PROSPECTUS FOR THE OFFERING OF ORDINARY SHARES IN THE ANGUILLA ELECTRICITY COMPANY BY THE GOVERNMENT OF ANGUILLA







PROSPECTUS

For the offer of ordinary shares of Anguilla Electricity Company Limited by the Government of Anguilla.

Dated:

August 25, 2017

Offer for sale of 4,636,100 Ordinary Shares held by the Government of Anguilla – the principal shareholder - at EC\$5.86 per Share.

| Amount of Offer | : | EC\$27,167,546.00 |
|-------------------------|---|--|
| | | |
| Minimum Subscription | : | 100 shares at EC\$5.86 per share for a minimum subscription of EC\$586.00 per applicant. |
| | | |
| Maximum Subscription | : | There is no maximum subscription |
| Opening of the Offering | : | August 25, 2017 |
| Close of the Offering | : | September 25, 2017 |

This Prospectus has been filed and approved by the Eastern Caribbean Securities Regulatory Commission ("ECSRC"), Basseterre, St. Kitts pursuant to Section 92(3) of the Securities Act, R.S.A. c.S13, 2006 on August 8, 2017 and filed with the Registrar of Companies of Anguilla pursuant to Section 182 of the Companies Act, R.S.A. c. C65, 2014 on August 9, 2017. The Prospectus has been drawn up in accordance with the Prospectus Regulations, R.R.A S13-8, 2002. The ECSRC and the Registrar accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act who specialises in advising on the acquisition of shares or other securities.





Public Offer of Shares by the Government of Anguilla in the Anguilla Electricity Company Limited

This is a Prospectus for the subscription of 4,636,100 ordinary shares being offered by the Government of Anguilla, principal shareholder in the ANGUILLA ELECTRICITY COMPANY LIMITED ("ANGLEC"), a public company incorporated in Anguilla on January 11, 1991 under the former Companies Ordinance, Chapter 335 and continued on December 30, 1996 under the Companies Act, 1994 of Anguilla which became effective on January 1, 1995. This offer is made solely upon the terms and conditions contained in this Prospectus and no person has been authorised to give any information or to make any representations with regards to ANGLEC other than through this Prospectus. This Prospectus is issued for the purposes of giving information to the public about the Company. The Directors of the Company and the Government of Anguilla, collectively and individually, accept full responsibility for the accuracy of the information given and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.

The delivery of this Prospectus to a prospective investor at any time and the subsequent allocation of shares do not imply that the information contained herein is correct at any time subsequent to the date of this Prospectus.

Prospective investors should not construe the contents of this Prospectus as legal or financial advice but should instead consult their own professional advisors as to such contents and as to the legal, financial or other matters relevant to the suitability of an investment in the shares of ANGLEC.

This Prospectus is intended for use only in Anguilla and in other member territories of the Organization of Eastern Caribbean States *(OECS, as specifically defined in this Prospectus)*, namely Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines and is not to be construed as a public offering of any shares herein referred to outside of Anguilla and OECS.

The minimum total subscription required in order to proceed with the offering shall be two million (2,000,000) shares.





ANGUILLA ELECTRICITY COMPANY LIMITED

(Company # 3618)

MAIN OFFICE

P.O. Box 400 The Valley, Anguilla, B.W.I. Phone: (264) 497-5200 Fax: (264) 497-5440 Email: info@anglec.com

CORPORATE OFFICE

2nd Floor, Calvin W. Lake Commercial Building The Valley, Anguilla, B.W.I. Phone: (264) 497-5200 Fax: (264) 497-5440 Email: info@anglec.com

REGISTERED OFFICE

Benjamine Company Services Limited P. O. Box 801 Hannah-Waver House The Valley, Anguilla, B.W. I. Phone: (264) 497 3571 Fax: (264) 497 3177 Email: caribjur@anguillanet.com

SHARE REGISTRAR AND TRANSFER AGENT

Eastern Caribbean Central Securities Registry P. O. Box 94 Bird Rock Basseterre, St. Kitts

PRINCIPAL BROKER AND NEW ISSUE APPLICATIONS RECEIVING FIRM

Bank of St. Lucia Limited c/o National Commercial Bank of Anguilla Limited West End Service Centre P.O. Box 44, West End Anguilla, B.W.I.

The Principal Broker and New Issue Application Receiving Firm will begin receiving applications commencing at 8:00 am on August 25, 2017 and ending at 2:00 pm on the closing date of September 25, 2017. The New Issue Applications Receiving firm will reject any application received after 2:00 pm on the closing date. Please refer to the Section "Distribution, Subscription & Allocation Procedure" for the listing of the Other New Issue Application Receiving Firms. Applicants should note that only the New Issue Applications Receiving Firms are authorised to receive applications for shares.





VISION

"The vision of ANGLEC is to be the Model Energy Provider of the Caribbean."

MISSION

"The mission of ANGLEC is to meet all customer electricity needs by providing a technically optimal mix of quality, affordable and price stable, reliable and sustainable energy from clean renewable sources, alternative clean and low carbon sources and low carbon fossil fuels, through a motivated, innovative team committed to excellent service."

VALUES

ANGLEC's core values are summed up in value statements to its main constituencies. Its Value Statements to its key constituents are summed up in the graphic below:







Table of Contents

| DEFINITIONS AND ABBREVIATIONS |
|--|
| Currency Equivalent |
| MESSAGE FROM THE HONOURABLE CHIEF MINISTER11 |
| LETTER FROM THE CHAIRMAN |
| EXECUTIVE SUMMARY14 |
| SUMMARY OF THE OFFER14HISTORY AND NATURE OF THE BUSINESS14PLANNED CAPITAL EXPANSION16OFFERING PRICE DETERMINATION18SECONDARY MARKET FOR SHARES18SUMMARY OF FINANCIAL INFORMATION18KEY RATIOS19STATISTICAL INFORMATION ('000'S)19 |
| KEY INVESTMENT CONSIDERATIONS |
| DIRECTORS |
| ADVISORS |
| ROLES AND RESPONSIBILITIES OF ADVISORS25ROLE OF EASTERN CARIBBEAN SECURITIES EXCHANGE25 |
| THE COMPANY |
| HISTORY |
| CURRENT FACILITIES AND HUMAN RESOURCES |
| GENERATION28TRANSMISSION AND DISTRIBUTION29CORPORATE STRATEGIC PLAN29SENIOR MANAGEMENT AND HUMAN RESOURCES30 |
| USE OF PROCEEDS |
| MANAGEMENT DISCUSSION |
| BOOK VALUE, EARNINGS, DIVIDEND AND PRICE HISTORY |
| BOOK VALUE37EARNINGS PER SHARE37RECENT TRADE39 |
| FINANCIAL POSITION |
| DRIVERS OF ELECTRICITY DEMAND |
| OPERATIONAL FACTORS |
| FIXED ASSETS41COMPETITION41CUSTOMERS41COSTS AND PRICES42CREDITORS AND CREDIT HISTORY42 |





| TECHNOLOGY SUPPLIERS | |
|--|---|
| ANGUILLA'S ECO | NOMIC OVERVIEW43 |
| INTERNATIONAL | ECONOMIC OVERVIEW |
| REGIONAL ECON | OMIC OVERVIEW |
| | AND REGULATIONS OVERVIEW51 |
| THE ELECTRICITY ANGLEC EXEMPT THE PUBLIC UTIL LIBERALISATION | Y ENVIRONMENT |
| GLOBAL UTILITY | RISK ASSESSMENT |
| WHAT ARE THE F | SISKS? |
| RISK MANAGEME | NT62 |
| PROPERTY AND B | SK62SUSINESS INTERRUPTION INSURANCE.63DA FOR 50 YEARS64 |
| | MATION |
| CORPORATE GOV ONGOING FINANO MATERIAL CHANO MATERIAL LITIGA INSURANCE COVE COMMISSION TO COMMISSIONS TO DISCOUNTS TO SU | ARE OFFERING. 65 ERNANCE 66 CIAL INFORMATION 67 GE REPORTING. 67 ATION. 67 CRAGE 67 AGENTS 68 SUBSCRIBERS 68 IBSCRIBERS 68 ISORS 68 |
| | OSURES |
| MAJOR CONTRAC | TRANSACTIONS |
| SUMMARY FINAN | ICIAL STATEMENTS |
| FORECASTED FIN | ANCIAL STATEMENTS83 |
| DISTRIBUTION, S | UBSCRIPTION & ALLOCATION PROCEDURES91 |
| MINIMUM SUBSC MAXIMUM OWNE SUBSCRIPTION PI SUBSCRIPTION TI PAYMENT FOR SE | THE OFFERING91RIPTION91RSHIP91ROCEDURES91ERMS AND CONDITIONS93IARES93S94 |





| JOINT OWNERSHIP | . 94 |
|---|--|
| OWNERSHIP BY MINORS OR IN CONJUNCTION WITH MINORS | 94 |
| ESCROW AND SUBSCRIPTION TRUST ACCOUNT | 94 |
| ALLOTMENT | |
| SETTLEMENT AND REGISTRATION OF OWNERSHIP PROCEDURES | 95 |
| MINIMUM TOTAL SUBSCRIPTION | |
| SHARE CERTIFICATES | |
| ESCROW AND SUBSCRIPTION TRUST ACCOUNT | |
| SECONDARY MARKET FOR SHARES | 95 |
| ALIEN LAND HOLDING REQUIREMENTS | 95 |
| ANTI MONEY LAUNDERING PROVISIONS | |
| DOCUMENTS AVAILABLE FOR INSPECTION | 96 |
| DOCOMENTS AVAILABLE FOR INSPECTION | |
| ANGLEC DIRECTORS' AND GOVERNMENT OF ANGUILLA CONSENT & SIGNATURES | |
| | .97 |
| ANGLEC DIRECTORS' AND GOVERNMENT OF ANGUILLA CONSENT & SIGNATURES | . 97 . 98 |
| ANGLEC DIRECTORS' AND GOVERNMENT OF ANGUILLA CONSENT & SIGNATURES Detachable Detachable Detachable Detachable Detachable Detachable Detachable Detachable | . 97 98 . 98 |
| ANGLEC DIRECTORS' AND GOVERNMENT OF ANGUILLA CONSENT & SIGNATURES Detachable Detachable Detachable Detachable Detachable Detachable Detachable Detachable SUBSCRIPTION FORM | .97 98 .98 .98 |
| ANGLEC DIRECTORS' AND GOVERNMENT OF ANGUILLA CONSENT & SIGNATURES Detachable Detachable Detachable Detachable Detachable Detachable Detachable Detachable Detachable SUBSCRIPTION FORM Detachable Detachable Detachable Detachable Detachable Detachable Detachable Detachable | . 97 98 . 98 . 98 . 99 00 |



DEFINITIONS AND ABBREVIATIONS



CURRENCY EQUIVALENT

Dollars throughout this Prospectus refer to Eastern Caribbean Dollars unless otherwise stated.

