised during the year	20	(**507,799**)	(538,063)
Balance at end of year		**3,620,054**	**3,665,790**

16. Trade and other payables

	2009	2008
Trade payables	**3,519,534**	2,723,375
Dividends payable	**581,807**	-
Accrued interest payable	**315,832**	34,460
Other accrued expenses	**821,505**	918,921
Other payables	**91,907**	93,979
	5,330,585	**3,770,735**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

17. Energy sales

	2009	2008
Amounts billed during the year	**48,314,011**	49,160,797
Less: Unbilled revenue at beginning of the year	**(2,485,684)**	(2,369,120)
	45,828,327	46,791,677
Add: Unbilled revenue at end of the year	**2,192,770**	2,485,684
	48,021,097	**49,277,361**

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$0.16 to EC$0.30 per kwh during the year. For the period beginning April 2009 through 31 December 2009, the surcharge was EC$0.16 per kwh.

18. Generation - Other expenses

	Notes	2009	2008
Depreciation	6	**2,856,263**	2,374,061
Staff costs	23	**2,125,360**	1,928,326
Repairs and maintenance		**1,865,731**	1,727,537
Write off of property, plant and equipment	6	**348,850**	-
Insurance		**318,420**	345,897
		7,514,624	**6,375,821**

19. Transmision and distribution expenses

	Notes	2009	2008
Staff costs	23	**2,999,979**	2,453,378
Depreciation	6	**1,637,519**	1,503,856
Repairs and maintenance		**1,857,482**	1,469,623
Hurricane Omar expenses	19.1	**1,015**	308,918
Insurance		**119,984**	130,338
		6,615,979	**5,866,113**

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 (see Note 31).

20. Other income

	Notes	2009	2008
Late charges		**2,051,078**	1,845,929
Reconnection fees		**308,850**	161,132
Upgrades and relocation of poles		**66,302**	87,998
Revenue from contributions in aid of construction	15	**507,799**	538,063
Interest income		**260,454**	413,437
Recovery of allowance for doubtful accounts	27	**135,070**	3,008
Miscellaneous		**231,069**	546,076
		3,560,622	**3,595,643**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

21. Administrative expenses

	Notes	2009	2008
Staff costs	23	**3,016,870**	2,321,257
Office expenses	33	**1,596,880**	1,163,504
General		**449,154**	1,109,765
Consultancy and professional fees		**725,594**	748,251
Depreciation	6	**489,898**	547,644
Impairment losses		**63,399**	-
Insurance		**537,694**	537,960
		6,879,489	**6,428,381**

22. Consumer services

	Notes	2009	2008
Staff costs	23	**404,340**	345,364
Depreciation	6	**41,899**	42,000
Other		**236,474**	132,117
		682,713	**519,481**

23. Staff costs

	Notes	2009	2008
Salaries, wages and other benefits		**7,406,167**	6,297,081
Pension expenses - defined contribution plan	24	**155,887**	212,724
Pension expenses - defined benefit plan	24	**503,382**	113,100
Training		**199,409**	178,636
Social security		**281,704**	246,784
		8,546,549	**7,048,325**

24 Pension expenses

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

a. Non-management employees

The Company uses a defined contribution plan for its non management employees which is handled and administered by Zurich International. Total contributions made by the Company amounted to EC$155,887 and EC$212,724 in 2009 and 2008, 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.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

24 Pension expenses (continued)

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

	Note	2009	2008
Present value of obligations		**2,614,465**	2,276,381
Fair value of plan assets		**(2,057,183)**	(1,564,283)
Deficit/(excess)		**557,282**	712,098
Unrecognized actuarial gains and losses		**(839,637)**	(1,304,559)
Net pension asset for defined benefit obligation	**7**	**(282,355)**	**(592,461)**

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

	2009	2008
Present value of obligation at beginning of year	**2,276,381**	1,687,384
Interest cost	**169,982**	118,117
Current service cost	**193,029**	154,038
Actuarial (gain)/loss on obligation	**(24,927)**	316,842
Present value of obligation at end of year	**2,614,465**	**2,276,381**

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

	2009	2008
Fair value of plan assets at beginning of year	**1,564,283**	2,272,212
Expected return on plan assets	**124,596**	159,055
Contributions	**201,897**	141,928
Actuarial gain/ (loss) on plan assets	**166,407**	(1,008,912)
Fair value of plan assets at end of year	**2,057,183**	**1,564,283**

