Anguilla Electricity Company Limited

Annual Report 2010

Anglec

Giving Power to the People

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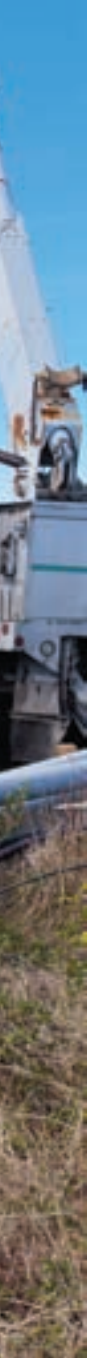
Chairman's Message

RODNEY REY, CHAIRMAN



ANGLEC experienced significant challenges in 2010. The impact of Hurricane Earl proved to be a major setback for the company, but that was in no way comparable to the effect of consistently high fuel prices in a floundering global economy. Fuel efficiency showed a slight increase due to the efficiencies gained by the acquisition and operation of the 5.2MW Wartsila generating set. However, despite the increase in fuel efficiency, fuel consumption increased due to an 8% increase in overall production. While the demand for electricity in some sectors decreased, the overall units sold increased slightly in 2010 and this was due in large to the opening of another major resort on the island.

On the 30th August, the eye of Hurricane Earl, a category 3 storm passed over Anguilla, leaving much devastation in its wake. The company experienced island wide damage and operations were disrupted for several days. The northern and eastern ends of the Transmission and Distribution network suffered severe damage with the most of the damage resulting from broken or collapsed poles. The company also sustained damage to the power plant, communications infrastructure and administration buildings. Restoration was particularly complex as several weather systems were still in the vicinity of Anguilla. Within two days, the company opened its doors for business, with power restored to roughly 60% of the island. Four days following the passing of Hurricane Earl, electricity was restored to 95% of the island. It was through the resolve and the diligent efforts of the ANGLEC staff that the company was able to rebound as quickly as it did, and I applaud the ANGLEC team for their efforts. The restoration costs for the hurricane totaled EC$660,000, distributed as follows: Transmission and Distribution material at EC$295,000; Labour & Support Services - EC$310,000; and Plant & Building repairs - EC$55,000.

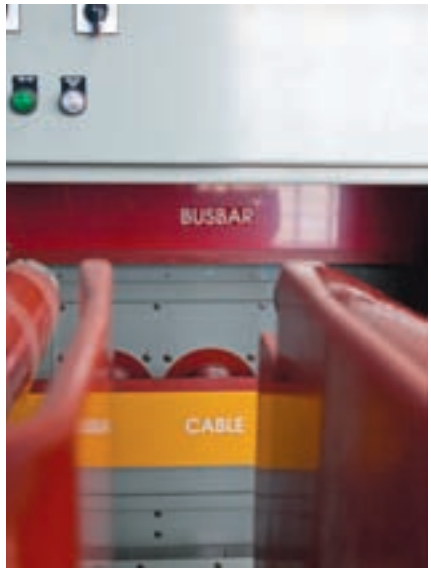
The management of the fuel cost recovery mechanism (or the fuel surcharge) was the company's biggest challenge. Although the utility's fuel costs are fully recoverable through the application of the fuel surcharge, the Board was sensitive to the overall economic situation in Anguilla, and was very aware of the impact of increased electricity prices on Anguilla's economy. This was a constant up-hill battle in 2010 which resulted in over EC$4.8 million dollars being absorbed by the company. This was by far the highest absorption rate experience in any one year throughout the Company's history. The total amount absorbed in 2010 exceeded all previous years combined. As a consequence, ANGLEC's net profit and earnings per share was reduced by 43% from the prior year.

With the commissioning of additional facilities at Viceroy Resort in West End, electricity demand on the heavily loaded West Feeder was expected to reach unsuitable levels before July 2010. Because the Western Transmission Line was expected to be completed by the end of 2010, the technical team implemented provisional measures to ensure that the West Feeder was not overloaded prior to the commissioning date.

CHAIRMAN'S MESSAGE

With improvements in renewable energy technologies, a brighter and cleaner future is ahead. The integration of renewable energy into ANGLEC's system forms an integral part of the company's overall strategic direction. We are aware that rising fuel costs and better renewable energy technologies are helping to increase an awareness of the issue and its possibilities. In a number of ways, 2010 was a very significant year for the advancement of ANGLEC's strategy toward renewable energy integration. The need to address the current legislative framework came into sharp focus in 2010. Changes to the Electricity Act are necessary to ensure that the electricity tariff mechanism is equitable for both renewable energy users and the utility. Legislative changes are also required to enable renewable energy independent power producers (IPPs) to operate in conjunction with the utility. To this end, our General Manager and Chief Financial Officer attended several regional workshops on regulatory reform and change, and in May of 2010, ANGLEC retained a consultant to conduct a review of engineering, safety, legislative and economic factors, which will assist ANGLEC in modernizing its renewable energy policy. Through the Energy Committee, ANGLEC has already begun to engage a broad cross section of stakeholders (including government, customers and environmentalists) on the issue.

Several initiatives were undertaken in 2010 to improve the efficiency of operations. Among these was a Vehicle Management System (VMS) that was spearheaded by ANGLEC's Information Technology section. The system which was deployed in November uses GPS technology to collect a variety of vehicle activity and location data, and would enable the service fleet to be used more efficiently. The system also provides a natural incentive for moderate and safe driving; and also has the capability to provide detailed vehicle utilization reports. As a significant portion of ANGLEC's operational costs are attributed to the operation and maintenance of its vehicle



CHAIRMAN'S MESSAGE

fleet, we expect to receive a substantial return on this programme through reduced fleet operating costs.

Last year it was reported that ANGLEC was in the initial stages of producing a concept for a new administration building. We are now happy to report that the design was completed and received approval from the Department of Physical Planning. The process for the newly redesigned administration building is now well underway, with the ground-breaking for the administration building slated for the third quarter of 2011.

ANGLEC continues to focus on customers. We know that a successful business values its customers highly and endeavors to continuously improve its quality of service. In 2010 we were put to the test. In the midst of rising fuel prices and a depressed economy, our customers saw the hardship of meeting the rising cost of electricity. ANGLEC responded with an improved customer relations drive through media attention, conservation campaigns and customer-focused initiatives based on customer surveys. As the need to continuously improve customer service places growing demands on our Customer Care section, we made changes to our operations where necessary. Some of the changes made were the implementation of a "No Disconnection on Friday" policy in June, and the internal appointment of a new Senior Customer Care Clerk. Also in that month, ANGLEC redesigned the role of the Consumer Services section, expanding the scope and responsibilities of the section, which is now headed by an engineer.

ANGLEC remained firm in its commitment to the local community. Among other areas, the company continued to invest in Education and Sports programs for the youth of Anguilla. Two of those programs were the Horizons Scholarship and the National Primary School Award. Under the Horizons Scholarship, the company offered assistance to thirty underprivileged children in primary schools across Anguilla. The National Primary School Awards honors students who attained academic excellence in the 2010 Test of Standards.

As we move into 2011, we foresee that the state of the local economy will continue to have a marked impact on ANGLEC's financial performance. However, we are confident that ANGLEC operates in an island that will return to economic growth. Our optimism, and the fact that ANGLEC is blessed with some of the most committed employees, we feel confident in reporting that ANGLEC's future remains bright.

I must thank my fellow Board members for their support in 2010, and on behalf of the entire Board of Directors, I extend thanks to the management and staff of ANGLEC for their hard work in 2010 for without them, ANGLEC's accomplishments would not have been possible.

Rodney Rey,
Chairman

Building a Customer Service Culture through Training and Enhanced Communication

THE RESULTS OF OUR BUSINESS MUST BE A SATISFIED CUSTOMER

The ANGLEC Customer Service team launched an initiative to build a stronger customer service culture. The team engaged in several "moments of truth" workshops to better understand the customer service level the Company provides. To better understand good customer service, the team developed a detailed flow chart of the existing customer experience and the service process. At each junction or at each moment of truth, team members were asked to question themselves and the level of service the Company provides. By doing so, the team was able to find little "moments of truth" that defined the quality of service each moment we touched or interfaced with a Customer. To enhance our ability to satisfy our customers, the team targeted various points that would be addressed over the next year. Some of those points included providing a water cooler in the lobby for customers, beautifying the customer area, being more attentive to customer needs, going the extra mile and being more empathetic when interacting with customers.

It is our goal to build on this model in 2011 and follow-through with various hands-on workshops to ensure the "moment of truth" for each interaction with a customer is a positive and enjoyable experience.

During 2010, as the Western Transmission Line Project came into its final stages, it became necessary to increase the volume of Company forced outages to facilitate the network expansion. To help alleviate the impact on our customers, ANGLEC supplemented the use of available local media with the use of the world-wide-web and Google. Through the use of Google Calendar on the ANGLEC website, planned outages are communicated in real time. As maintenance is scheduled by the transmission and distribution teams for building lines, tree trimming and other system upgrades, customers registered for the service are promptly notified on company's website www.anglec.com, Google Calendar and through email notifications. This helps to alleviate the impact on customers by enabling them to plan around the outage.

Since 2008, fuel prices have remained increasingly unpredictable and have continued to be one of ANGLEC's highest concerns Higher fuel prices impact on our customers through higher tariffs and its impact on operations. To ensure that timely and accurate information was communicated directly to our customers, ANGLEC developed a Monthly Fuel Price Report to be published in local news papers. This report is published to ensure that customers are equipped with information such as the mean Caribbean fuel postings and the regional electricity tariffs. By having access to this information, customers can better understand the fluctuating price of fuel, its impact on their monthly bills and what is happening regionally and internationally. We believe that a better informed customer is a more empowered and satisfied customer.