ANGLEC/the Company

Anguilla Electricity Company Limited

Anguillan/Belonger/Anguillan

Pursuant to Section 80 of the Constitution of Anguilla, a person who:

- a. is a British Dependent Territories Citizen
 - i. who was born in Anguilla, whether before or after the commencement of the British Nationality Act 1981; or if not so born
 - ii. who was adopted in Anguilla; or
 - iii. whose father or mother was born in Anguilla; or
 - iv. whose father or mother became a British Dependent Territories Citizen by virtue of having been adopted in Anguilla; or
 - v. who is domiciled in Anguilla and whose father or mother by virtue of registration or naturalisation while resident in Anguilla became a British Dependent Territories Citizen at the commencement of the British Nationality Act 1981 (or would have done so but for his or her death) or so became such a citizen after such commencement of said Act; or
 - vi. who by virtue of registration or naturalisation while resident in Anguilla became such a citizen at or after the commencement of the British Nationality Act 1981; or
- b. is domiciled in Anguilla, has been ordinarily resident in Anguilla for not less than fifteen years, and has been granted belonger status by the Anguilla Belonger Commission hereinafter referred to as "Commission"; or
- c. was born in Anguilla of a father or mother who was born in Anguilla and who is regarded (or, if deceased, would if alive be regarded) as belonging to Anguilla by virtue of this subsection; or

- d. was born outside Anguilla and has satisfied the Commission that his father or mother was born in Anguilla and is regarded (or, if deceased, would if alive be regarded) as belonging to Anguilla by virtue of this subsection; or
- e. is the spouse of such a person as is referred to in any of the preceding paragraphs of this subsection and has been married to that person for not less than five years; or
- f. is the spouse of such as is referred to in paragraph (a), (b), (c), or (d) of this subsection of the Constitution, has been married to such a person for not less than three years and has been granted belonger status by the Commission.

AMI

Advanced Metering Infrastructure

Anguillan Companies/Corporate Entities

Any Anguillan Company, Limited Liability Company, Partnership, Limited Partnership or any such hybrid entities in which no more than 33% of its shares, interest or partnership is owned or beneficially owned by Non-Anguillans or Aliens.

Applicant

Any person, entity or group of related persons and/or entities applying for shares in this share offering.

Articles and By-Laws

Articles and By-Laws of ANGLEC

BOSL

Bank of St. Lucia Limited





DEFINITIONS AND ABBREVIATIONS (continued)

B.W.I.

British West Indies

CDC

Commonwealth Development Corporation

CDB

Caribbean Development Bank

Сар

Chapter

Capital/Asset Ratio

The amount calculated when the numerator is shareholders' equity and the denominator is total assets.

Cash per Share

The amount generated when the numerator is the cash available before dividends and the denominator is the weighted average number of shares in issue during the financial period.

Cash Flow per Share

The amount generated when the numerator is the volume of cash generated by trading operations and the denominator is the weighted average number of shares in issue during the financial period.

CARILEC

A Caribbean Association of Electrical Utilities whose objective is to advance the capability of the Caribbean utility industry, promote better understanding of the industry and to support its contribution to the quality of life of the Caribbean people.

Commission

The Anguilla Belonger Commission.

Debt Service Ratio

This ratio is an indicator of the Company's ability to pay both interest and the current principal instalments on its outstanding debt and suggests the degree of safety for creditors concerning currently due debt service obligations.

Dividend Yield

The percentage calculated when the numerator is actual or projected dividends per share in a

financial period and the denominator is the offer share price of ANGLEC.

Earnings Per Share (EPS)

The amount calculated when the numerator is net income and the denominator is the weighted average number of shares in issue during the financial period.

EC\$

Eastern Caribbean Dollars

ECCB

Eastern Caribbean Central Bank

ECCU

Eastern Caribbean Currency Union, comprises of 8 member territories, namely, Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint. Lucia and St. Vincent and the Grenadines.

ECSE

Eastern Caribbean Securities Exchange

ECCSD

Eastern Caribbean Central Securities Depository

ECSRC

Eastern Caribbean Securities Regulatory Commission

Efficiency Ratio

The percentage calculated when the numerator is total operating expenses and the denominator is total operating net revenue during the financial period.

Firm Capacity

The maximum continuous power output that a station or electrical supply system can be expected to sustain without compromising the risk of failure.

GOA

Government of Anguilla

GDP

Gross Domestic Product





DEFINITIONS AND ABBREVIATIONS (continued)

ESOP

Employee Stock Option Plan - Stock options are rights to purchase a corporation's capital stock. Various conditions may be specified for the options, including times, prices, and amounts. Options are frequently given to corporate officers and/or staff as a form of incentive compensation and may have assorted conditions, a typical form being the granting of the right to the Corporate Officers and/or staff to purchase shares (exercise the option) during some specified time in the future at today's market price. The exercise price is set at the date of grant.

GWh

One thousand million watt hours

Gross Generation Total energy generated

I.R.S.A. Interim Revised Statutes of Anguilla

PO Public Offering

kW Kilowatt or one thousand watts

kWh

Kilowatt-hour or one unit of electrical energy

kV Kilovolt or one thousand volts

kVA Kilovolt-ampere

Licensed Intermediary Bank of St. Lucia Limited

MWh One million watt hours

MICUH

Ministry of Infrastructure, Communications, Utilities, and Housing

MW

Megawatt

Market Capitalisation specific to ANGLEC

The GOA estimated market share price of ANGLEC at the date of this Prospectus of EC\$5.86 per share multiplied by the number of shares in issue at the calculation date.

MWh

Megawatt-hour

NCBA

National Commercial Bank of Anguilla Limited

Net Generation

Total units sent out i.e. gross generation less units used in the station.

No Par Value

Stock certificates typically bear some nominal "par or stated or legal" value as assigned by the corporate board of directors. However, the Companies Act, R.S.A.. c. C65, 2014, sub-section 28 (2) states that shares in a company are to be without nominal or par value. As a result, the Company's shares are reported at no par value.

Non-Anguillan-Individuals Regional

Any persons not falling under the definitions of "Anguillan/Belonger/Anguillan National" residing in the OECS.

Non-Anguillan-Corporate Regional

Any entities not falling under the definitions of "Anguillan Companies/Corporate Entities" and are incorporated and owned by individuals residing in the OECS.

OECS

The Organisation of Eastern Caribbean States which comprises of ECCU 8 member territories, namely, Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint. Lucia and St. Vincent and the Grenadines as well the associate member territories which includes the British Virgin Islands and Martinique. For the purposes of this prospectus, OECS refers only to the ECCU 8 member territories.

Offer Period

August 25, 2017 through September 25, 2017





DEFINITIONS AND ABBREVIATIONS (continued)

Offer/Offering/Issue

The Public Offering of 4,636,100 Ordinary Shares at EC\$5.86 per share in Anguilla Electricity Company Limited to the public with an offer period of August 25, 2017 through September 25, 2017.

Ordinary Shares/Shares

Voting participating ordinary shares of no par value in ANGLEC.

p.a.

per annum

Peak Demand

The largest amount of electrical energy consumed in any half hour period during the operational year.

Price/Earnings Ratio (PE Ratio)

The ratio calculated when the numerator is the price per share and the denominator is the earnings per share for a financial period as if the current capital structure had been in place since incorporation.

PUC

Public Utilities Commission

R.S.A.

Revised Statutes of Anguilla

R.R.A.

Revised Regulations of Anguilla

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 interest in the Company that gives it significant influence over the Company; or;
- Has joint control over the Company.
- (ii)The party is a member of the key management personnel of the Company.
- (iii) The party is a close member of the family of any individual referred to in (i) or (ii)
- (iv) The party is a postemployment benefit plan for the benefit of employees of the Company or any entity that is a related party of the Company.

Resident

As used in this Prospectus the term "resident(s)" shall include, in addition to those individuals who hold official residency status in Anguilla, all those individuals who have lived in Anguilla for at least six months of the calendar years of 2015 and 2016.

Return on Assets (ROA)

The percentage calculated when the numerator is net income and the denominator is the weighted average total assets during the financial period.

Return on Equity (ROE)

The percentage calculated when the numerator is net income and the denominator is the weighted average total shareholders' equity during the financial period.

Return on Investment (ROI)

The percentage calculated when the numerator is net income and the denominator is the average market capitalisation of ANGLEC during the financial period.

ASSB

Anguilla Social Security Board

Subscriber

Any person, entity or group of related persons and/or entities applying for shares in this share offering.

Substantial Shareholder

- A person who:
- a. exercises beneficial and non-beneficial ownership of five percent or more of the issued and outstanding share capital of the Company; or
- b. is entitled to exercise or control in the future any options, voting powers, rights, warrants or any other interest of the Company which amounts to beneficial and non-beneficial ownership of five percent or more of the issued and outstanding share capital of the Company; or
- c. exercises direct or indirect control over the management or affairs of the Company.

T & D

Transmission and Distribution



MESSAGE FROM THE HONOURABLE CHIEF MINISTER



The administration of Anguilla continues to define the times and chart the course to empower the people of Anguilla. One such action is to improve the depth of investment opportunities available. This will be achieved through the sale of the Government of Anguilla's shareholdings in our attractive electricity company.