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

	2009	2008
Equities	**98%**	93%
Other	**2%**	7%

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

	Note	2009	2008
Current service cost		**193,029**	154,038
Interest cost		**169,983**	118,117
Expected return on plan assets		**(124,596)**	(159,055)
Net actuarial gain to be recognized		**264,966**	-
Pension expenses defined benefit plan	23	**503,382**	113,100
Actual (loss)/return on plan asset		**297,839**	**(849,857)**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

24 Pension expenses (continued)

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	**7.50%**	7.00%
Expected return on plan assets	**8.00%**	7.00%
Salary increase rates	**2.00%**	9.00%

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

	2009	2008
Present value of obligation	**2,614,465**	2,276,381
Fair value of plan assets	**2,057,183**	1,564,283
(Deficit)/surplus	(**557,282**)	(712,098)
Experience adjustments arising from plan liabilities	**29,457**	(444,050)
Experience adjustments arising from plan assets	**173,244**	(1,008,912)

The Company expects to pay EC$211,991 (2008:$202,784) in contributions to the defined benefit plan in 2010.

25. Earnings per share

The calculations of basic earnings per share as at 31 December 2009 and 2008 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:

	2009	2008
Net income for the year	**10,454,053**	7,401,064
Total number of shares issued at end of year	**11,636,147**	11,636,147
Earnings per share	**0.90**	**0.64**

26. Dividends

Dividends of EC$0.10 per share were declared by the Board of Directors on 29 June 2010 but not yet sanctioned by shareholders. The Company paid $581,808 to its shareholders during the year and the remaining $581,807 is recorded under "Trade and other payables" in the statement of financial position.

	2009	2008
Retained earnings	**50,512,348**	41,221,910
Appropriated for dividends declared to be sanctioned by shareholders	(**1,163,615**)	(1,163,615)
Retained earnings unappropriated	**49,348,733**	**40,058,295**

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:

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

27. Financial instruments (continued)

	Notes	2009	2008
Investment securities	8	**4,296,703**	3,674,474
Trade and other receivables	10	**13,482,127**	12,908,861
Cash and cash equivalents	12	**4,784,669**	5,630,813
		22,563,499	**22,214,148**

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

	Note	2009	2008
Hospitality		**4,143,107**	4,347,670
Commercial		**2,567,174**	3,089,649
Residential		**2,056,195**	2,578,848
Government		**4,262,838**	2,279,266
Other		**2,159,154**	2,496,298
	10	**15,188,468**	**14,791,731**

Receivables from a hospitality company, one of the Company's major customers, with carrying amount of EC$2,215,623 (2008: EC$2,121,341) as at 31 December 2009 had been provided by the Company with 50% provision for the year then ended. During the year, a default judgment has been received from the Court in favor of the Company in respect of these trade receivables.

Other receivables represent unbilled revenues as at 31 December 2010. The Company accrues for estimated revenues earned but not billed to customers due to accounting cut-off procedures performed at end of year (see Note 17).

Impairment losses

The aging of trade receivables at the reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
Current	**7,057,465**	**25,380**	7,272,526	-
Past due 30-60	**1,441,634**	**150,150**	1,658,187	196,701
Past due 60-90	**1,272,022**	**214,945**	1,522,846	473,359
Past due 90-120	**852,021**	**191,465**	919,433	266,491
Over 120	**4,565,326**	**1,510,971**	3,418,739	1,330,415
Total	**15,188,468**	**2,092,911**	**14,791,731**	**2,266,966**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

27. Financial instruments (continued)

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

	Notes	2009	2008
Balance at beginning of year		**2,266,966**	2,269,974
Additional credit losses		**16,476**	-
Recovery of allowance for doubtful accounts	20	(**135,070**)	(3,008)
Write off of trade receivables		(**55,461**)	-
Balance at end of year	**10**	**2,092,911**	**2,266,966**

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 2009						
Borrowings	33,064,608	43,116,580	5,484,116	5,054,954	18,190,286	14,387,224
Trade and other payables	5,330,585	5,330,585	5,330,585	-	-	-
Bank overdraft	772,221	772,221	772,221	-	-	-
	39,167,414	**49,219,386**	**11,586,922**	**5,054,954**	**18,190,286**	**14,387,224**
31 December 2008						
Borrowings	35,282,555	47,982,354	4,865,774	5,484,116	19,467,442	18,165,022
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	**55,338,827**	**12,222,247**	**5,484,116**	**19,467,442**	**18,165,022**