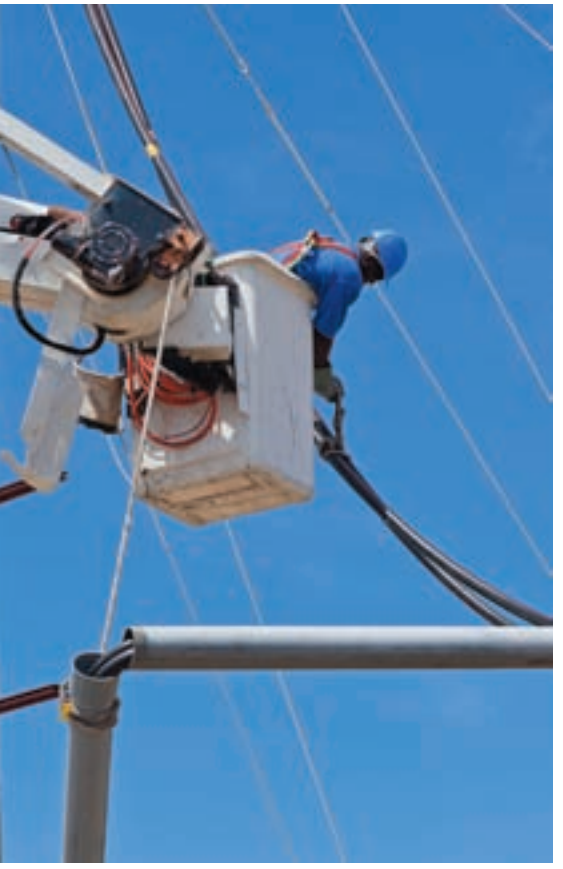
Each year ANGLEC participates in the All Hazard Risks and Safety Fair and 2010 was no different. As a gold sponsor, ANGLEC used the opportunity to inform customers of various safety hazards and how to mitigate and prevent risk to property and life. The information communicated included awareness of various utility safety matters, hurricane awareness, electricity conservation, electrical connections and line safety. We hope that by creating a better informed customer we will minimize accidents and outages.

In addition to the various communication and customer service initiatives highlighted above, ANGLEC created a Facebook page to establish a presence in the social communication and marketing arena. This was done in an effort to enhance public relations, provide customers with updates and inform the general public on developments within the company. By joining the ANGLEC Facebook page, customers would be able to connect with ANGLEC and access information at their convenience. Additionally, ANGLEC would be able to communicate directly with customers. This direct communication medium ensures that accurate and timely information is provided directly to its customer base.

In 2011, ANGLEC will continue to build upon the platforms it created over the years to ensure that our customer experience is positive and enjoyable.

Information Technology at work

INNOVATION IS THE CENTRAL ISSUE IN PROSPERITY – MICHAEL PORTER



Over the past year, innovative uses of technology have provided powerful tools to transform the way the Information Technology Department was able to deliver services to our valuable customers and employees. The Information Technology Department activities for the year 2010 centred on the following:

i. Connectivity : To maintain a focus on reliability

ii. Innovation: To increase support for the use of technology to be unleashed across the Information Technology Infrastructure

iii. Transformation: To implement scale up technological support to our customers and employees

The Information Technology Department has always looked for innovative ways to facilitate the use of technology services to transform the customer service experience. During the month of February, the Information Technology Department and the Customer Care Department introduced a customer calling system for the company. This system has several technological benefits including the ability to generate automated disconnection notices to our customers. This automated system provided ANGLEC with an opportunity to improve its customer relations.

In order to better serve its valuable customers, a Help Desk solution was purchased during the latter part of the year. The benefit of the Help Desk Solution was a two pronged approach. Firstly, it was an information and assistance resource that has trouble shooting capabilities with computers or similar products. Secondly, it is an in house help desk which is geared toward providing the same kind of help for employees. Overall, the platform was utilized to facilitate knowledge exchanges between ANGLEC, its customers and employees.

Other activities for the year included the implementation of Clevest Solution which was used to transform our utility's field resources into an optimized, real time service and incident response time with its tracking and remote work order services. The Employee Identification system was also introduced. This project was carried out in conjunction with the Human Resources Department.

The IT department continues to strive to ensure its Information Technology infrastructure is reliable. With the exception of the hurricane season, the servers were up over 98% of the year. The IBM 15 series was upgraded to V6R1 operating system. Additionally, the infrastructure was strengthened by adding hard drive space and memory for future growth.

In conjunction with the Human resources Department, The Information Technology Department developed the "Anglec Intranet Community." The objective of this forum is to publicize events, notices, pictures and other pertinent information to employees. The intranet platform will facilitate knowledge between ANGLEC and its employees.

2010 activities were aimed to improve the delivery and quality of ANGLEC's Information Technology Infrastructure by leveraging innovation, transformation and connectivity.

Anglec in the Community

A COMMUNITY IS LIKE A SHIP, EVERYONE OUGHT TO BE PREPARED TO TAKE THE HELM – HENRIK IBSEN

ANGLEC views its commitment to the community as paramount to its success as a company. Assisting in the development of Anguilla can be done through financial support as well as educational support. In that respect, ANGLEC continues to support the Albena Lake Hodge Comprehensive School's summer job placement programme. In 2010, the company took five student interns and trained them in various aspects of ANGLEC's operations; the sectors in which they were placed included Administration, Generation and Transmission & Distribution.

Class Four of the Alwyn Allison Primary School visited Anglec's Administration and Generation Departments on the 12th May 2010. The objective of the exercise was to expose the students to the usage of Information Technology throughout the company. The fourth graders were able to see firsthand the Information Technology Department, the way servers communicate with each other, the use of fiber technology in the communicating of two compounds, the production and distribution of bills and the operations of our engine in our Generation Department.

Photo by DR

In 2010, ANGLEC donated over EC$140,000 in various community programs.

In 2010, the company donated US$3,500 worth of state-of-the-art grounding equipment to the Department of Physical Planning. ANGLEC also donated to Sunshine Theatre Company, Anguilla Chamber of Commerce, Anguilla Hotel & Tourism Association, Club Scouts of Anguilla, Jamida Webster Fund, From Within Dance, Cedar Ville Sports Club, the Cella Band, Bethel Methodist Church, Ms. Venus Model, AXA Library Services, WISE, Athletics Club, St. Mary's Pre-School, Malliouhana Poetry Competition, Anguilla Girl Guides, the Haiti Disaster Relief Fund and the John T Memorial Bicycle Race.

ANGLEC also displayed its support to the development of Anguilla by providing sponsorship for two carnival events: The Opening Night and The Champion of Champions Boat Race. Regional Music Network TEMPO also displayed the "ANGLEC Presents TEMPO" programme which featured highlights of Anguilla's 2010 Summer Festival.

ANGLEC is very pleased with its contribution to the community groups and youth of the island. The company continues to support young people and other worthy causes in Anguilla.

Human Resource Development

OUR EMPLOYEES ARE OUR GREATEST ASSET

ANGLEC recognizes that recruitment and retention of good employees are keys to any successful organization. This year our focus was on talent management which was worked into our strategy and implemented in daily processes throughout the company as a whole. Our focus on developing our talent integrated plans and process to track and manage our employee talent included performance management, leadership development, training and development and recruiting.

The mindset of developing our talent seeks not only to hire the qualified and valuable employees but also to put a strong emphasis on developing our talent. 2010 saw the introduction of a Job rotation programme in the Transmission and Distribution Department. Employees from Technical Services, lines crew and trouble call were exposed to various functions in each section in the department. The objective was to allow participating staff to gain more understanding and appreciation of the various functions within each section.

In keeping with our commitment to developing our talent to enhance organizational performance and employee productivity, ninety percent of ANGLEC employees were exposed to some training initiative for the year. Approximately twenty different courses were offered to our employees. Some of the courses included Productivity and ethics workshops, Inventory and Control Techniques, Principles of Hydraulics, Power Plant Operators and Emotional Intelligence Workshops.

In order for a business to be successful employees must be able to work together as a team, which necessitates the development of effective teamwork skills. On Thursday July 1st 2010, ANGLEC held its second Annual Employee Retreat at the Teacher's Resource Centre and the Anguilla Great House. The latter part of this retreat included several teambuilding exercises.

The teambuilding exercises were intended to be an avenue to foster and sustain stronger relationships among our staff. High levels of determination, strategy and cooperation were displayed when the five teams competed against each other.

At ANGLEC, we sought to place a heavy emphasis on teamwork as employees who are good "team players" are valuable assets to any organization that strives to be successful. Our record success in the restoration process following Hurricane Earl was attributed not only to preparation but also to our employees' team work skills.

Our employees also showed great compassion and generosity for their neighbours in Haiti following the catastrophic earthquake there. In addition to the company's contribution, some of ANGLEC's employees and Board of Directors donated a portion of their salaries to the worthwhile cause.

In 2010, ANGLEC continued to place emphasis on recruiting, developing and retaining a high performance workforce in order to maximize individual and organizational potential.

Improving Efficiency

ANGLEC knows that the improvement of efficiency in operations will benefit the customer most. It is with this in mind that the company strives to look for new methods of improving the efficiency of electricity in Anguilla. In 2010, the HV (34.5kV & 13.8kV) cable pulling for the substations was completed in Corito and West End. The activity over the period focused largely on the termination of the cables and the testing of the same. The ANGLEC sponsored training on the new 34.5kV cables proved to be very valuable as the majority of the cables were terminated using ANGLEC's in-house personnel. Local contractors also benefitted from the training provided. When the substations are commissioned our customers at the western end of the island will see dramatic improvements in their electricity supply.

One of the focuses of the generation department is to continuously produce power as efficiently as possible. To do this, proper maintenance of our equipment is mandatory. Engine efficiency decreases over time due to mechanical wear of the parts, so routine overhauls are needed to ensure generating optimization is achieved. In addition, the majority of our generating capacity is produced by the most efficient engines, reducing our fuel consumption as much as possible and thus fuel cost which ultimately translates to lower fuel prices to the consumer. As such, monitoring engine performance becomes paramount. We carefully monitor all of our generators to maximize availability and to properly schedule maintenance of the same.