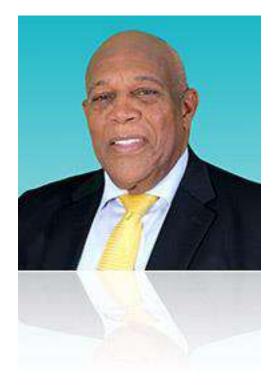
The Anguilla Electricity Company Limited (ANGLEC) is the sole supplier of electricity having transitioned to a public company from the Government of Anguilla's Electricity Department in 1991. The then newly formed company was tasked with improving the quality and reliability of electricity, as well as the development of staff and expansion of the company.

The current business model of ANGLEC has developed and benefited from a diversification of energy sources to better match demand within a stable regulatory environment, which affords it a low risk profile. Anguilla is far ahead in the Eastern Caribbean in terms of the share of energy generated using renewable energy after the installation of a 1MW solar farm in 2016.

Our one electricity company model, along with island-wide electrification, means ANGLEC provides critical energy to the entire population, both household and commercial with streamlined operations, delivering a very reliable supply. The company is robust, having low debt and high retained earnings. Since the last initial public offering in 2003, except in the year 2013, ANGLEC has paid dividends to its shareholders. This company can be seen as a great entity to any investor's portfolio. This sale is an especially great opportunity to acquire limited shares in a transformative institution.

As ANGLEC advances and explores alternative sources of energy, likewise the role of Government must transition from direct control of the operations of ANGLEC towards a





focus on its regulatory role. In 2003, the Government first sought to reduce its shareholding in ANGLEC by selling sixty (60.0) per cent of the shares in ANGLEC to the Anguillan and resident community. Following the success of that initial public offering, the Government is seeking to continue the transition of ANGLEC into private sector hands in the best interest of ANGLEC, taxpayers and the country as whole. The additional introduction of private capital will further subject ANGLEC to innovative and productive forces.

The proceeds will be used by the Government of Anguilla to establish a Sinking Fund to enable it to meet its debt amortization obligations.

Wictor F. B

Mr. Victor F. Banks Honourable Chief Minister, Anguilla





LETTER FROM THE CHAIRMAN



On behalf of the directors of the Anguilla Electricity Company Limited (ANGLEC), it is my pleasure to invite you to read this Prospectus and to give you some relevant information to assist you in your decision to become a shareholder in ANGLEC.

Shareholding History

Since its inception, ANGLEC has undergone several changes in ownership. In 1991, the Commonwealth Development Corporation (CDC) bought 30% of the shareholding in the Company and was given a management contract to manage the affairs of the Company. In 1998, the Company purchased CDC's 30% ownership and maintained these shares as

treasury stock. The Government of Anguilla, once again, became the sole shareholder. In 2003, the Government divested 60% of its shareholdings. Today, the Government of Anguilla either directly and indirectly controls 79% of the Company shares and is therefore the majority shareholder.

Operational Background

Since 2003, the peak demand for electricity in Anguilla has grown from 3.0 megawatts (MW) to 15.5 MW and installed nameplate capacity grew from 5.0 MW to 27 MW, while kilowatt hours (kWh) sales grew from 10.5 million to 91.0 million kWh today. This growth rate required the Company to make substantial investments in its infrastructure and future growth rates and industry trends call for additional investment. In early 2017, the Company began the procurement process for an additional 5 MW of duel-fuel generating plant in addition to various control room and plant upgrades with a commissioning date scheduled for late 2018. The Company is also planning to expand its renewable energy portfolio with an additional 2-4 MW of wind. In addition to generation expansion, the Company has invested in its transmission and distribution (T&D) capabilities over the years. The current T&D system incorporates a 13.8kV transmission system that radiates throughout the entire island along with a 34.5kV transmission line that feeds a 13.8kV

substation on the western end of Anguilla. The Company is currently implementing its Advanced Metering Infrastructure (currently over 50% deployed) and auto-reclosers which will lay the ground work for growth of a smart grid concept.

Renewable Energy

As it pursues its goal to be the model energy provider for the Caribbean, the Company will focus on developing and integrating emerging energy sources. ANGLEC is currently planning for the addition of a 2-4 MW wind farm and an additional 4 MW of solar photovoltaic (PV) within the 2-5 years. To facilitate this transition, ANGLEC plans to partner with entities like the Caribbean Development Banks (CDB) and the Caribbean Renewable Energy Development Program (CREDP) to provide financial and technical assistance. Our pledge is to greatly reduce our dependency on fossil fuels at the fastest rate possible and, commit to be a good steward of our customers dollars thus keeping the utility sustainable.



LETTER FROM THE CHAIRMAN (continued)



Human Resources

In 2015, the Company carried out a comprehensive and robust training and needs analysis which identified needs and solutions to be implemented. Management is receptive to the paradigm changes and must ensure employees have the tools to keep pace with the changing climate of renewable energy integration. Accordingly, a robust 3-year training plan, an employee recognition program and a performance management program were developed. These programs focus on technical and administrative training. They incorporate partners like the Anguilla Community College, CARILEC, and the American Management Association for key skill-set enhancement. ANGLEC's employees are experienced and committed and its management team is determined to ensure it builds upon these strengths as it transitions to the new era of electricity generation and distribution.

Customers

The Company's customers have a positive image and perception of the Company. This is attributable in large measure to the overall quality and reliability of its service. It's corporate social responsibility endeavours in education, culture, health, sports and community development have also contributed to its positive image. In this spirit, the Company continues to ensure customer rates remain competitive with those of like companies in the region and strive to provide an excellent level of service. To this end the Company has undertaken a significant investment in its backbone infrastructure and is constantly modernizing and upgrading its network grid and generation capacity.

We are excited about the future of and the many developments taking place at ANGLEC. We welcome prospective shareholders to review all information provided in this prospectus. This Prospectus contains detailed information about the offer, the climate in which ANGLEC operates, ANGLEC's historical and forecasted operating and financial information. An investment in ANGLEC is subject to a range of risks, including changes in growth in the Anguillan economy. I encourage you to read this document carefully in its entirety before making your investment decision.

On behalf of my fellow Directors, I trust you will make an informed decision as you consider becoming a shareholder in ANGLEC.



Gareth Hodge Chairman Anguilla Electric Company Limited





EXECUTIVE SUMMARY

SUMMARY OF THE OFFER

A summary of the offering details is provided below in Table 1:

TABLE 1: SUMMARY OF OFFERING DETAILS

| Number of Shares Offered | 4,636,100 Ordinary Shares at no par value |
|----------------------------------|---|
| Amount of Offer | EC\$27,167,546.00 |
| Price per Share | EC\$5.86 |
| Minimum Investment per Applicant | EC\$586.00 (100 shares) |
| Maximum Investment per Applicant | No Maximum Investment per Applicant specified |
| Percentage Offered | One Hundred Percent (100%) of GOA's share |
| Offer Opens | 8:00 am on August 25, 2017 |
| Offer Closes | 2:00 pm on September 25, 2017 |
| Voting shares | All shares are voting shares and carry equal rights. |
| Dividend | All shares are entitled to dividends and carry equal rights. |
| Other rights | All share carry equal rights with regards to return of capital on winding up and redemptions. |

Purpose of the Offer

The public offering involves the offer of 4,636,100 existing shares of ANGLEC held by the GOA. Hence, the net proceeds will revert to the GOA and not ANGLEC. Likewise, all the expenses of the offering will be borne by the GOA. The GOA intends to use the net proceeds to fund the 2017 national budget, specifically to be used by the Government of Anguilla to establish a Sinking Fund to enable it to meet its debt amortization obligations. None of these funds will be available to ANGLEC for its capital expansion or any other use.

Use of Proceeds

The net proceeds of the offering, if fully subscribed, are expected to amount to EC\$26.368 million after the deduction of EC\$.80 million which is the estimated total cost of the public offering.

No right of pre-emption is attached, neither is there any restriction on the free transferability of these shares being offered imposed. In addition, these shares have not been admitted to dealings on a licensed securities exchange. The shares will be traded over the counter.

HISTORY AND NATURE OF THE BUSINESS

The Anguilla Electricity Company Limited (the Company) was incorporated in Anguilla on 11 January 1991 under the Companies Act, I.R.S.A c1 and is governed by the Electricity Act, 1991, as amended, and operates in The Valley, Anguilla.

The Company is the sole generator, transmitter, and distributor of electricity on the island with an exclusive public supplier license ending March 28, 2041, thus giving it a monopoly position.





HISTORY AND NATURE OF THE BUSINESS (continued)

The company is regulated by the Companies Act R.S.A. c. C65 2014, The Electricity Act R.S.A. E35, 2010, Revised ANGLEC Exemption Regulations R.R.A. E35-1, The Electricity (Rates and Charges) Regulations R.R.A. E35-2, The Electricity Supply Regulations R.R.A. 35-3, Electricity (Validation and Amendment) Act, 2016, The Environmental Levy Act E63 and The Public Utilities Commission Act 2014. The Company is a registered reporting issuer with the ECSRC and is subject to the requirements of the Securities Act and its accompanying regulations.

The company has a nine-member Board of Directors elected to serve three year terms each and may be removed earlier by a special meeting of the shareholders. Prior to becoming a public company, ANGLEC operated under the government ministry which was responsible for meter reading, billing, collection and the supply of electricity. However, by the mid 1980's it became apparent that a more efficiently managed operation was needed as the supply of electricity was not keeping pace with the increasing demand, hence the drive and impetus to change the structure of the company to have a more efficiently managed and operated business.

ANGLEC has expanded its capabilities since incorporation and most recently beginning in 2008 has undertaken a series of capital improvement expenditures expansion in order to meet the load capacity of Anguillans and their business sectors. Between 1991 and 2016, the Company experienced rapid growth and peak demand grew from 3 megawatts to 15.5 megawatts during those periods.