Interest rate risk

	2009		2008	
	Interest rate	*Carrying amount*	*Interest rate*	*Carrying amount*
Investment securities	**3.00%-5.5%**	**4,296,703**	4.5%-5.5%	3,674,474
Borrowings	5.32%-7.75%	33,064,608	6.25%-7.75%	35,282,555

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

27. Financial instruments (continued)

Fair values

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

	2009		2008	
	Carrying amount	***Fair values***	***Carrying amount***	***Fair values***
Investment securities	**4,296,703**	**4,296,703**	3,674,474	3,674,474
Trade and other receivables	**13,482,127**	**13,482,127**	12,908,861	12,908,861
Cash and cash equivalents	**4,784,669**	**4,784,669**	5,630,813	5,630,813
Borrowings	**(33,064,608)**	**(33,064,608)**	(35,282,555)	(35,282,555)
Trade and other payables	**(5,330,585)**	**(5,330,585)**	(3,770,735)	(3,770,735)
Bank overdraft	**(772,221)**	**(772,221)**	(3,585,738)	(3,585,738)
	(16,603,915)	**(16,603,915)**	**(20,424,880)**	**(20,424,880)**

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.

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2009 and 2008. These transactions were conducted at market rates, or commercial terms and conditions.

	2009	2008
Directors' fees	**375,821**	305,974
Pension expense - defined benefit plan	**503,382**	113,100
Benefits to executive officers	**1,590,880**	1,388,589
	2,470,083	1,807,663
Revenues from the Government of Anguilla	**9,117,361**	8,416,572
Amount paid to the Government of Anguilla for the environmental levy	**3,804,231**	**3,653,080**

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

28. Related party transactions (continued)

The Company has entered into the following related party transactions:

a. The Government of Anguilla, excluding Government's usage, effective 15 April 2009. The amount payable to the Government of Anguilla as of 31 December 2009 amounted to EC$ 327,968 (2008: EC$ 285,723).

b. Trade receivables from the Government of Anguilla is EC$ 4,262,838 (2008: EC$ 2,279,266).

c. License fees paid to the Government of Anguilla is EC$ 500,000 for 2009 and 2008.

d. Import duties paid to the Government of Anguilla is EC$ 2,403,911 (2008: EC$ 2,691,791)

e The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (03SFR ANG) 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$ 7,813,052 (2008: EC$ 8,382,962) (see Note 14).

g. The Company has an overdraft facility with a limit of EC$3.2 million with the National Bank of Anguilla Limited with an interest rate of 9.2% per annum. The Company also has a loan of EC$ 7,511,565 (2008: EC$ 7,511,565) with the said bank.

29. Commitments

During the current year, the directors have approved approximately EC$ 12,257,557 (2008: EC$ 16,949,070) for capital expenditure. The Company under spent by EC$ 1,935,189 for capital expenditures during 2009. In February 2010, the directors approved a capital expenditure budget of EC$ 8,071,650.

On 1 March 2010, the Company also entered into a gas and oil supply contract with Sol St. Lucia Ltd. commencing on that day until 28 February 2013.

30. 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 was 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 statement of financial position in the prior year. The full and final payment was made on 30 September, 2009.

31. 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.

December 31, 2009 (With Comparative Figures for 2008)
Expressed in Eastern Caribbean Dollars (EC$)

31. Self insurance fund (continued)

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

	Notes	2009	2008
Balance at beginning of year		**2,148,803**	1,368,517
Additional provision for year		**769,579**	780,286
Withdrawals to pay Hurricane Omar expenses	19	(**277,748**)	-
Balance at end of year	**8**	**2,640,634**	**2,148,803**

This consists of fixed deposit with a local bank (see Note 8).

32. 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.

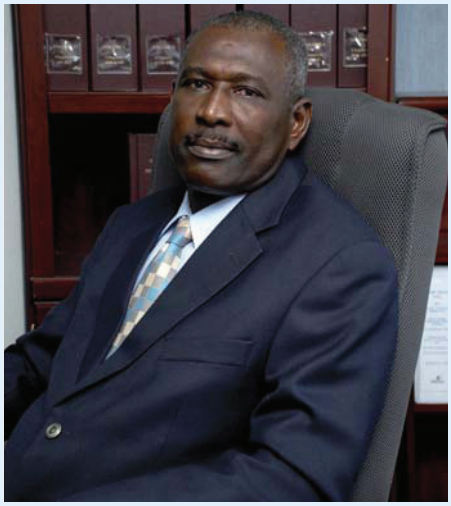
33. Operating lease

On 6 November, 2009, the Company renewed its lease with the lessee for another two years with an option to renew for another year. Monthly rent is EC$8,500 commencing November 2009 (2008: $8,000). Total rent expense in 2009 included in "Administrative expenses" (Note 21) in the statement of income is EC$97,000 (2008: EC$96,000). The lease agreement does not provide for any escalation of rent during the lease term.