Vehicle Maintenance Department Restructured

The maintenance of ANGLEC's vehicle fleet is a critical component of company operations, and a significant cost center. During the course of 2010, the Garage Section (responsible for the maintenance of ANGLEC's vehicle fleet) has undergone some major changes with a view to improving operations while reducing costs. This included a total change in the personnel and structure.

Some of these changes included: The sale of aging vehicles, and the purchase of two vehicles (one shuttle pick-up and a bucket truck for the Lines operations);

The implementation of improved maintenance schedules and check sheets for vehicles; Increased routine maintenance for the early detection of potential problems; Additional training of the Mechanics in the areas of Diesel Engine maintenance, Hydraulics, and diagnostic procedures.

Following these changes, the company has seen marked improvements. Vehicle maintenance and repair has improved significantly improving the availability of vehicles.

The benefits were very evident during the Hurricane Earl Restoration, where these types of exercises typically result in an increase in vehicle/equipment breakdowns as they work longer hours under harsh conditions. The Garage supported the field crews well, in keeping the vehicles operational. The Garage played an important role in the success of the hurricane restoration. Without a good availability of vehicles, operations would have been seriously hampered.

Struck by a Hurricane

REPORT ON ANGLEC'S EXPERIENCE IN THE WAKE OF HURRICANE EARL

Photo by Josweek Huligar

On the 30th of August 2010, Anguilla was hit by a category 3 hurricane – the largest storm to pass over Anguilla in twelve years. On the night before the hurricane (29th of August), the strong winds started in Anguilla. For the safety of customers and personnel, the Corito power plant was shut down at about 3:00am on Monday, 30th of August. Three hours later, the storm seemed to be at its strongest (at around 6am). The winds remained throughout the day, with the effects subsiding by midday. An "all clear" was issued to the public by the Department of Disaster Management at approximately 7:00pm.

Although it was almost nightfall, some ANGLEC technicians managed to get a damage assessment done. The assessment revealed that the north and eastern ends of the island suffered most damage with the majority of that damage stemming from collapsed or broken poles. For the most part, ANGLEC's buildings remained in tact (only with slight water damage) with the most significant damage being at the company's stores building at the Corito compound. The majority of the MV/HV network remained in tact and about 90% of LV conductors were in tact. Apart from damage to an exhaust stack of an older Mirrlees unit, the Power Plant did not sustain significant damage. ANGLEC's main radio communications repeater was inoperable after the antenna (mounted on commercial "shared-use" infrastructure) fell in the storm. Many cellular communications towers (affecting operations comms) were also damaged.

Restoration began within 12 hours after the "all clear" was issued – i.e., on the morning of Tuesday, 31st of August. However, restoration was not typical as while in the process, the company was under a storm warning for another hurricane that was lurking in the area – a system named "Fiona" closely followed Hurricane Earl. Employees and contractors were especially meticulous in clearing branches and debris in the vicinity in preparation for the real possibility of another hurricane strike. Reduced communications was been a real challenge for ANGLEC throughout the restoration exercise.

ANGLEC's offices were open for normal business on the second day of restoration, and by the end of third night, ANGLEC had about 70% of its customers restored with electricity. About 95% of the island was restored by the end of the fourth day.

In the following week, the remaining work was primarily in outstanding trouble calls and special areas of concern.

The financial impact of hurricane Earl was approximately $650,000 EC dollars, the majority of which was covered by ANGLEC's self-insurance fund.

Advances Made in Renewable Energy

ANGLEC is very cognizant of the global energy crisis which is beginning to become more eminent. Even the most optimistic fossil fuel forecasts predict about 10 years until a decline in global oil reserves such as diesel and gasoline. ANGLEC recognizes the need to turn away from these finite resources and embrace the changing energy balance which is shifting more and more towards renewable energy. Renewable Energy (R.E) is energy created from natural sources such as tides, rivers, sunlight, wind, and geothermal heat. These energy sources typically do not require combustion of fuels and they do not create significant emissions and pollutants which is also a direct benefit of the environment in Anguilla. In spite of these positive attributes, these renewable energy sources account for a mere 5% of global energy consumption. However, the renewable energy market has seen its most aggressive growth in the last ten years.

Anguilla does not have the resources to develop geothermal energy or hydroelectricity, but ANGLEC has been actively researching the ability to bring Wind and Solar powered energy to the island. While these energy sources are uncontrollable and unpredictable, ANGLEC is confident that a suitable balance between fossil fuel use and renewable energy can be reached for the island. Interconnection of these sources with ANGLEC's existing system will require careful planning and design, especially considering Anguilla's relatively small electrical system as design errors are less forgiving in smaller systems. As the sole supplier of electricity on Anguilla, issues of system stability and reliability are on the forefront of our minds.

ANGLEC has made advances in the studies which will resolve all of the important issues. The company is approaching this monumental change with an optimistic approach and does not consider the technical issues impossible to solve. As testimony to this fact, ANGLEC has already laid the infrastructure to accommodate alternate sources of energy.

We have recently installed a "Renewable Energy Incoming" circuit at the Corito Substation. This "Incomer" will allow the integration of ANGLEC's conventional diesel energy with a large-scale renewable energy source when a renewable energy source is commissioned. With growing concern for the environment, and how it is affected by pollution, including carbon emissions, ANGLEC welcomes the concept of renewable energy very seriously.

Strategy for success - Improving the T&D Network

The reliability of ANGLEC's Transmission and Distribution (T&D) network is a key component of the company's success. In Anguilla's corrosive environment, a well maintained T&D system is vital to achieve high levels of service reliability and efficiency. In 2010, ANGLEC completed several initiatives and projects that would help to increase the performance of the T&D network.

Fault detection is a challenge for utilities as faults vary in nature, and a significant amount time is spent in determining the location of the fault. In 2010, the T&D Department enhanced its fault detecting capabilities through the installation of Fault Circuit Indicators (FCI) on its overhead transmission lines. These FCIs will complement existing fault detection equipment at the Power Station. When network faults occur (such as downed lines due to weather or vehicle accidents), these indicators point emergency personal directly to the location of the fault. This results in much faster fault detection. Customers will benefit from this new Technology with quicker response times and faster restoration of service after an outage. During a forced power outage the public may observe the flashing indicators on the line. These indicators flash for a set period of time until the fault is cleared or isolated.

When the T&D network is expanded, it is important that new construction is done at the highest possible standards. This ensures that the network is continuously strengthened to resist the increasing threat of hurricanes. In this regard, several design and construction standards were improved in the T&D Department. Over the years, ANGLEC has increased standards in areas such as:

- Stainless steel enclosure requirement for distribution transformers;
- Increased the height specification on High Voltage and Low voltage poles;
- Improved the standard for preparing pole holes

To better administer ANGLEC's network construction, the company created a Capital Works Section within the T&D Department. This required that personnel be transferred from the existing Technical Section, and fully dedicated under the new Capital Works Section. The object of the Capital Works Section is to enable those staff to focus on Capital work jobs for new line construction. These jobs have proven to be more time consuming. With this targeted approach capital works jobs can now be completed in a quicker time thereby improving response times to our customers for new line construction. The Capital Works Section is also mandated to target important maintenance and upgrades of lines.

Operating Highlights

SUMMARY OF COMPANY PERFORMANCE

Revenues

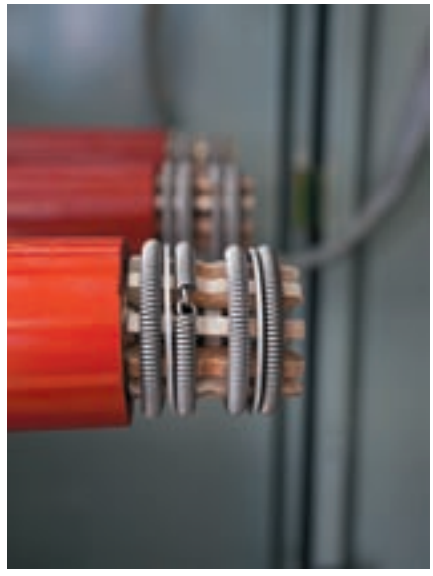
Total revenues for 2010, including fuel surcharge, increased to EC$69.23 million. This represents a 10.7% increase over the previous year's earnings of EC$62.56 million. This increase can be attributed to growth in demand throughout all sectors and the opening of a major resort on the island in late 2009. The average fuel surcharge rate increased from $0.18 per kWh in 2009 to $0.20 per kWh in 2010 due to the increase in fuel prices throughout 2010.

Operating Costs

Since 2008, the cost of fuel has remained a significant challenge for ANGLEC. The continued rise in fuel prices in 2010 created a significant challenge for the Company and its customers. The Company maintained a delicate balance of absorbing a significant portion of the increases while passing same of the increased cost to consumers through fuel surcharge increases.

For the 2010 fiscal year, the fuel surcharge expenses accounted for roughly 32.3% of gross revenues and 38.6% of operating costs compared to 22.0% and 22.0%, respectively, for the previous year. Total operating costs for the year including depreciation were EC$57.94 million compared to the previous year's figure of EC$45.94 million. Fuel cost, including fuel surcharge, for the year was EC$41.35 million compared to EC$31.40 million for the previous year.

Excluding fuel costs, Generation costs were 13.5% of revenues compared to 12.5%



of revenues in the previous year. Transmission and Distribution costs were 10.5% of revenues compared to 10.8% of revenues for the previous year. Administration and Consumer Services costs were 10.2% of revenues compared to 11.4% for the previous reporting year. Net Finance costs were 2.6% of revenues compared to 2.7% for the prior year.