ANGLEC presently relies primarily on diesel generation to produce electricity for Anguilla. The power is produced by a single generating plant (Corito Power Station), containing 11 turbo-diesel generating units. The output voltage and frequency of the plant is 13.8kV and 60Hz respectively. It currently has a maximum operating capacity of 23MW at the Corito plant. The installed nameplate capacity is approximately 27MW. Future plant

requirements are determined by load projections and plant firm capacity. Plant firm capacity is based on dispatchable generating plant (using the n-2 method) to ensure a reliable supply of electricity after allowance for breakdown and scheduled maintenance. Plant firm capacity is based on dispatch-able generating plant (using the n-2 method) to ensure a reliable supply of electricity after allowance for breakdown and scheduled maintenance. Capacity planning also takes into account a 15% spinning reserve policy. The Company's transmission and distribution (T&D) system is comprised of a 34.5kV transmission line (that feeds a 13.8kV substation on the Western end of Anguilla); and a 13.8kV distribution network that emanates directly from Corito Power Station.

In late 2015, ANGLEC entered into a contract and executed the ground breaking for ANGLEC's 1 megawatt (MW) solar farm project. This renewable energy source commenced its production June 15, 2016. In addition, ANGLEC also commissioned two 1MW high speed generating units. These units serve multiple purposes by ensuring maintenance of high level of reserve capabilities, assist in load balancing measures for the Company's 1MW solar farm and provide power in emergency situations. The Company is also currently upgrading its meters to an advanced metering infrastructure (AMI) technology.

While ANGLEC is a member of CARILEC, an association of electrical utilities in the Caribbean, it is important to note that it is not a subsidiary, affiliate or part of any corporate grouping.

OWNERSHIP HISTORY

Section 10 (a) of the Articles of Continuance of the Company provided for five (5) classes of shares and the minimum number that the Company was authorized to issue is as follows in Table 2:





TABLE 2: CLASSES OF SHARES AUTHORIZED

| | TYPE OF | # OF | VALUE PER | | |
|------------------|------------|------------|--------------|--|--|
| CLASS | SHARE | SHARE | SHARE | | |
| CLASS A | Ordinary | 5,400,000 | EC\$1.00 | | |
| CLASS B | Ordinary | 5,400,000 | EC\$1.00 | | |
| CLASS C | Ordinary | 7,200,000 | EC\$1.00 | | |
| CLASS D | Ordinary | 6,236,147 | EC\$1.00 | | |
| UNCLASSIFIED | Ordinary | 5,763,853 | EC\$1.00 | | |
| TOTAL AUTHORIZED | | 30,000,000 | | | |

No limit exists on the duration of the authorization to issue share capital.

TABLE 3: ANGLEC-CLASSES OF SHARES ISSUED

| | TYPE OF | NUMBER OF |
|-----------------|----------------|-------------|
| CLASS | SHARE | SHARE |
| CLASS A | Ordinary | 5,400,000 |
| CLASS B | Ordinary | 5,400,000 |
| CLASS D | Ordinary | 6,236,147 |
| TOTAL | | 17,036,147 |
| LESS: CLASS B | Treasury | (5,400,000) |
| TOTAL ISSUED AN | ID OUTSTANDING | 11,636,147 |

In 1991, thirty-two percent (32%) of the stock outstanding (i.e. Class B) were owned by the Commonwealth Development Corporation (CDC) an agency of the United Kingdom Government. The remaining 68% were owned by the Government of Anguilla; however, the voting power on the Board was 50/50. The agreement in 1991 was that CDC would own 30%, GOA 30% and the remaining 40% would be sold to the general public (Anguillan belongers). CDC agreed that after a period of ten (10) years it would sell its interest to the general public of Anguilla. This did not happen in that exact form; CDC withdrew as a shareholder from ANGLEC effective 1998 and sold its 32% interest back to the Company, which is now being held as Treasury Stock.

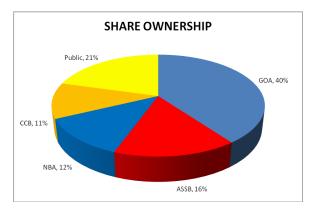
At an Extra-ordinary General Meeting held on June 3, 2003, the Company's Articles were amended to reflect one class of Ordinary Shares to rank Pari Passu, thus removing the various stock categories as delineated above. All classes of shares have been converted to one class of ordinary shares effective 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

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. After the initial public offering, the following was and remains the capital structure of the Company:

TABLE 4: OWNERSHIP STRUCTURE

| SHAREHOLDERS | NUMBER OF SHARE | % |
|--|--------------------|------|
| Government of Anguilla (GOA) | 4,636,147 | 40% |
| Anguilla Social Security Board (ASSB) | 1,835,100 | 16% |
| National Bank of Anguilla Limited (NBA)* | 1,435,100 | 12% |
| Caribbean Commercial Bank (Anguilla) Limited (CCB)* | 1,325,200 | 11% |
| Public | 2,404,600 | 21% |
| TOTAL | 11,636,147 | 100% |

*These banks were amalgamated in 2016 into a Bridge Bank -National Commercial Bank of Anguilla (NCBA).



PLANNED CAPITAL EXPANSION

The Company anticipates adding another 5MW high speed generating unit and other generation equipment in 2017 at a total cost approximating EC\$25 million. ANGLEC is also planning to expand its renewable generation by constructing a 2MW Wind Farm in 2018 and 2019 at a cost of approximately EC\$12 million. Transmission and distribution expansion, which includes various smart grid upgrades including network automation are expected from 2017-2019 at a total cost of EC\$14 million.





PLANNED CAPITAL EXPANSION (continued)

Likewise, ANGLEC is planning on constructing an Administrative Building at an estimated cost of EC\$14 million on Crown Land of approximately 1.5 acres leased for a period of 99 years from GOA. ANGLEC has paid the agreed lump sum of US\$266,000 and pays an annual peppercorn rent of EC\$100 for a period of 99 years. The Building is expected to be completed within three years. Total expected capital expenditures for the next five years is estimated at EC\$74.6 million. ANGLEC anticipates funding this capital expansion through external debt financing as well as internally generated funds.

SHARE CAPITAL STRUCTURE

The Anguilla Electricity Company Limited is an Anguillan public limited company. The Company's share capital at the time of the offer is comprised of 11,636,147 issued and fully paid up ordinary shares of no par value as defined by the Companies Act R.S.A., c. C65, 2014. An additional 5,400,000 shares are held in Treasury Stock. These shares were purchased from CDC by the Company at a cost of EC\$2,500,000.

TABLE 5: SHARE DISTRIBUTION AND MARKETCAPITALIZATION

Table 5 shows the current composition of shares and the expected market capitalization:

| | # OF SHARES | SHARE CAPITAL \$ | MARKET @ EC\$5.86 |
|---------------|----------------|---------------------|----------------------|
| ISSUED AND | | | |
| FULLY PAID | 17,036,147 | \$17,036,147 | \$99,831,821 |
| LESS:TREASURY | | | |
| STOCK | (5,400,000) | (2,500,000) | (31,644,000) |
| | 11,636,147 | \$14,536,147 | \$68,187,821 |

The Company may decide at a later date to offer all or part of its Treasury Stock to the general public, private investors or a combination of both. Reasons for this could include, but are not limited to: raising additional capital, stock dividends and employee stock options plan (ESOP). No such issue will be made to the public without the prior approval of the shareholders in a special meeting and all the necessary pre-requisites of the securities act are duly complied.

I. OWNERSHIP PRE-SALE

The Government previously owned directly 40% of the Company and now, in addition to this, indirectly owns the other 23% that were owned by the indigenous banks: the National Bank of Anguilla Limited (12%) and Caribbean Commercial Bank (Anguilla) Limited (11%). These banks were amalgamated in 2016 into a Bridge Bank - National Commercial Bank of Anguilla (NCBA) which is 100% owned by the Government of Anguilla. In addition, Anguilla Social Security Board owns 16% of the total shares. In total, the Government directly and indirectly controls 79% of the shares in ANGLEC. Details of the ownership are in the next table. summarized The Government's sale of its shares may expand the ownership structure not only in Anguilla but also in the OECS.

| | # OF SHARES | % |
|--------|--------------------|------|
| GOA | 4,636,147 | 40% |
| ASSB | 1,835,100 | 16% |
| NBA* | 1,435,100 | 12% |
| CCB* | 1,325,200 | 11% |
| PUBLIC | 2,404,600 | 21% |
| TOTAL | 11,636,147 | 100% |
| | | |

| | # OF SHARES | % |
|---------------------|--------------------|------|
| GOA including ASSB, | , | |
| NBA* and CCB* | 9,231,547 | 79% |
| PUBLIC | 2,404,600 | 21% |
| TOTAL | 11,636,147 | 100% |

*These banks were amalgamated in 2016 into a Bridge Bank - National Commercial Bank of Anguilla (NCBA).





OFFERING PRICE DETERMINATION

In determining the offering price of EC\$5.86 GOA considered many factors including but not limited to:

- The historical and projected performance of the Company;
- The intrinsic value of the Company;
- The risk profile of the Company;
- The monopoly position of the Company, the current licence and the regulatory environment;
- The experience and expertise available within the Company at the Board and management levels;
- Comparative analysis of ANGLEC's price multiples with that of the electricity utility companies trading on the ECSE and those trading globally across the industry.

The offer price was determined using the Dividend Discount Method ("DDM"), Discounted Cash Flow to Equity Method ("DCFE"), Guideline Public Company Method ("GPCM"), and Guideline Merger and Acquisition Method ("GMAC"). The results of these methods were all considered in the offer price per share determination of Anguilla Electricity Company Limited. The price of EC\$4.32 determined from the DCFE Method was weighted 70.0% percent as the Company was able to provide detailed forecasts that would result in the most reliable and meaningful indication of fair market value. A 10.0% weighting was ascribed to the price of EC\$3.98 determined through the GPCM Method as the multiples most closely reflect the ownership interest and transaction structure of the Company's offering. The remaining 20.0% percent weighting is ascribed to the price of EC\$12.16 imputed from the average share price to book value ratio of other listed power utility companies traded on the Eastern Caribbean Securities Exchange (ECSE). The Government believes that significant emphasis should also be placed on ANGLEC's book value to date aside from its future prospects.

SECONDARY MARKET FOR SHARES

ANGLEC's shares are not traded on any established securities market, hence there is no established market for the securities. It may therefore be difficult for the investor to sell shares held in ANGLEC or for him/her to obtain reliable information about their value or the extent of the risks to which these shares are exposed.