34. Subsequent events

On April 27, 2010, the Government of Anguilla and the Anguilla Social Security Board (holder of 40% and 16% of the Company's issued shares, respectively) requisitioned the Directors of the Company to call a special meeting of the Shareholders of the Company with the intention of replacing 8 of the 9 existing Directors. As of the date of issuance of these financial statements, such meeting had not been held.

BOARD OF DIRECTORS

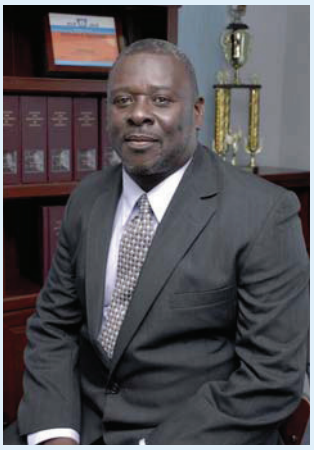


Rodney Rey,
Chairman

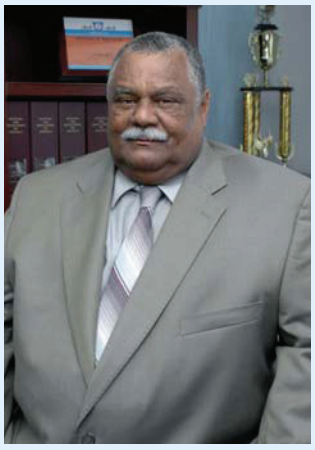
Fritz Smith,
Vice-Chairman

Ambrose Richardson

Dorice Fleming



Monsell Lloyd



Kent Webster

Gareth Hodge

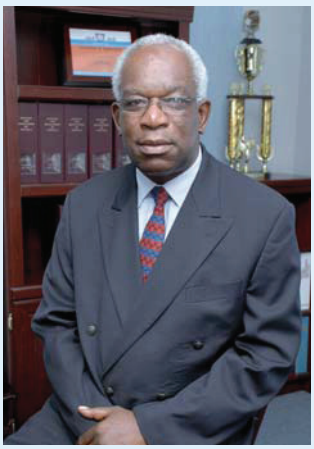
Kenn Banks

Harold Ruan

DIVISIONAL MANAGERS

Thomas Hodge,
General Manager

Michael Nation,
Chief Engineer



Erville Hughes,
Chief Corporate Officer

David Gumbs,
Chief Financial Officer

Elvin Richardson,
Information Technology Officer

Erimel Franklin,
Human Resource Officer

Ivor Ible, Transmission
and Distribution Superintendent

Sylvan Brooks,
Electrical Engineer

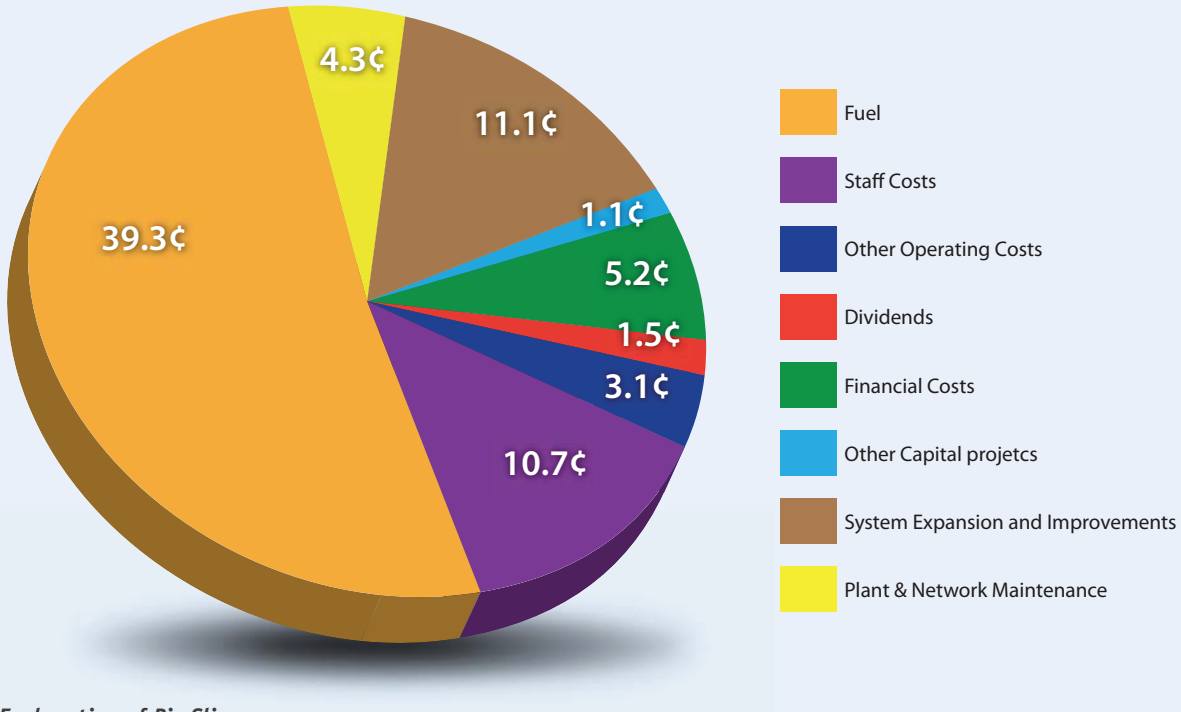
Maureen Woodley,
Accountant

Damien Lloyd,
Mechanical Engineer (Ag)