Trading Profits

Gross operating profit at EC$11.29 million decreased by 32.1% from the previous year's figure of EC$16.6 million. Net profit for the year at EC$5.98 million was 8.6% of sales compared to EC$10.45 or 16.7% in 2009. The 42.8% decrease in profits for the year can be attributed to higher absorption of the fuel costs by ANGLEC in 2010 compared to 2009. Throughout the year, efforts are made to balance the impact of increased the fuel prices 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 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 expenditures of EC$3.2 million were expended versus EC$10.3 million in the previous year. This decline was due to the substantial expansions done on the transmission and distribution systems in 2009 developing 2 substations for the western part of the island.

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

Plant and Machinery	EC$ 0.816
Furniture, Fixtures and Equipment	0.184
Buildings	1.905
Vehicles	0.106
Work-in-Progress	0.202
Total	EC$ 3.213

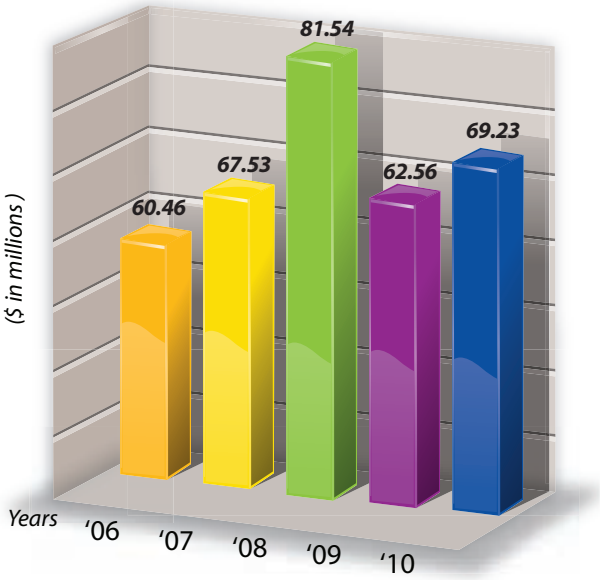
Earnings Per Share

Earnings per share at EC$0.51 decreased by EC$0.39 from EC$0.90 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 2010.

Generation

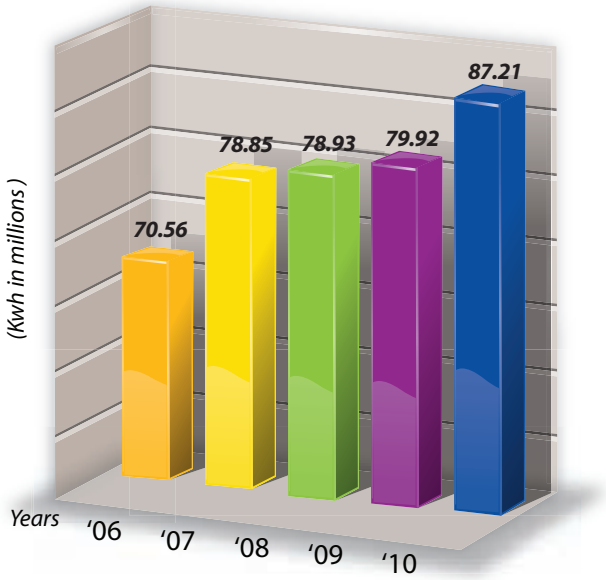
Operationally, the division met a new peak demand for electricity of 15.3 MW during December 2010 compared to 14.9 MW for the same period in 2009. Total units generated of 98.57 MW represents an 8.1% increase over 2009's of 91.22 MW. The increase in units generated is driven by the increased consumption across all economic sectors and the full on boarding of the Viceroy properties. Despite the increase in production, fuel efficiencies increased by 0.3%. This reflects the significant gains in efficiency by commissioning and utilizing the #15 Wartsila generator installed in 2009.

Operating Highlights



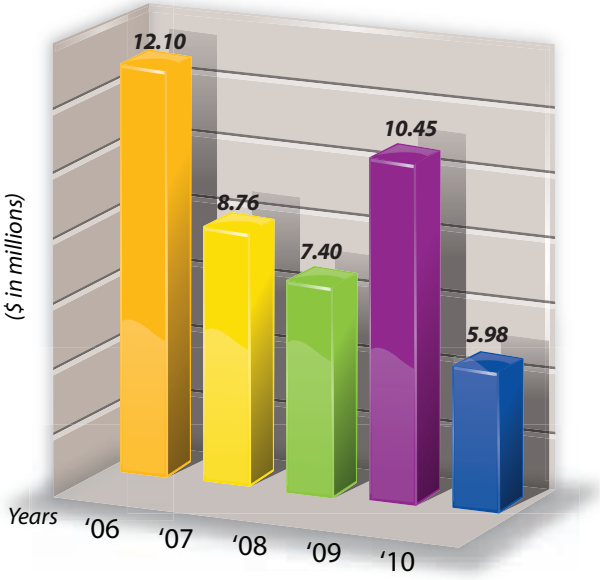
GROSS REVENUE (FROM 2006 TO 2010)

Gross revenues increased from $62.56 million in 2009 to $69.23 million in 2010. This increase is due to growth in demand during 2010 and a slightly higher fuel surcharge rate. Growth in demand was driven by the successful opening of a major resort on the island in addition to an increase in demand across all major economic sectors.



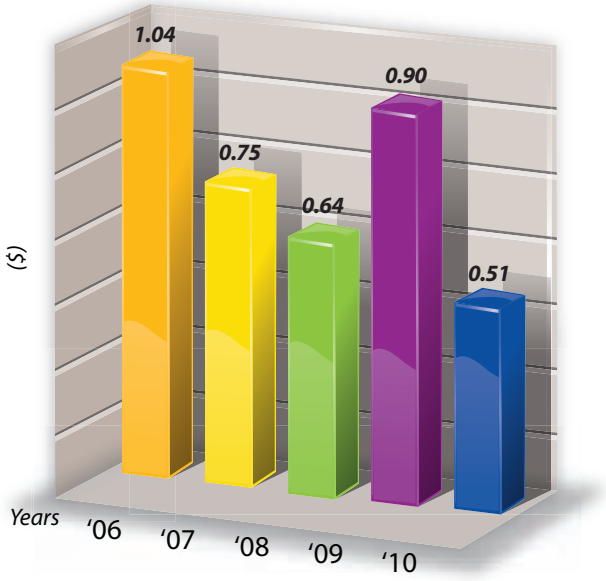
UNITS SOLD (FROM 2006 TO 2010)

Units sold increased from 79.92 million kWh to 87.21 million kWh due to growth in demand across all economic sectors and the successful opening of a major resort on the island.



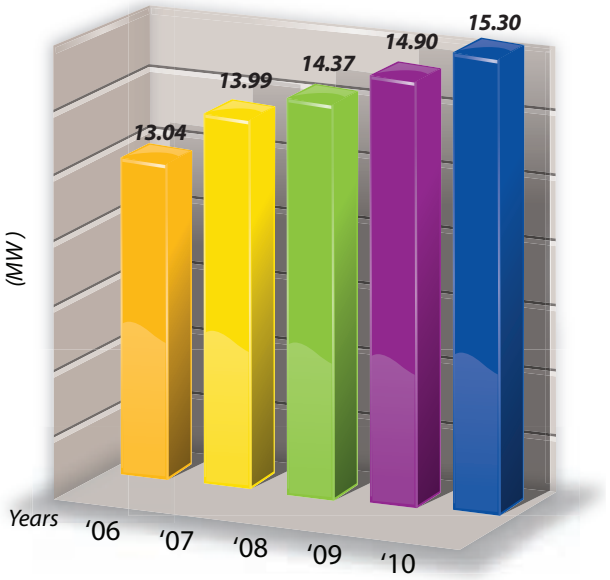
NET PROFIT (FROM 2006 TO 2010)

Net profit declined from $10.45 million to $5.98 million in 2010 due to the Company absorbing a significantly higher percentage of fuel price increases in 2010.



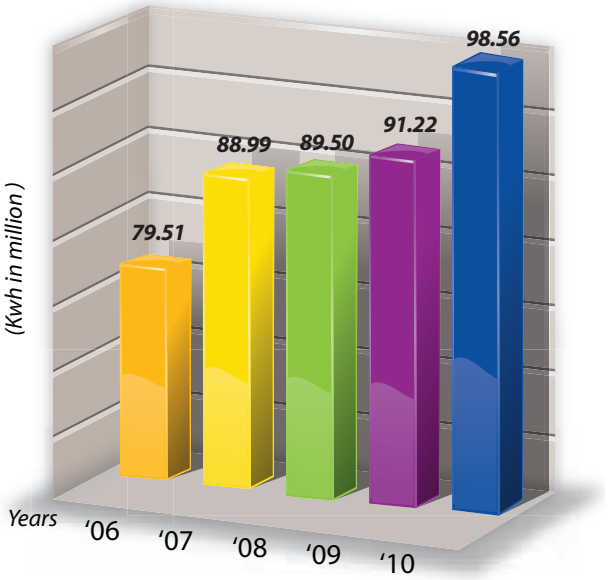
EARNINGS PER SHARE (FROM 2006 TO 2010)

Earnings per share declined from $0.90 in 2009 to $0.51 in 2010, a 43% decrease, due to the Company absorbing a larger percentage of fuel price increases in 2010.