SUMMARY OF FINANCIAL INFORMATION

The table below summarises the selected actual and forecasted summary financial information, statistics and key ratios:

| ACTUAL | | | | FORECASTED | | |
|------------------------------|----------|------------|-----------|------------|-------------|----------|
| INCOME STATEMENT INFORMATION | 2014 | 2015 | 2016 | 2017 | <i>2018</i> | 2019 |
| Revenues | 80,632 | 65,412 | 65,693 | 66,508 | 69,887 | 75,482 |
| Cost of operations | (67,179) | (50,787) | (48,402) | (51,072) | (54,328) | (58,899) |
| Gross operating income | 13,453 | 14,625 | 17,291 | 15,436 | 15,559 | 16,583 |
| Other income | 4,063 | 2,396 | 2,010 | 1,433 | 1,490 | 1,548 |
| Gross income | 17,516 | 17,021 | 19,301 | 16,869 | 17,049 | 18,131 |
| Operating expenses | (10,350) | **(12,757) | *(15,408) | (14,335) | (12,709) | (12,269) |
| Income from operations | 7,166 | 4,264 | 3,893 | 2,534 | 4,340 | 5,862 |
| Finance cost | (856) | (576) | (528) | (420) | (852) | (1,750) |
| Net income | 6,310 | 3,688 | 3,365 | 2,114 | 3,488 | 4,112 |

Table 6: Year ended December 31 (rounded in nearest EC\$'000)

*Please see management discussion on pages 37 and 38 for the reason of the increase in operating expenses.

**This includes litigation settlement accrual of EC\$3.338 million.





| | ACTUAL | | | FORECASTED | | |
|--|---------|---------|---------|------------|---------|---------|
| BALANCE SHEET INFORMATION | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Non-current assets | 70,380 | 66,215 | 72,883 | 89,483 | 121,716 | 121,898 |
| Current assets | 43,434 | 46,955 | 44,695 | 38,742 | 32,533 | 35,933 |
| Total assets | 113,814 | 113,170 | 117,578 | 128,225 | 154,249 | 157,831 |
| Long-term liabilities | 11,007 | 9,817 | 13,489 | 23,896 | 46,662 | 48,231 |
| Current liabilities | 14,757 | 12,664 | 11,030 | 10,088 | 11,254 | 10,550 |
| | 25,764 | 22,481 | 24,519 | 33,984 | 57,916 | 58,781 |
| Shareholders' equity | 88,050 | 90,689 | 93,059 | 94,241 | 96,333 | 99,050 |
| Total liabilities & shareholders' equity | 113,814 | 113,170 | 117,578 | 128,225 | 154,249 | 157,831 |
| Dividends proposed, paid and forecasted | 815 | 815 | 931 | 931 | 1,396 | 1,396 |

KEY RATIOS

| | ACTUAL | | | FORECASTED | | |
|-----------------------|---------|---------|---------|------------|-------------|--------|
| | 2014 | 2015 | 2016 | 2017 | <i>2018</i> | 2019 |
| Price per share | \$2.50* | \$2.50* | \$2.50* | 5.86 | 5.86 | 5.86 |
| Earnings per share | \$0.55 | \$0.32 | \$0.29 | 0.18 | 0.30 | 0.35 |
| Price earnings ratio | 4.55 | 7.81 | 8.62 | 32.25 | 19.55 | 16.58 |
| Dividend per share | \$0.07 | \$0.07 | \$0.08 | 0.08 | 0.12 | 0.12 |
| Dividend payout ratio | 12.73% | 21.88% | 27.59% | 44.03% | 40.04% | 33.96% |
| Dividend yield | 2.80% | 2.80% | 3.20% | 1.37% | 2.05% | 2.05% |
| Return on equity | 7.41% | 4.13% | 3.66% | 2.26% | 3.66% | 4.21% |
| Return on assets | 5.46% | 3.25% | 2.92% | 1.72% | 2.47% | 2.64% |
| Capital asset ratio | 77.36% | 80.14% | 79.15% | 73.50% | 62.45% | 62.76% |
| Debt service ratio | 2.06 | 1.13 | 6.13 | 2.96 | 3.17 | 2.35 |
| Cash flow per share | \$.43 | \$.45 | (\$.97) | (0.42) | (0.51) | 0.19 |
| Cash per share | \$1.17 | \$1.62 | \$.78 | 0.22 | (0.29) | (0.10) |

*Pertains to the price of share during the initial public offering made in 2003. STATISTICAL INFORMATION ('000'S)

| | ACTUAL | | | FORECASTED | | |
|---------------------------------------|--------|--------|---------|------------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Units sold (kwh) | 78,074 | 81,167 | 90,999 | 91,565 | 91,990 | 97,012 |
| Energy losses (kwh) | 8,670 | 10,287 | 9,447 | 7,893 | 7,751 | 7,968 |
| Net generation (units sent out) – kwh | 86,744 | 91,454 | 100,446 | 99,458 | 99,741 | 104,980 |
| Station usage – kwh | 2,760 | 2,810 | 2,569 | 2,730 | 2,754 | 2,812 |
| Gross generation – kwh | 89,503 | 94,264 | 103,015 | 102,188 | 102,495 | 107,792 |
| Fuel used – imperial gallons | 4,827 | 5,060 | 5,438 | 5,352 | 5,365 | 5,501 |

Gross generation is broken down as follow:

| | ACTUAL | | | FORECASTED | | |
|-----------------------------------|--------|--------|---------|------------|-------------|---------|
| | 2014 | 2015 | 2016 | 2017 | <i>2018</i> | 2019 |
| ANGLEC Diesel Generation – (kwh) | 89,503 | 94,264 | 101,883 | 100,268 | 100,515 | 105,812 |
| 1MW Solar Farm Generation – (kwh) | - | - | 1,132 | 1,920 | 1,980 | 1,980 |
| Gross generation – kwh | 89,503 | 94,264 | 103,015 | 102,188 | 102,495 | 107,792 |





KEY INVESTMENT CONSIDERATIONS

Your decision whether or not to invest in Anglec Shares should be based on your consideration of this Offer Document as a whole and not just this section, which provides an overview of the key strengths of Anglec and highlights of the Offer. As with any investment, there are risks associated with an investment in the Shares. Therefore, in particular you should consider the risk factors that could affect Anglec's performance described under the heading "What are my Risks?"







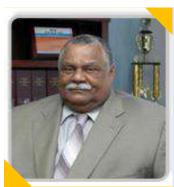
DIRECTORS

ANGLEC has assembled a team of experienced businessmen and professionals to direct and manage the Company for the benefit of its shareholders. There are currently nine (9) Directors whose backgrounds are highlighted below:



Mr. Gareth Hodge, Chairman

Mr. Hodge is a prominent contractor in Anguilla and specializes in electrical, plumbing and construction of swimming pools. He has over 30 years' experience in general management and over 15 years' experience in broadcasting services at the Beacon Radio. Prior to this experience, he has been a successful teacher at the primary school level. Currently, he participates in a number of community activities and is an ordained pastor of the Hilltop Baptist Church. He is involved in Hodge Holding Group of Companies. Mr. Hodge was also awarded the designation of Accredited Director through the completion of the Directors Education Program having satisfied the requirements of ICSA Canada. Mr. Hodge is a British Dependent Territories citizen, born 13 February, 1959 and currently residing in Island Harbour, Anguilla.



Mr. Kent Webster, Vice Chairman

Mr. Webster has been a prominent businessman in Anguilla for the past 25 years. He is the owner and general manager of Hertz Car Rental – Anguilla and an apartment complex in Island Harbour. He also served as the manager of a major wholesale operation and as supervisor of a warehousing entity for the Government of the U. S. Virgin Islands, both positions held in St. Thomas, United States Virgin Islands. In 2009, Mr. Webster was awarded the designation of Accredited Director through the completion of the Directors Education Program having satisfied the requirements of ICSA Canada. Mr. Webster is a British Dependent Territories citizen, born 28 July, 1946 and currently residing in Island Harbour, Anguilla.



Mr. Harold Ruan, Director

Mr. Ruan is self-employed as a building contractor and has over 30 years of experience in the construction sector. Mr. Ruan pursued a diploma course in Electrical Engineering at the Antigua State College during the years 1983 to 1985. He is an active member in the Anglican Community and the East End Community serving in a cross-section of organizations and clubs. In 2009, Mr. Ruan was awarded the designation of Accredited Director through the completion of the Directors Education Program having satisfied the requirements of ICSA Canada. Mr. Ruan is a British Dependent Territories citizen, born 7th of May, 1963 and currently residing in East End, Anguilla.



Ms. Dawnette Gumbs, Director

Ms. Dawnette Gumbs is a Human Resources Officer at the Cuisinart Golf Resort & Spa and has worked previously in the hotel industry at establishments such as the Flag Luxury Properties as Office Manager/Records Administrator and Deputy Security Officer at Malliouhana Hotel & Spa as an Operator and Receptionist/Reservationist. Ms. Dawnette Gumbs is British Overseas Territories citizen, born 18 Feb, 1981 and currently residing in South Hill, Anguilla.

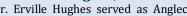




DIRECTORS (continued)

ANGLEC has assembled a team of experienced businessmen and professionals: (continued)





Mr. Erville Hughes served as Anglec's Financial Controller/Company Secretary from October 1999-2005 and Corporate Secretary from 2005 when the position of Secretary/Financial Controller was split into two positions. He has over 38 years of accounting and administrative experience gained from various large organizations in the United Kingdom. Mr. Hughes obtained a Post Graduate Diploma in Management from Thames Valley University in the United Kingdom in 1996 and a HND in Business Studies from Twickenham College, West London, UK. Mr. Hughes is a member of the Association of Accounting Technicians and a member of the UK Chartered Management Institute (Formally the Institute of Management) and an Accredited Director. Mr. Erville Hughes is a British citizen, born 3 June, 1950 and currently residing in South Hill, Anguilla.