Steve Hodge,
Logistical and Supplies Engineer

2009 EXPENDITURE

(per kwh sold)



Explanation of Pie Slices

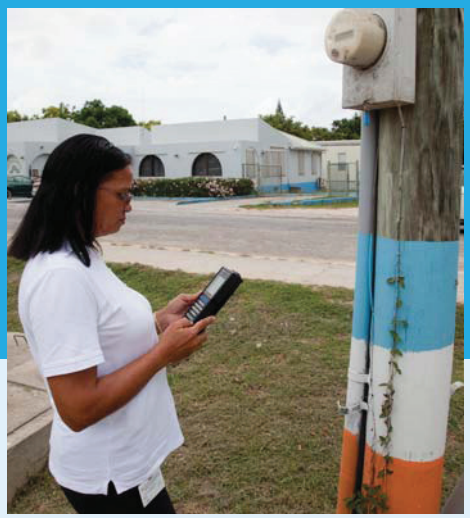
Staff Costs:	Salaries & Wages, Pension & Health Benefits, Allowances etc
Fuel:	Diesel Fuel for electricity generation
Plant & Network Maintenance:	Replacement poles, Generator maintenance etc
System Expanation and Improvements:	New Generating Plant, New Transmission Feeders, Modernization etc
Other Capital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

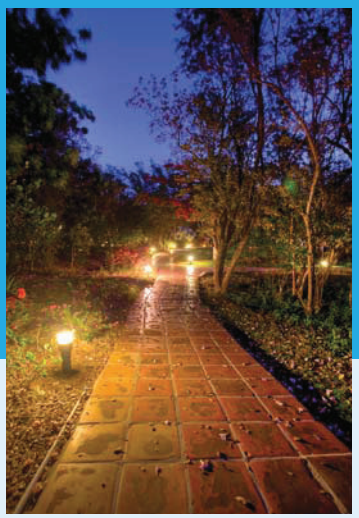
Source Data

KWH Sold in 2009 79,917,678

Expenditure in 2009 (EC Dollars)		EC Dollars	Cents per KWH
Staff Costs		8,546,551	(10,7 cents)
Fuel		31,401,719	(39,3 cents)
Plant & Network Maintenance		3,472,452	(4,3 cents)
System Expansion and Improvements		8,864,600	(11,1 cents)
Other Capital Projects	841,498	(1,1 cents)	
Financial Costs		4,194,803	(5,2 cents)
Dividends		1,218,203	(1,5 cents)
Other Operating Costs (net)		2,512,203	(3,1 cents)
Total 2009 Expenditure		**61,051,972**	**(76,4 cents)**

PHOTO GALLERY





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Annual Report 2009

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