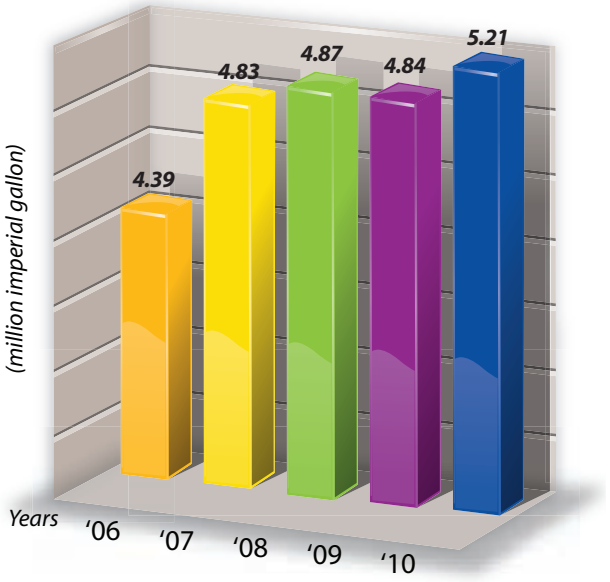
PEAK DEMAND (FROM 2006 TO 2010)

Peak demand increased from 14.90 MW in 2009 to 15.30 MW in 2010 due to the opening of a major resort and the continued growth across all sectors in 2010.



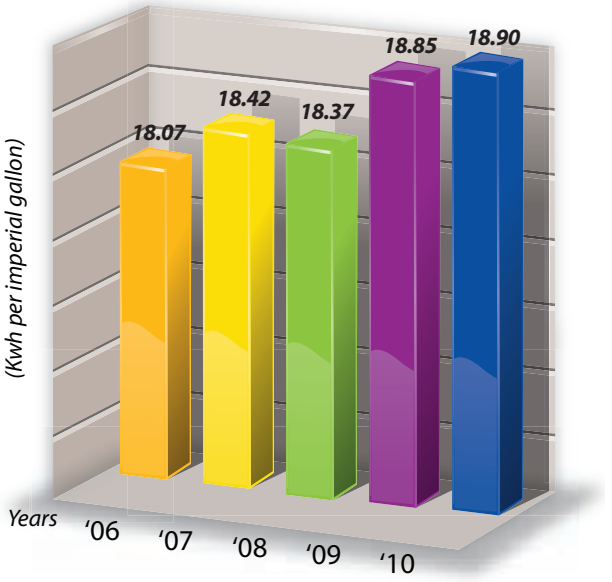
UNITS GENERATED (FROM 2006 TO 2010)

Units generated increased from 91.22 million kWh to 98.56 million kWh in 2010 due to growth in consumption across all economic sectors and the successful opening of a major resort on the island.



FUEL CONSUMED (FROM 2006 TO 2010)

Despite increases in fuel ef?ciency, fuel consumption grew from 4.84 million imperial gallons to 5.21 million imperial gallons due to the 8% increase in units generated.



FUEL EFFICIENCY (FROM 2006 TO 2010)

Fuel ef?ciency improved from 18.85 kWh to 18.90 kWh in 2010 due to the ef?ciencies gained by the operation of the newly added 5.2MW Wartsilla generating set.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Anguilla Electricity Company Limited

We have audited the accompanying financial statements of Anguilla Electricity Company Limited (the Company), which comprise the statement of financial position as at 31 December 2010, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLC

Chartered Accountants
20 April, 2011
The Valley, Anguilla, B.W. I

STATEMENT OF FINANCIAL POSITION

As at December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

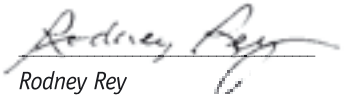
ASSETS

	Notes	2010	2009
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	**78,803,268**	80,826,564
Other assets	7	**153,872**	312,527
		78,957,140	81,139,091
CURRENT ASSETS			
Investment securities	8	**4,390,511**	4,296,703
Inventories, net	9	**5,379,262**	5,497,922
Trade and other receivables, net	10	**15,455,722**	13,482,127
Prepayments and other current assets	11	**576,040**	547,231
Cash and cash equivalents	12	**5,226,290**	4,784,669
		31,027,825	28,608,652
		109,984,965	**109,747,743**

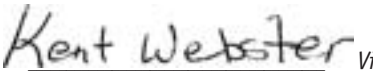
SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY			
Share capital	13	**14,536,147**	14,536,147
Retained earnings		**55,328,738**	50,512,348
		69,864,885	65,048,495
LONG-TERM LIABILITIES			
Borrowings, net of current portion	14	**25,553,343**	28,925,074
Contribution in aid of construction	15	**4,133,579**	3,620,054
		29,686,922	**32,545,128**
CURRENT LIABILITIES			
Borrowings, current portion	14	**4,022,275**	4,139,534
Customer deposits		**1,432,777**	1,911,780
Trade and other payables	16	**4,978,106**	5,330,585
Bank overdraft	12	**-**	772,221
		10,433,158	12,154,120
		109,984,965	**109,747,743**

These financial statements were approved on behalf of the Board of Directors on 20 April 2011 by the following:



Chairman
Rodney Rey



Vice Chairman
Kent Webster

The accompanying notes on pages 29 to 51 are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2010	2009
REVENUE			
Energy sales	17	**51,724,427**	48,021,097
Fuel surcharge recovered		**17,508,211**	14,536,186
		69,232,638	62,557,283
COST OF OPERATIONS			
Generation			
Fuel		**(18,984,460)**	(17,615,012)
Fuel surcharge		**(22,366,755)**	(13,786,707)
Other expenses	18	**(9,353,952)**	(7,790,350)
Transmission and distribution expenses	19	**(7,234,632)**	(6,745,063)
		(57,939,799)	(45,937,132)
GROSS OPERATING INCOME		**11,292,839**	16,620,151
OTHER INCOME	20	**3,591,019**	3,560,622
GROSS INCOME		**14,883,858**	**20,180,773**
OPERATING EXPENSES			
Administrative expenses	21	**(6,482,194)**	(6,566,130)
Consumer services	22	**(608,337)**	(591,262)
INCOME FROM OPERATIONS		**7,793,327**	**13,023,381**
OTHER EXPENSES			
Environmental levy	28	-	(862,593)
Finance cost		**(1,813,324)**	(1,706,735)
NET INCOME		**5,980,003**	**10,454,053**
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**5,980,003**	**10,454,053**
Additional disclosures:			
Earnings per share	25	**0.51**	0.90
Dividends per share	26	**0.10**	0.10

The accompanying notes on pages 29 to 51 are an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	Share capital	Retained earnings	Total
Balance as at 31 December 2008		14,536,147	41,221,910	55,758,057
Total comprehensive income		-	10,454,053	10,454,053
Dividends paid	26	-	(1,163,615)	(1,163,615)
Balance as at 31 December 2009		14,536,147	50,512,348	65,048,495
Total comprehensive income		-	5,980,003	5,980,003
Dividends paid	26	-	(1,163,613)	(1,163,613)
Balance as at 31 December 2010		14,536,147	55,328,738	69,864,885

The accompanying notes on pages 29 to 51 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**5,980,003**	10,454,053
Adjustments for:			
Depreciation	6	**5,236,284**	5,025,579
Interest expense		**1,813,324**	1,706,735
Write off of property, plant and equipment	18	-	348,850
Interest income	20	**(304,746)**	(260,454)
Recovery of allowance for doubtful accounts	20	**(53,258)**	(135,070)
Impairment losses	21	**16,476**	63,399
Write off of allowance for doubtful accounts	27	**(118,690)**	(55,461)
Provision for slow moving/obsolete inventories	9	**21,050**	-
Recovery of allowance for slow moving/obsolete inventories	9	-	-
Operating income before working capital changes		**12,590,443**	17,147,631
(Increase)/decrease in assets:			
Inventories	9	**97,610**	(124,874)
Trade and other receivables	10	**(1,622,329)**	(450,466)
Prepayments and other current assets	11	**(28,809)**	(237,248)
Other assets	7	**158,655**	380,527
Increase/(decrease) in liabilities:			
Customer deposits		**(479,003)**	28,772
Provision for claim settlement	30	**-**	(569,898)
Trade and other payables	16	**(215,591)**	696,671
Net cash provided by operating activities		**10,500,976**	16,871,115
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	6	**(3,212,988)**	(10,322,368)
Increase in investment securities	8	**(93,808)**	(622,229)
Interest received		**108,952**	311,709
Net cash used in investing activities		**(3,197,844)**	(10,632,888)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	14	**(18,282,375)**	(2,217,947)
Interest paid		**(1,950,212)**	(1,425,363)
Dividends paid	26	**(1,163,613)**	(581,808)
Revenue from contributions in aid of construction	15	**(521,246)**	(507,799)
Increase in contributions in aid of construction	15	**1,034,771**	462,063
Proceeds from borrowings	14	**14,793,385**	-
Net cash used in financing activities		**(6,089,290)**	(4,270,854)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,213,842**	1,967,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**12**	**4,012,448**	**2,045,075**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**12**	**5,226,290**	**4,012,448**

The accompanying notes on pages 29 to 51 are an integral part of the financial statements.

December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

1. Reporting entity

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

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on 20 April 2011.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

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

3. Summary of significant accounting policies

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

December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(a) Property, plant and equipment

i. Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "Other income" in the statement of comprehensive 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 comprehensive income as incurred.

iii. Depreciation

Depreciation is recognized in the statement of comprehenvise 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 re-assessed at each reporting date.

(b) Financial instruments

i. Non-derivative financial instruments

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

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

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

December 31, 2010
Expressed in Eastern Caribbean Dollars (EC$)

3. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

i. Non-derivative financial instruments (continued)

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

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

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

ii. Share capital

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

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

(c) Inventories

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

December 31, 2010
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 comprehensive income. An impairment is reversed if the reversal can be related objectively to an event occuring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of comprehensive 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 comprehensive 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 comprehensive income. Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Contributions in aid of construction

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

(f) Revenue

i. Sale of energy

Revenue from the sale of electricity is recognized in the statement of comprehensive 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 which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the succeeding year preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month.

December 31, 2010
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 comprehensive 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 comprehensive 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 comprehensive 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 comprehensive 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, 2010
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 reporting date are retranslated to EC Dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on conversion and translation are recognized in the statement of comprehensive 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 2010

The Company adopted the following new and amended standards as at 1 January 2010 but did not have impact on the Company's financial statements:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for period ending on or after 30 June 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective from 1 July 2009
- IFRIC 18 Transfers of Assets from Customers effective from 1 July 2009
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- Improvements to IFRSs 2009.