Ms. Shinnette Connor, Director

Ms. Shinnette Simone Connor has over 18 years' experience in commercial banking (Scotiabank Anguilla Limited and National Bank of Anguilla Limited), accounting and internal auditing. Ms. Connor holds a Bachelor of Arts Accounting from the University of the Virgin Islands, St. Thomas, USVI in 1997 with honours. She also obtained a Diploma in Banking from the Graduate School of Banking at the University of Wisconsin. In 2016, Ms. Connor was awarded the designation of Accredited Director through the completion of the Directors Education Program having satisfied the requirements of ICSA Canada. Ms. Connor was appointed as a Director at a Special Meeting of Shareholders on the 12th of May, 2016. Ms. Shinnette Connor is a British Overseas Territories citizen, born 4 November, 1974 and currently residing in South Hill, Anguilla.



Mrs. Linette Sasso-Connor, Director

Mrs. Linette Sasso-Connor was employed at the National Bank of Anguilla Limited for over 16 years and is presently employed at the National Commercial Bank of Anguilla Limited as the Anti-Money Laundering Compliance Officer. Mrs. Sasso-Connor holds a B. A. Degree in Accounting and she also holds the AMLCA Certification. Mrs. Sasso-Connor was awarded the designation of Accredited Director through the completion of the Director's Education Accreditation Program. Mrs. Linette Sasso-Connor is a British Overseas Territories citizen, born 12 Dec, 1970 and is currently residing in The Farrington, Anguilla.



Mr. Wilfred Richardson, Director

Mr. Wilfred Richardson is a self-employed Electrical Contractor with over 30 years' experience in all aspects of electrical work. He obtained his diploma in Electrical Engineering in 1994 from the College of Arts Science Technology (now called the University of Technology). Prior to this, he obtained a certificate of Service Excellence from CARILEC in 1989. Mr. Richardson was employed with the Government of Anguilla for nineteen (19) years. Initially, he was an assistant Electrical Inspector and for the latter nine (9) years he was appointed as Electrical Inspector before becoming self-employed in 2006. Mr. Richardson is a British Overseas Territories citizen, bon on 16 July 1967 and currently residing in North Side, Anguilla.





DIRECTORS (continued)

ANGLEC has assembled a team of experienced businessmen and professionals: *(continued)*



Mr. Claude Smith, Director

Mr. Claude Smith is the Manager of Smiths Services which provides information technology solutions and services. Mr. Smith is responsible for overseeing and supervising the company's activities and employees. Mr. Smith has over 15 years of experience in system analysis and design, computer training, project/program management, strategic planning, customer relations, business administration, and operations management. Mr. Claude Smith is British citizen, born 29 Dec, 1971 and currently residing in White Hill, Anguilla.

Aggregate remuneration for directors during the year ended December 31, 2016 was EC\$451,168 and is expected to remain at the same level for the next three years.

Pursuant to Paragraph 4.7.1 of the Company's by-laws, the shareholders of the Company may, by ordinary resolution passed at a special meeting of the shareholders, remove any Directors from office and a vacancy created by the removal of a Director may be filled at the meeting of the shareholders at which the Director is removed. Vacancies among the directors of the Company, including a vacancy occurring pursuant to the preceding paragraph, may be filled by a quorum of the directors of the Company under Section 72 of the Companies Act.

The following are the interests of each director distinguishing between beneficial and non-beneficial interests:

| Name | Position | NUMBER OF SHARES | PERCENTAGE | INTERESTS |
|--------------------|-----------------|------------------|------------|----------------|
| Gareth Hodge | Chairman | 4,500 | 0.039% | Beneficial |
| Kent Webster | Deputy Chairman | 10,000 | 0.086% | Beneficial |
| Harold Ruan | Director | 3,000 | 0.026% | Beneficial |
| Dawnette Gumbs | Director | - | 0.000% | Not applicable |
| Erville Hughes | Director | 1,000 | 0.009% | Beneficial |
| Shinnette Connor | Director | 300 | 0.003% | Beneficial |
| Linette Sasso | Director | - | 0.000% | Not applicable |
| Wilfred Richardson | Director | 2,800 | 0.024% | Beneficial |
| Claude Smith | Director | 500 | 0.004% | Beneficial |
| TOTAL | | 22,100 | 0.190% | |

Directors Contract

To the best knowledge of the GOA, there are no service arrangements, agreements or contracts between the GOA and any of the Directors or Officers of ANGLEC excluding contracts expiring within one year.

Directors Family Relationship

To the best knowledge of the GOA, there is no close family relationship between the directors or any other persons who perform an important administrative, management or supervisory function for the company.

Directors Other Directorship

To the best knowledge of the GOA, some of the directors hold various directorships position in other Companies not directly related to ANGLEC.



ADVISORS



AUDITORS BDO LLC, Chartered Accountants MAICO Headquarters P.O. Box 136 The Valley Anguilla, B.W.I. Phone: (264) 497-5500 claudel.romney@bdoecc.com

PricewaterhouseCoopers St. Maarten Emmaplein Building P.O. Box 195 Philipsburg St. Maarten Phone: (721) 542-4788 www.pwc.com/dutch-caribbean

CORPORATE ADVISORS TO THE OFFERING

BDO EASTERN CARIBBEAN c/o Meridian Corporate Services Ltd. Kamilah House P.O. Box 637, Rock Farm Anguilla, B.W.I. Phone: (264) 498-2084 heather@meridiancorporate.com cleveland.seaforth@bdoecc.com

PRINCIPAL BROKER AND NEW ISSUE APPLICATION RECEIVING FIRM

Bank of Saint Lucia Ltd. (A subsidiary of the East Caribbean Financial Holding Group of Companies) c/o National Commercial Bank of Anguilla Limited West End Service Centre P.O Box 44, West End Anguilla, B.W.I. Phone: (264) 497-2571 Fax: (264) 497-3570 Email: <u>bankofsaintlucia@candw.lc</u>





ADVISORS (continued)

ROLES AND RESPONSIBILITIES OF ADVISORS

BDO Eastern Caribbean (BDO) has been engaged as Corporate Advisors to the GOA and this role includes assisting in the preparation of the Prospectus for review and approval by the Board of Directors of ANGLEC, Government of Anguilla and ECSRC. BDO will also act as a coordinator of the activities of the various other professionals involved including the public relations consultant and printing company.

The Bank of St. Lucia Limited (BOSL) has been engaged to fulfil the role of Principal Broker and New Issue Application Receiving Firm. It will assume the role of placing the securities offered by GOA to intended investors, undertaking all the registration formalities with ECSRC on behalf of ANGLEC/GOA, assisting in the preparation and review of the Prospectus, marketing the Prospectus and selling the shares. The BOSL will work with a syndicate of licensed security firms in the OECS region to successfully market the offering to all OECS Nationals, Belongers and residents. GOA has not contracted with any other licensed intermediaries.

The National Commercial Bank of Anguilla (NCBA) premises will be used by BOSL for the collection of application forms and money. NCBA will provide hosting capacity for BOSL and other any New Issue Application Receiving Firms to process the applications in Anguilla.

ROLE OF EASTERN CARIBBEAN SECURITIES EXCHANGE

The Eastern Caribbean Securities Exchange (ECSE) and its subsidiaries will serve as the platform for the allotment, registration and settlement of shares acquired by subscribers. Successful subscribers will receive a notification statement from the Eastern Caribbean Central Securities Registry (ECCSR) a subsidiary of ECSE. This statement will serve as confirmation of proof of ownership of ANGLEC shares purchased through this offering. The ECCSR will serve as the registry for ANGLEC and will maintain and service shareholder records on behalf of the company. The Eastern Caribbean Central Securities Depository (ECCSD), also a subsidiary of the ECSE, will be responsible for the settlement of funds for this offering.



THE COMPANY

HISTORY

In the 1970s, a small temporary power station was erected at the Government's Ice Plant in The Valley adjacent to St. Mary's Anglican Church. This Plant provided electricity only to The Valley area. In 1977/78 a 13.8kV distribution system was established to provide electricity outside of The Valley. By the end of 1985, electricity was available throughout Anguilla's populated areas. The expansion was initially funded by aid grants from Britain until the electricity supply was deemed sufficiently developed to sustain itself commercially. With aid from the British and funds borrowed from the Caribbean Development Bank, the power station was relocated to Corito and the first medium speed generator (1 MW) was commissioned in 1985. Between 1987-1990 four additional 1MW generators were added with additional funding from the Caribbean Development Bank, the Social Security Board, the Caribbean Commercial Bank (Anguilla) Limited and the National Bank of Anguilla Ltd. The aggregate loans from these financial institutions at that time represented approximately 50% of the Government's long-term debt. In 1990, the maximum demand on the system was 3.6 MW, thus, the Company was unable to achieve the required capacity in the events that one set is out of operation.

Throughout the second half of the 1980's, the electricity supply did not keep pace with demand, and hence the quality of service remained poor. Demand continued to grow at a rate between 15 and 25 percent per annum. The need for strengthening the organisation, management and operations of the public electricity supply became apparent. In October 1985, the responsibility for meter reading, billing and revenue collection was transferred to the Treasury. Hence, the division between the supply of electricity and the collection process meant that no single body had full responsibility for the efficient management and operation of the public electricity supply. The Electricity Department did not have the authority or the responsibility to manage and



control its own business. In 1991, the Government took steps to transfer the Electricity Department and to incorporate a new electricity company, The Anguilla Electricity Company Limited (ANGLEC). The Commonwealth Development Corporation (CDC), an agency of the British Government purchased 32% of the shares of ANGLEC. The Government retained 68% of the total shares but categorised them as follows: 32% voting and 36% non-voting in order to give CDC a measure of control equal to Government. The 36% of the non-voting stock were earmarked to be sold to the Anguillan public at a later date, which to date did not transpire. The rationale for incorporation in the early 1990's was as follows:

- 1. Improvement of the scope for generating investment capital;
- 2. Unified management of all aspects of the electricity supply;
- Creation of direct accountability on a commercial basis;
- 4. Increased opportunities for managers and staff;
- 5. Greater flexibility in response to consumer demand;
- 6. More direct control by the people of Anguilla;
- 7. Implementation of commercial procedures and practices;
- 8. Limiting the politics of electricity supply.

It was envisioned that within 3-10 years of the initial incorporation that Government would divest most of its shares to the public and that CDC would divest its shares as well. In 1998, CDC divested its 5.4 million shares back to ANGLEC for a total sum of EC\$2.5 million which are now held as Treasury Stock. The price paid by CDC in 1991 of EC\$5.4 million for its 32% shareholding was based on an independent valuation of the assets transferred to the new company, which were deemed to be the Government's capital input.

The management of ANGLEC was contracted out to CDC; however, the Board of Directors was drawn equally from the Government and CDC using the voting stock as the basis.



THE COMPANY (continued)



HISTORY (continued)

An EC\$27 million dollar capital expansion of the Corito power station was planned after the initial incorporation but this event never took place. The expansion was planned to be financed by the Caribbean Development Bank, CDC and from the sale of shares issued to the public.

Unfortunately, given the continued losses from the inception of the Company through the year 1996, shareholders were not able to receive a dividend from the Company until the year 2002 when a dividend of EC\$ 0.814 million was declared and paid for the first time in the history of the Company. The Company's losses through 1994 were further exacerbated by the onslaught of Hurricane Luis in 1995 – a category 5 hurricane that wreaked havoc with Anguilla's infrastructure as well as ANGLEC's. Hurricane Marilyn some two weeks later brushed Anguilla and exacerbated the impact of Hurricane Luis. To stave off further losses, ANGLEC requested a tariff increase, but was only allowed 5% increase after an arbitration hearing. The Government denied the requested increase because it felt that the cost structure of the Company was inflated as a result of poor management. Amidst debate on tariff structure, CDC in 1998 sold its 5.4 million shares back to ANGLEC and the Government of Anguilla effectively became the sole owner of ANGLEC.

Further, in November 1999, the Company experienced a major setback from catastrophic damage by Hurricane Lenny. Nonetheless, during the year 2000, the Company purchased and commissioned two generators with the capacity of 6.2 MW to meet the increasing demand.

In 2003, the Government started divesting its shares held in ANGLEC through an initial public offering. A total of 6,600,000 shares or equivalent to 57% of the total shares was offered to the public.

The Anguillan economy, like many other global economies was not spared from the economic turbulence and volatility experienced in 2008. The Anguillan economy grew by 14.91% in real terms during the period 2003 - 2007 and was estimated to grow by only 3.96% in 2008. Anguilla's major economic sectors; tourism and construction, were hardest hit by the global recession and this negatively impacted growth and revenue of the government. This led to government having to tap into its Fiscal Reserves built up since 2004 to meet its monthly obligations. ANGLEC too was impacted by the downturn which was exacerbated by the volatility in fuel prices. While in 2008, ANGLEC saw a 20.7% increase in total revenue to EC\$81.542 million over the previous year of EC\$67.534 million, operating costs increased by 45.3% over 2007 to \$65,166. Fuel cost accounted for 64.5% of revenue and 80.7% of operating cost in 2008 compared to 53.6% and 72.2% respectively in 2007. Net profit declined to \$7.4 million compared to \$8.8 million in 2007. Despite the decline, ANGLEC continues to make capital investments in the business and maintain its focus on continued operational efficiency and the reliability of its distribution system.

Anguilla's rapid growth cycle came to a sudden stop in 2008 and for six years until 2013, the Anguillan economy suffered a major reversal, contracting by an aggregate of approximately 25% in the three years 2009 - 2011. Despite this, the Company was able to weather the harmful effects of the economic decline, a veritable depression in the economy, and maintain positive business results. In addition, the Company successfully overcame and escaped relatively unscathed the directly harmful impacts of the oil crisis and massive escalation of oil prices that accompanied the global recession. This performance is attributable to the determined efforts of the Company's Board of Directors, management and staff to face up to the challenges and maintain Company's viability through that difficult period.





CURRENT FACILITIES AND HUMAN RESOURCES

GENERATION

ANGLEC has expanded its capabilities since incorporation and most recently beginning in 2008 has undertaken a series of capital improvement expenditures expansion in meeting the load capacity of Anguillans and their business sector. Between 1991 and 2016, the Company experienced rapid growth and peak demand grew from 3 megawatts to 15.5 megawatts during those periods.

ANGLEC presently relies primarily on diesel generation to produce electricity for Anguilla. The power is produced by a single generating plant (Corito Power Station), containing 11 turbo-diesel generating units. The output voltage and frequency of the plant is 13.8kV and 60Hz respectively. It is currently operating a 33 MW generating set installed at the Corito plant. Future plant requirements are determined by load projections and plant firm capacity. Plant firm capacity is based on dispatchable generating plant (using the n-2 method) to ensure a reliable supply of electricity after allowance for breakdown and scheduled maintenance. Capacity planning also takes into account a 0%-15% spinning reserve policy.

ANGLEC presently relies significantly on diesel generation to produce electricity for Anguilla. The power is produced by a single generating plant (Corito Power Station), containing 11 turbo-diesel generating units. The output voltage and frequency of the plant is 13.8kV and 60Hz respectively. It currently has a maximum operating capacity of 23MW at the Corito plant. The installed nameplate capacity is approximately 27MW. Future plant requirements are determined by load projections and plant firm capacity. Plant firm capacity is based on dispatchable generating plant (using the n-2 method) to ensure a reliable supply of electricity after allowance for breakdown and scheduled maintenance. Plant firm capacity is based on dispatch-able generating plant (using the n-2 method) to ensure a reliable supply of electricity after allowance for breakdown and scheduled maintenance. Capacity planning also takes into account a 15% spinning reserve policy.

In late 2015, ANGLEC entered into a contract and executed the ground breaking for ANGLEC's 1 megawatt (MW) solar farm project. This renewable energy source commenced its production June 15, 2016. In addition, ANGLEC also commissioned two 1MW high speed generating units. These units serve multiple purposes by ensuring maintenance of high level of reserve capabilities, assist in load balancing measures for the Company's 1MW solar farm and provide power in emergency situations. The waste to energy option also is being considered. It may be supplied by a power purchase agreement with a private producer or a joint venture or the Company may build a wholly owned plant. A waste to energy plant to supply the Company via a power purchase agreement reached in 2014 was not implemented in 2015, as the investors determined the timing was not appropriate.

Below, are the current plan initiatives being done by ANGLEC to improve its Generation capacity:

- 1) Continuing the high levels of quality maintenance on generation fleet. Although this is routine, the current fleet of generators are now of considerable age. This means, higher and more intricate maintenance levels.
- 2) Installing additional duel-fuel generation capacity. In 2016, Anglec added 2 additional megawatts in backup capacity. The plan to expand the base load capacity by an additional 5.2MW generating set in 2017/2018.
- Conducting a comprehensive audit of the generating assets to better understand the current conditions, risks and implementing any required enhancements.
- 4) Modernizing the power plant equipment and control systems.
- 5) Wind viability and the feasibility to build a 2–3 megawatt wind energy farm;
- 6) The building of an additional 4 MW solar energy farm;
- 7) Waste to energy production; and
- 8) Retrofitting some or all the existing fleet of generators to be able to use propane or other petroleum gas in addition to diesel as an alternative feedstock to generate electricity.





TRANSMISSION AND DISTRIBUTION

The Company's transmission and distribution (T&D) system consists essentially of five (5) distribution feeders with a total length of approximately 110 miles of overhead lines operating at a voltage of 13.8 kilovolts (kV). Also a Western Transmission Line approximately 10 miles in length operating at a voltage of 34.5kV services the western section of the Island. The Transmission Line System consist of two substations one at Corito and the other at West End. Emanating from the west end substation is three (3) other distribution feeders operating at 13.8kV.

The standard low voltages for utilisation by its approximately 8,000 customers, is obtained via step down pole mounted and pad mounted transformers, which are installed throughout the island. The standard low voltages are as follows:

- 120/240 Volts, single phase, 60Hz (three wire)
- 120/240 Volts, three phase, 60Hz (four wire)
- 120/208 Volts, three phase, 60Hz (four wire)
- 240/415 Volts, three phase, 60Hz (four wire)
- 13,800 Volts, three phase, 60Hz (three wire)

Below, are the current plan initiatives being done by ANGLEC to improve its Transmission and Distribution activities:

- 1. Implementing a "Smart Grid" system including the installation of auto-reclosers.
- 2. Upgrading earthing systems in lightning prone areas.
- 3. Installing additional lighting protection devices.
- 4. Continue and complete the advance metering infrastructure, including a prepaid metering and billing system.
- 5. Continue the routine trimming of trees that grow into high voltage lines.
- 6. Implementing various IT solutions to enhance customer service and timely responses to outages.
- 7. The phased implementation of an underground electrical distribution system to replace the existing overhead system;

CORPORATE STRATEGIC PLAN

Dating back to the 1980's and beyond, the Government and the people of Anguilla felt that Anguillans should play a major role in Anguilla's development by becoming more involved in the financial and monetary management of their economy, including the area of electricity. ANGLEC was chartered as the vehicle to fulfil this objective, thereby revolutionising local investment opportunities and entrepreneurship.