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3. Summary of significant accounting policies (continued)

(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 2010 and have not been early adopted by the Company or are not relevant to the Company's operations. These are as follows:

- Amendment to IAS 32, Financial Instruments: Presentation – Classification of Rights Issues. This allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rate to all of its existing owners of the same class of its own non-derivative equity instruments. The Company does not have any rights, options or warrants, thus, this amendment to standard will not have an impact on the Company's financial statements as at 31 December 2011.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. This interpretation provides guidance on the accounting for debt for equity swaps. The Company does not have any debt planned for equity swap, thus, this new interpretation will not have an impact on the Company's financial statements as at 31 December 2011.
- Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The Company is not a first-time adopter of IFRSs, as such, this amendment will not have an impact on the Company's financial statements as at 31 December 2011.
- IAS 24, Related Party Disclosures (revised 2009). This revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The Company is majority owned by the Government of Anguilla, as such, new related party disclosures required for government-related entities will be disclosed in the Company's financial statements as at 31 December 2011.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The Company does not have any prepayments of contributions to the defined benefit plan, as such, these amendments will not have any impact on the Company's financial statements as at 31 December 2011.
- IFRS 9, Financial Instruments. This is a first standard issued as part of a wider project to replace IAS 39. It simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge account continues to apply. Under prevailing circumstances, the adoption of this standard is not expected to have any material effect on the Company's financial statements. Additional disclosures required by this new standard will be included in the financial statements, where applicable.
- Amendments to IFRSs 2010 which includes:

  IFRS 3, Business Combinations
  IAS 27, Consolidated Financial Statements
  IFRS 7, Financial Instruments: Disclosures
  IAS 1, Presentation of Financial Statements
  IFRIC 13, Customer Loyalty Programmes

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4. Financial risk management

Overview

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

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

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

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

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

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

Credit risk

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

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4. Financial risk management (continued)

Market risk

Currency risk

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

Interest rate risk

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

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

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

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

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

Capital management

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

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

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

5. Determination of fair values

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

(a) Held-to-maturity investment securities

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

(b) Trade and other receivables

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

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5. Determination of fair values (continued)

(c) Cash and cash equivalents

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

(d) Non-derivative financial liabilities

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

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

6. Property, plant and equipment - net

	Land	Buildings	Plant and Machinery	Furniture, fittings and Equipment	Motor Vehicles	Capital work in Progress	Total
Cost							
31 December 2008	914,738	10,151,691	81,030,894	4,023,224	3,779,028	27,133,743	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	**914,738**	**12,178,093**	**99,556,140**	**4,348,234**	**3,407,697**	**15,310,854**	**135,715,756**
Additions	-	144,856	816,107	183,521	106,184	1,962,320	3,212,988
Transfer	-	1,760,176	-	-	-	(1,760,176)	-
31 December 2010	**914,738**	**14,083,125**	**100,372,247**	**4,531,755**	**3,513,881**	**15,512,998**	**138,928,744**
Accumulated depreciation							
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
Depreciation	-	346,395	4,422,022	197,698	270,169	-	5,236,284
31 December 2010	**-**	**3,300,765**	**50,602,898**	**3,372,005**	**2,849,808**	**-**	**60,125,476**
Net book values							
31 December 2010	**914,738**	**10,782,360**	**49,769,349**	**1,159,750**	**664,073**	**15,512,998**	**78,803,268**
31 December 2009	914,738	9,223,723	53,375,264	1,173,927	828,058	15,310,854	80,826,564

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.

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7. Other assets

	Note	2010	2009
Net pension asset	24	**100,265**	282,355
Other		**53,607**	77,095
Total		**153,872**	359,450
Less: Allowance for impairment loss		-	(46,923)
		153,872	**312,527**

8. Investment securities

	Notes	2010	2009
Held-to-maturity investments:			
Caribbean Commercial Bank (Anguilla) Limited	8.1,31	**2,717,033**	2,640,634
National Bank of Anguilla Limited	8.2	**1,673,478**	1,656,069
		4,390,511	**4,296,703**

8.1 These comprise certificates of deposit with Caribbean Commercial Bank (Anguilla) Limited maturing in February 2011 and August 2012 and earn interest at 3.25% and 5.50% per annum, respectively. The EC$ deposit is restricted for the self-insurance of the Company's transmission and distribution system. The US$ deposit which matured in February 2011 was rolled over until February 2012 with an interest rate of 3.25%.

8.2 These comprise certificates of deposit with National Bank of Anguilla Limited maturing in April 2011 and October 2011 and earn interest at 3.25% and 4.50% per annum, respectively.

9. Inventories - net

	2010	2009
Transmission and distribution parts	**3,198,458**	2,602,242
Generation parts and fuel	**2,340,611**	3,041,876
Administration supplies	**127,118**	119,679
	5,666,187	5,763,797
Less: Allowance for slow-moving and obsolete inventories	**(286,925)**	(265,875)
	5,379,262	**5,497,922**

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

	2010	2009
Balance at beginning of year	**(265,875)**	(265,875)
Additional provision during the year	**(21,050)**	-
Recovery during the year	-	-
Balance at end of year	**(286,925)**	**(265,875)**

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10. Trade and other receivables - net

	Notes	2010	2009
Trade	27	**14,570,557**	15,188,468
Accrued interest receivables		**272,591**	76,797
Other	27	**2,550,013**	309,773
		17,393,161	15,575,038
Less: Allowance for doubtful accounts	27	**(1,937,439)**	(2,092,911)
		15,455,722	**13,482,127**

11. Prepayments and other current assets

	2010	2009
Advance deposits	**449,563**	465,225
Prepaid insurance	**124,516**	80,045
Other	**1,961**	1,961
	576,040	**547,231**

12. Cash and cash equivalents

	Note	2010	2009
Cash on hand and in bank		**3,556,276**	3,139,350
Certificate of deposit		**1,670,014**	1,645,319
Total cash and cash equivalents before overdraft	27	**5,226,290**	4,784,669
Bank overdraft	27	-	(772,221)
Cash and cash equivalents in the statement of cash flows		**5,226,290**	**4,012,448**

13. Share capital

	2010	2009
Authorized:	**30,000,000**	30,000,000
Issued and fully paid:		
17,036,147 ordinary shares at no par value	**17,036,147**	17,036,147
Less: Treasury shares		
5,400,000 ordinary shares at no par value	**(5,400,000)**	(5,400,000)
	11,636,147	11,636,147
Add:		
Discount on treasury stock	**2,900,000**	2,900,000
	14,536,147	**14,536,147**

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13. Share capital (continued)

The current percentage of ownership is:	**2010**	2009
Government of Anguilla	**40%**	40%
Anguilla Social Security Board	**16%**	16%
National Bank of Anguilla Limited	**12%**	12%
Caribbean Commercial Bank (Anguilla) Limited	**11%**	11%
General Public	**21%**	21%
Total	**100%**	100%

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

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

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

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

14. Borrowings

	Notes	**2010**	2009
Caribbean Development Bank	14.1	**12,276,328**	13,640,372
Scotiabank Anguilla Limited - Facility B	14.2	**9,124,485**	-
Scotiabank Anguilla Limited - Facility A	14.3	**4,908,528**	-
Caribbean Development Bank	14.4	**3,266,277**	4,099,619
Caribbean Commercial Bank (Anguilla) Limited	14.5	**-**	7,511,565
National Bank of Anguilla Limited	14.6	**-**	7,511,565
Caribbean Commercial Bank (Anguilla) Limited	14.7	**-**	301,487
		29,575,618	33,064,608
Less: Current portion		**(4,022,275)**	(4,139,534)
		25,553,343	**28,925,074**

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$126,855 (EC$341,012) with a current interest rate of 4.50% (2009: 5.32%) per annum commencing in January 2008. This loan will mature in October 2019. This loan is secured by a pari passu legal charge along with Scotiabank Anguilla Limited over the Company's property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2010, the current and non-current portion of this loan is $1,364,044 and $10,912,284 (2009: $1,704,988 and $11,935,384), respectively.

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

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14. Borrowings (continued)

14.3 This loan was made to the Company by Scotiabank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire fighting project. The loan was approved for an amount up to US$3,394,273. The total amount disbursed was US$2,108,809 (EC$5,668,900). This loan is repayable in equal monthly installment of US$56,571 (EC$152,074), plus interest at a rate of 4.11% per annum commencing in August 2010. This loan will mature in August 2015. Interest is payable each month at a rate of 1 month LIBOR plus 3.0% commencing in August 2010. This loan is secured by a legal charge over all assets of the Company including its property, plant and equipment. As at 31 December 2010, the current and non-current portion of this loan is $1,824,889 and $3,083,639, respectively.

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$77,500 (EC$208,336) with a current interest rate of 4.50% (2009: 5.32%) per annum commencing in October 2002. This loan will mature in July 2014. This loan is secured by a pari passu legal charge along with Scotiabank Anguilla Limited over the Company's property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2010, the current and non-current portion of this loan is $833,342 and $2,432,935 (2009: $1,041,678 and $3,057,941), respectively.

14.5 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. This loan would have matured on 6 November 2019, however, it was fully paid in July 2010 from the proceeds of the loan from Scotiabank Anguilla Limited. Interest expense incurred for this loan during the year amounted to EC$375,981. As at 31 December 2009, the current and non-current portion of this loan is $545,727 and $6,965,838 respectively.

14.6 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 would have matured on 30 October 2019, however, it was fully paid in July 2010 from the proceeds of the loan from Scotiabank Anguilla Limited. Interest expense incurred for this loan during the year amounted to EC$226,606. As at 31 December 2009, the current and non-current portion of this loan is $545,654 and $6,965,910, respectively.

14.7 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. The final payment for this loan was made in May 2010. Interest expense incurred for this loan during the year amounted to EC$8,136. As at 31 December 2009, the current and non-current portion of this loan is $301,487 and nil, respectively.

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15. Contributions in aid of construction

	Note	2010	2009
Balance at beginning of year		**3,620,054**	3,665,790
Contributions during the year		**1,034,771**	462,063
Amount amortized during the year	20	**(521,246)**	(507,799)
Balance at end of year		**4,133,579**	**3,620,054**

16. Trade and other payables

	Note	2010	2009
Trade payables		**3,639,084**	3,519,534
Other accrued expenses		**442,607**	493,537
Environmental levy payable	28	**362,908**	327,968
Other payables		**354,563**	91,907
Accrued interest payable		**178,944**	315,832
Dividends payable		**-**	581,807
		4,978,106	**5,330,585**

17. Energy sales

	2010	2009
Amounts billed during the year	**51,151,656**	48,314,011
Less: Unbilled revenue at beginning of the year	**(2,192,770)**	(2,485,684)
	48,958,886	45,828,327
Add: Unbilled revenue at end of the year	**2,765,541**	2,192,770
	51,724,427	**48,021,097**

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 per kwh to EC$0.28 per kwh during the year. In February 2010, surcharge increased from EC$0.16 per kwh to EC$0.20 per kwh. It later increased to EC$0.28 kwh starting November 22, 2010.

18. Generation - other expenses

	Notes	2010	2009
Repairs and maintenance		**3,300,880**	1,910,241
Depreciation	6	**3,142,399**	2,856,263
Staff costs	23	**2,288,826**	2,125,360
Insurance		**621,847**	549,636
Write off of property, plant and equipment	6	**-**	348,850
		9,353,952	**7,790,350**

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19. Transmission and distribution expenses

	Notes	2010	2009
Staff costs	23	**3,197,395**	2,999,979
Depreciation	6	**1,466,032**	1,637,519
Repairs and maintenance		**1,664,416**	1,886,576
Insurance		**229,353**	219,974
Hurricane expenses	19.1	**677,436**	1,015
		7,234,632	**6,745,063**

19.1 In the Board of Directors meeting held in November 2010, the Board approved the use of the self-insurance fund held at Caribbean Commercial Bank (Anguilla) Limited for the Hurricane Omar related expenses amounting to EC$639,000 (see Note 31).

20. Other income

	Notes	2010	2009
Late charges		**2,280,099**	2,051,078
Revenue from contributions in aid of construction	15	**521,246**	507,799
Interest income		**304,746**	260,454
Reconnection fees		**250,605**	308,850
Upgrades and relocation of poles		**72,711**	66,302
Recovery of allowance for doubtful accounts	27	**53,258**	135,070
Miscellaneous		**108,354**	231,069
		3,591,019	**3,560,622**

21. Administrative expenses

	Notes	2010	2009
Staff costs	23	**2,732,624**	3,016,870
Office expenses	33	**1,545,703**	1,596,880
General		**385,379**	467,001
Consultancy and professional fees		**929,782**	725,594
Depreciation	6	**627,853**	489,898
Impairment losses		**16,476**	63,399
Insurance		**244,377**	206,488
		6,482,194	**6,566,130**

22. Consumer services

	Notes	2010	2009
Staff costs	23	**423,512**	404,340
Depreciation	6	**-**	41,899
Other		**184,825**	145,023
		608,337	**591,262**

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23. Staff costs

	Note	2010	2009
Salaries, wages and other benefits		**7,472,710**	7,406,166
Pension expenses - defined contribution plan	24	**227,219**	155,887
Pension expenses - defined benefit plan	24	**384,875**	503,382
Training		**264,512**	199,409
Social security		**293,040**	281,704
		8,642,356	8,546,548

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$227,219 and EC$155,887 in 2010 and 2009, respectively (see Note 23).

b. Management employees

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

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

	Note	2010	2009
Present value of obligations		**3,269,383**	2,614,465
Fair value of plan assets		**(2,390,505)**	(2,057,183)
Deficit/(excess)		**878,878**	557,282
Unrecognized actuarial gains and losses		**(979,143)**	(839,637)
Net pension asset for defined benefit obligation	**7**	**(100,265)**	**(282,355)**

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

	2010	2009
Present value of obligation at beginning of year	**2,614,465**	2,276,381
Interest cost	**209,618**	169,982
Current service cost	**180,437**	193,029
Actuarial (gain)/loss on obligation	**264,863**	(24,927)
Present value of obligation at end of year	**3,269,383**	2,614,465

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24. Pension expenses (continued)

b. Management employees

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

	2010	2009
Fair value of plan assets at beginning of year	**2,057,183**	1,564,283
Expected return on plan assets	**173,107**	124,596
Contributions	**202,784**	201,897
Actuarial gain/ (loss) on plan assets	**(42,569)**	166,407
Fair value of plan assets at end of year	**2,390,505**	**2,057,183**

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

	2010	2009
Equities	**100%**	93%
Other	**0%**	7%

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

	Note	2010	2009
Current service cost		**180,437**	193,029
Interest cost		**209,618**	169,983
Expected return on plan assets		**(173,107)**	(124,596)
Net actuarial gain to be recognized		**167,927**	264,966
Pension expenses - defined benefit plan	23	**384,875**	503,382
Actual return/ (loss) on plan asset		**130,539**	**297,839**

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	**7.50%**	7.50%
Expected return on plan assets	**8.00%**	8.00%
Salary increase rates	**2.00%**	2.00%

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

	2010	2009
Present value of obligation	**3,269,383**	2,614,465
Fair value of plan assets	**(2,390,505)**	(2,057,183)
Deficit	**(878,878)**	(557,282)
Experience adjustments arising from plan liabilities	**(81,331)**	29,457
Experience adjustments arising from plan assets	**(42,568)**	173,244

The Company expects to pay EC$231,763 (2009: EC$211,991) in contributions to the defined benefit plan in 2011.

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25. Earnings per share

The calculations of basic earnings per share as at 31 December 2010 and 2009 were based on the net income for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	2010	2009
Net income	**5,980,003**	10,454,053
Total number of shares issued at end of year	**11,636,147**	11,636,147
Earnings per share	**0.51**	0.90

26. Dividends

Dividends of EC$0.10 per share were declared by the Board of Directors on 28 April 2011 but not yet sanctioned by shareholders.

	2010	2009
Retained earnings	**55,328,738**	50,512,348
Appropriated for dividends declared to be sanctioned by shareholders	**(1,163,613)**	(1,163,613)
Retained earnings unappropriated	**54,165,125**	49,348,735

27. Financial instruments

Exposure to credit risk

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

	Notes	**2010**	2009
Investment securities	8	**4,390,511**	4,296,703
Trade and other receivables - net	10	**15,455,722**	13,482,127
Cash and cash equivalents	12	**5,226,290**	4,784,669
		25,072,523	22,563,499

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

	Note	**2010**	2009
Hospitality		**2,951,543**	4,143,107
Commercial		**4,214,064**	2,567,174
Residential		**2,358,089**	2,056,195
Government		**4,998,767**	4,262,838
Other		**48,094**	2,159,154
	10	**14,570,557**	15,188,468

The Company entered into deferred payment plans and other agreements with several customers including one of the Company's major consumers in the hospitality industry with an outstanding balance of EC$1,860,228 as at 31 December 2010. In 2009, the Company received a favorable judgment in the Eastern Caribbean Supreme Court for the payment of $2,033,139.86 from this customer.

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27. Financial instruments (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

	2010		2009	
	Gross	**Impairment**	Gross	Impairment
Current	**7,919,553**	**33,827**	7,057,465	25,380
Past due 30-60	**2,550,284**	**61,005**	1,441,634	150,150
Past due 60-90	**813,491**	**54,516**	1,272,022	214,945
Past due 90-120	**215,194**	**29,975**	852,021	191,465
Over 120	**3,072,034**	**1,758,116**	4,565,326	1,510,971
Total	**14,570,556**	**1,937,439**	**15,188,468**	**2,092,911**

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

	Notes	**2010**	2009
Balance at beginning of year		**2,092,911**	2,266,966
Additional credit losses		**16,476**	16,476
Recovery of allowance for doubtful accounts	20	**(53,258)**	(135,070)
Write-off		**(118,690)**	(55,461)
Balance at end of year	10	1,937,439	2,092,911

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 2010						
Borrowings	**29,575,618**	**36,670,665**	**5,295,686**	**5,213,877**	**14,486,734**	**11,674,368**
Contributions in aid of construction	**4,133,579**	**4,133,579**	**4,133,579**	**-**	**-**	**-**
Customer deposits	**1,432,777**	**1,432,777**	**1,432,777**	**-**	**-**	**-**
Trade and other payables	**4,978,106**	**4,978,106**	**4,978,106**	**-**	**-**	**-**
	40,120,080	**47,215,127**	**15,840,148**	**5,213,877**	**14,486,734**	**11,674,368**
31 December 2009						
Borrowings	33,064,608	43,116,580	5,484,116	5,054,954	18,190,286	14,387,224
Contributions in aid of construction	3,620,054	3,620,054	3,620,054	-	-	-
Customer deposits	1,911,780	1,911,780	1,911,780	-	-	-
Trade and other payables	5,330,585	5,330,585	5,330,585	-	-	-
Bank overdraft	722,221	722,221	722,221	-	-	-
	44,699,248	**54,751,220**	**17,118,756**	**5,054,954**	**18,190,286**	**14,387,224**

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27. Financial instruments (continued)

Interest rate risk

	2010		2009	
	Interest rate	***Carrying amount***	*Interest rate*	*Carrying amount*
Investment securities	**3.25%-5.50%**	**4,390,511**	3.00%-5.50%	4,296,703
Borrowings	**4.11%-7.75%**	**29,575,618**	5.32%-7.75%	33,064,608

Fair values

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

	2010		2009	
	Carrying amount	***Fair values***	*Carrying amount*	*Fair values*
Investment securities	**4,390,511**	**4,390,511**	4,296,703	4,296,703
Trade and other receivables	**15,455,722**	**15,455,722**	13,482,127	13,482,127
Cash and cash equivalents	**5,226,290**	**5,226,290**	4,784,669	4,784,669
Borrowings	**(29,575,618)**	**(29,575,618)**	(33,064,608)	(33,064,608)
Trade and other payables	**(4,978,106)**	**(4,978,106)**	(5,330,585)	(5,330,585)
Bank overdraft	**-**	**-**	(772,221)	(772,221)
	(9,481,201)	**(9,481,201)**	**(16,603,915)**	**(16,603,915)**

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

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28. Related party transactions (continued)

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2010 and 2009. These transactions were conducted at market rates, or commercial terms and conditions.

	2010	2009
Directors' fees	**357,239**	375,821
Pension expense - defined benefit plan	**384,875**	503,382
Pension expense - defined contribution plan	**71,567**	67,250
Benefits to executive officers	**1,920,104**	1,590,880
	2,733,785	2,537,333
Revenues from the Government of Anguilla	**9,094,699**	9,117,361
Amount paid to the Government of Anguilla for the environmental levy	**4,120,386**	**3,804,231**

The Company has entered into the following related party transactions:

a. The Government of Anguilla imposed an environmental levy of 7% on revenues, excluding Government's usage, on the Company effective 15 April 2009. The amount payable to the Government of Anguilla as of 31 December 2010 amounted to EC$362,908 (2009:EC$327,968).

b. Trade receivables from the Government of Anguilla is EC$4,998,767 (2009: EC$4,262,838).

c. License fees paid to the Government of Anguilla is EC$300,000 for 2010 (2009: EC$500,000).

d. Import duties paid to the Government of Anguilla is EC$2,623,580 (2009: EC$2,403,911).

e. The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (03SFR-ANG) (see Note 14).

f. The Company had two loans with Caribbean Commercial Bank (Anguilla) Limited in the amounts of EC$301,487 and EC$7,511,565 as at 31 December, 2009. The EC$301,487 loan was fully repaid as scheduled in May 2010. The second loan with a carrying balance of EC$7,511,565 as at 31 December, 2009, was refinanced with Scotiabank Anguilla, Ltd. (facilities A and B (see Note 14)). Interest expense incurred on these loans amounted to EC$384,117 (2009: EC$353,441).

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 had a loan of EC$7,511,565 (2009: EC$7,511,565) with the said bank. This loan was repaid in full in July 2010. Interest expense incurred on these loans amounted to EC$226,606 (2009: EC$290,327).

29. Commitments

In December 2010, the Board of Directors approved EC$10,117,012 for capital expenditure in 2011. The Company underspent by EC$4,468,809 from a total capital expenditure budget of EC$8,071,650 in 2010.

On 1 March 2010, the Company also entered into a gasoil 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 March 2009, the Board approved the full and final settlement of the claim amounting to US$212,000 (EC$569,898) which was to be paid in four equal installments beginning July 2009. As a result, the Company provided for such claim recorded as "Provision for claim settlement" in the statement of comprehensive income and the the statement of financial position in the prior year. The full and final payment was made on 30 September 2009.

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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.

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

	Notes	**2010**	2009
Balance at beginning of year		**2,640,634**	2,148,803
Additional provision for year		**715,399**	769,579
Withdrawals to pay Hurricane Earl and Omar expenses	19	**(639,000)**	(277,748)
Balance at end of year	**8**	**2,717,033**	**2,640,634**

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 electricty, 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. Total rent expense in 2010 included in "Administrative - Office expenses" in the statement of comprehensive income is EC$102,000 (2009: EC$97,000). The lease agreement does not provide for any escalation of rent during the lease term.

34. Other matters

a. Effective 1 April 2011, the Government of Anguilla enacted an interim stabilization levy, which will impact future company profitability. The interim stabilization levy requires employees earning over $2,000 to a maximum of $12,000 per month to contribute 3% of earnings to the Government. Employers, including the Company, are required to make the same contribution on $2,000 to a maximum of $12,000 for each employee's monthly wage.

b. Effective 1 April 2011, the Government of Anguilla increased duties from $0.40 to $0.50 for each imperial gallon of diesel purchased by the Company. This additional cost will be reflected as fuel cost under "Cost of Operations".

c. The Company entered into a fire fighting contract with Regional Fire and Security Caribbean, LTD for the design and installation of a fire protection system for the Corito generating plant. The total cost committed by the Company under this contract is $3,252,131 (US$1,209,780). As at 31 December 2010, no major works had commenced under this contract. The Company anticipates completion of the fire protection system by November 2011.

Board of Directors

Rodney Rey,
Chairman

Kent Webster
Vice-Chairman

Rev. Dr. H. Clifton Niles

Dorice Fleming

Victor Nickeo

James Richardson

Gareth Hodge

Kenn Banks

Harold Ruan

Divisional Managers

Thomas Hodge,
General Manager

Erville Hughes,
Chief Corporate Officer

David Gumbs,
Chief Financial Officer

Steve Hodge,
Network Operations Engineer

Sylvan Brooks,
System Control Engineer

Erimel Franklin,
Human Resource Officer

Damien Lloyd,
Generation Superintendent

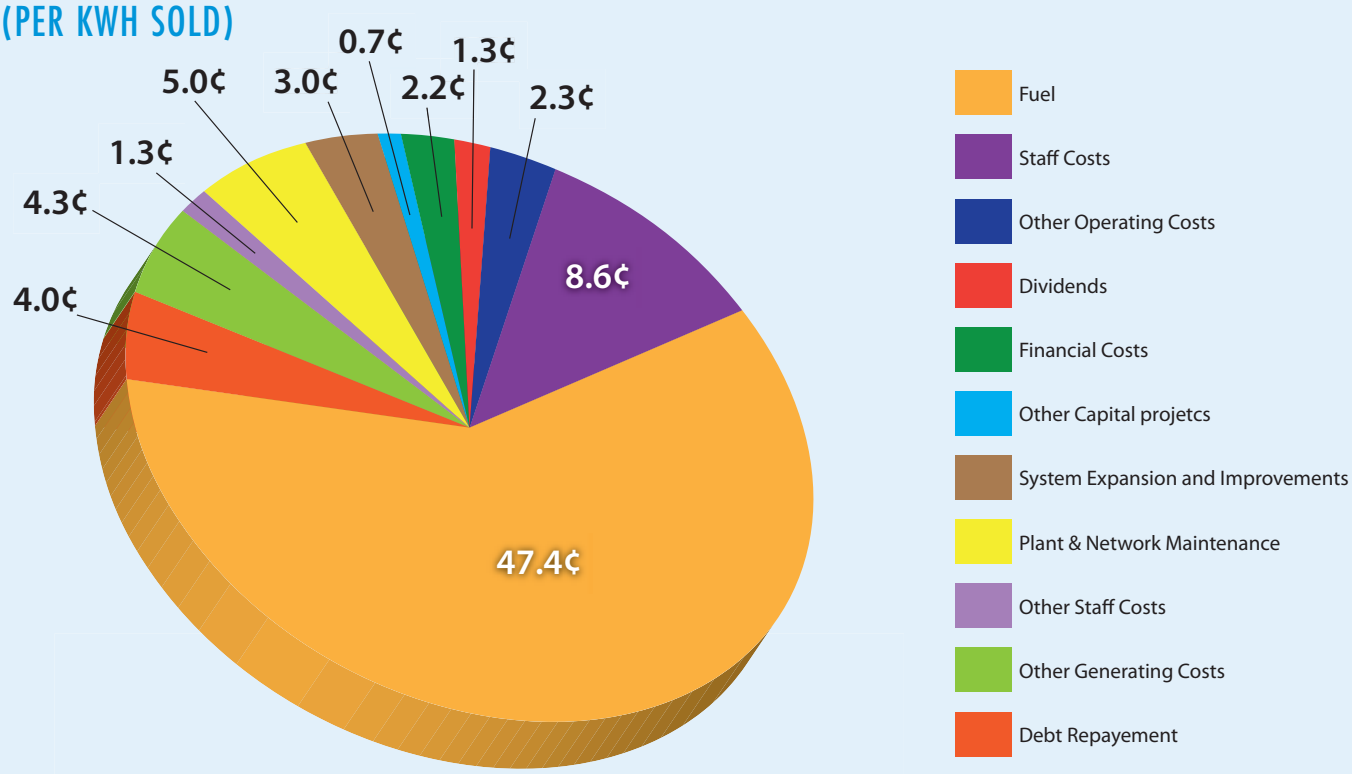
Ivor Ible, Transmission
and Distribution Superintendent

Elvin Richardson,
Information Technology Officer

Maureen Woodley,
Accountant

2010 Expenditure

(PER KWH SOLD)



Explanation of Pie Slices

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

Source Data

KWH Sold in 2010	87,214,005	
Expenditure in 2010	Electricity Sales Earned	Cents per KWH
Salaries and Wages	$ 7,472,710	(8.6 cents)
Other Staff Costs	1,169,646	(1.3 cents)
Fuel	41,351,215	(47.4 cents)
Plant & Network Maintenance	4,356,925	(5.0 cents)
Other Generating Costs	3,764,246	(4.3 cents)
System Expansion and Improvements	2,586,224	(3.0 cents)
Other Capital Projects	626,766	(0.7 cents)
Debt Repayment	3,488,989	(4.0 cents)
Financial Costs	1,950,212	(2.2 cents)
Dividends	1,163,615	(1.3 cents)
Other Operating Costs (net)	1,990,075	(2.3 cents)
Total 2009 Expenditure	**$ 69,920,621**	**(80.2 cents)**