From the outset, ANGLEC committed itself to the following critical success factors:

- Customer focus;
- Visionary leadership;
- Loyal and dedicated staff;
- Committed Board of Directors;
- Low cost generation and distribution of electricity

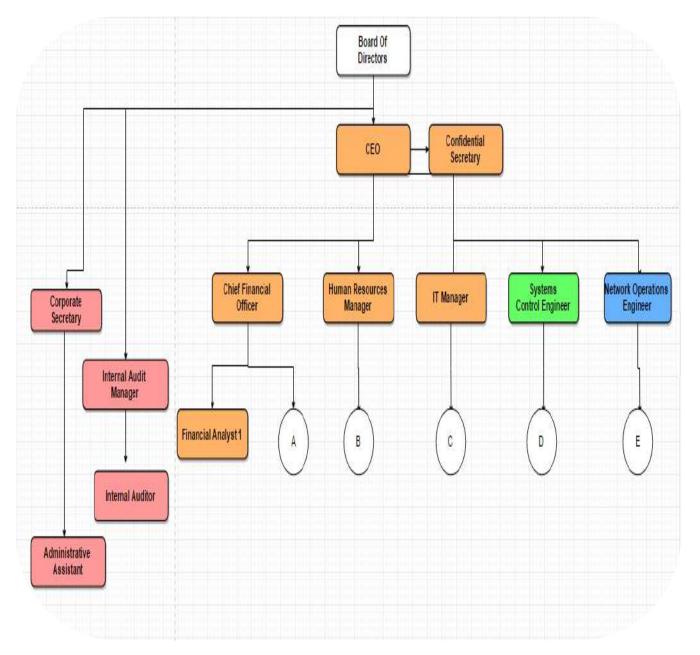
The Company Strategic Plan for 2017–2020 provides a holistic and aspirational strategic framework that sets out the Company's critical long term vision, mission and strategies as well as the medium term and annual objectives, programmes and projects that the Company intends to pursue in the next three and a half years. The plan takes advantage of the most feasible and practical opportunities to shift its operations from singular reliance on diesel to a diversified and sustainable technological and business model. The motivation should be to fulfil its mandate to the Government, People and businesses of Anguilla to provide high quality and affordable electricity while maintaining viability, reliability and sustainability. The plan also places the transition to renewable and alternative sources of energy at the centre of the Company's strategic business and operations planning and programming.





SENIOR MANAGEMENT AND HUMAN RESOURCES

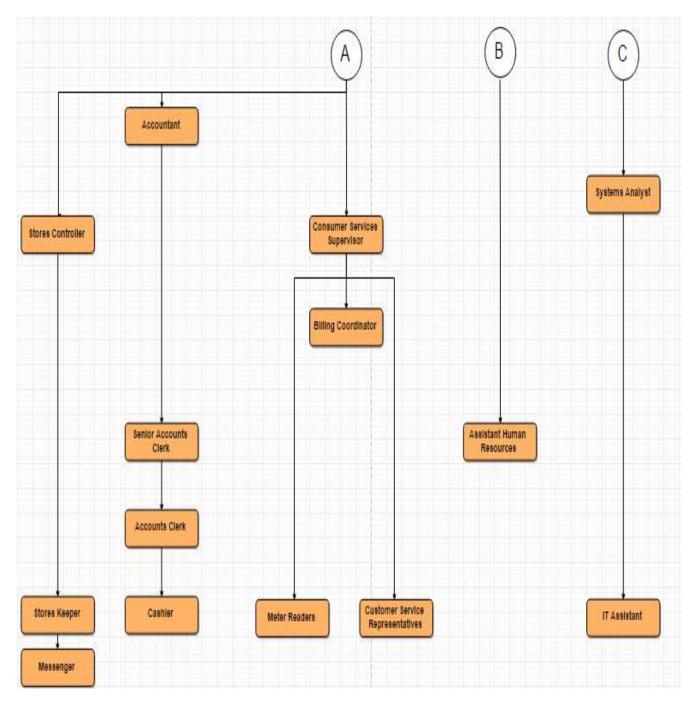
The Company operates from one main office located in The Valley, Anguilla. Its organisational structure is as follows:







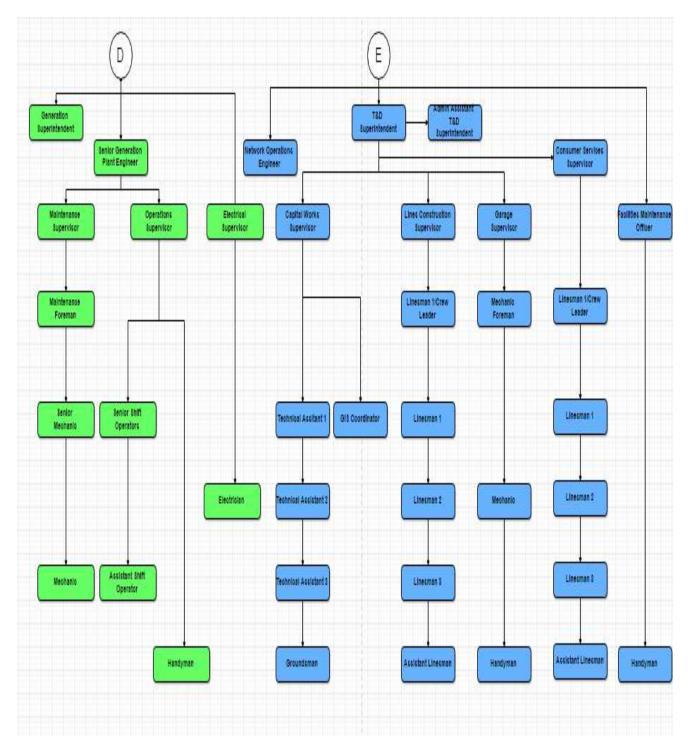
Organisational structure (continued)







Organisational structure (continued)







SENIOR MANAGEMENT AND HUMAN RESOURCES (continued)

Quality and Experience of Management and Supervisory Staff

ANGLEC has adequate human resources. It has about ninety (90) staff, divided into Administration, Transmission and Distribution (T&D), and Generation areas. Management comprises nine people. The Administration and Compliance area comprises the Chief Executive Officer, the Chief Financial Officer, the Human Resource Manager, Accountant, the IT Manager, the Corporate Secretary and the Internal Auditor. The Generation area comprises the Systems Control Engineer, the Senior Generation Plant Engineer, and the Mechanical, Operations, and Electrical Supervisors. The T&D area comprises the Network Operations Engineer, the T&D Superintendent, the Technical Services Engineer, the Customer Service Engineer, and three supervisors. Decisions go through the management team, which tables them with the Board, which in turn adopts them. Key members of the management team are:







Mr. David Gumbs, CEO/General Manager

Mr. Gumbs is a Certified Public Accountant (CPA) with over twenty years' experience in management, accounting and finance. Mr. Gumbs holds a Master of Science in Accounting from University of Hartford and a Bachelor of Science in Economics and Africana Studies from Connecticut College. Under Mr. Gumbs' stewardship, ANGLEC is embracing new technologies and public relations strategies such as advanced metering infrastructure, smart grid and renewable energy. Mr. Gumbs has lead negotiations of several power purchase agreements as part of the integration of various alternative energy sources including ANGLEC's recently commissioned 1-megawatt solar farm. Some of Mr. Gumbs' former roles include Chief Financial Officer of ANGLEC, Senior Director, Treasury and Financial Analysis at Sodexo, Inc. and Senior Auditor with Arthur Andersen, LLP. Mr. Gumbs was appointed Acting General Manager in May 2013 and Chief Executive Officer effective June 2014.

Mr. Sylvan Brooks, System Control Engineer

Mr. Brooks joined ANGLEC in 1995 after completing his B.Sc. in Electrical Engineering from the University of the West Indies. Mr. Brooks was appointed Electrical Engineer in 1998 where he was responsible for the design, planning and expansion of the distribution system. He was also responsible for electrical portion of all generation expansion projects.

In 2009 he attained the position of System Control Engineer where he has overall responsibility for the generation plant and renewable energy initiatives.

Mr. Ivor Ible, Transmission and Distribution Superintendent

Mr. Ible has been employed in the electricity supply industry for over 37 years, 26 of these years have been with the Anguilla Electricity Company Limited.

Mr. Ible is responsible for the oversight and development of a diverse group of team members, including Supervisory Engineers, Project Engineers, CAD Technicians and Support Staff who are involved in the engineering and design of high voltage. He has long term aspect of all aspects of power delivery Projects including Planning Engineering Design.





SENIOR MANAGEMENT AND HUMAN RESOURCES (continued)

Quality and Experience of Management and Supervisory Staff (continued)



Ms. Maureen Woodley, Chief Financial Officer (Acting)

Ms. Woodley has been employed at ANGLEC since June 1991 after obtaining her Bachelor of Arts (Summa Cum Laude) from the University of the Virgin Islands. In 1994, Ms. Woodley was appointed to the position of accountant and was instrumental in computerizing and upgrading the accounting function to improve efficiency in that department. Ms. Woodley has attended numerous financial, accounting and auditing seminars and courses that have helped equipped her with over 25 years of accounting and financial experience. Ms. Woodley routinely acts for the Chief Financial Officer and is presently Acting CFO.



Mr. Elvin Richardson, Information Technology Manager

Mr. Elvin Richardson joined ANGLEC in January of 2003 as a Systems Analyst and after earning a Bachelor of Science in Information Technology from the American Intercontinental University in 2004 was appointed as Information Technology Manager. With his vast knowledge of the IT infrastructure of ANGLEC and several Certifications post earning his degree he has been at the helm of the Company's IT Department and can be credited for much of its growth and advancement. He has been instrumental in the implementation of ANGLEC's online billing system, mobile work orders, customer information system and the recently-implemented advanced metering network communication backbone. Mr. Richardson has full responsibility for all the company's computer, networking and communication needs.



Ms. Erimel Franklin, Human Resource Manager

Ms. Erimel Franklin, Human Resource Manager Miss Erimel Franklin is a certified Human Resources Professional (PHR). A graduate of Acadia University in Canada, Miss Franklin earned her Bachelor's Degree with a specialization in Human Resources Management (Honours). Her areas of expertise include Talent Developmental, Performance Management, Employment Law, Employee Retention and Engagement Programs. Miss Franklin currently holds membership in the Society of Human Resource Management. Miss Franklin has taught Organizational Behaviour and Human Resources Courses at the Anguilla Community College. Her volunteer work includes Educational Development programs for the children of Anguilla.



Mr. Steve Hodge, Network Operations Engineer

Mr. Hodge is an Electrical/Electronic Engineer. He started working in the Electricity Business since 1990. His early career began with the completion of a 3 Year study in Electrical (Power) Engineering at UTECH in Jamaica, where he graduated with an honours diploma. He continued his studies in Electrical & Electronics Engineering at the University of West England UK, where he graduated (2005) with a Masters in Engineering. Steve Hodge has over 20 years of experience in the Electrical industry. He currently holds the position of Network Operations Engineer at the Anguilla Electricity Company Ltd with responsibility for the Transmission & Distribution Department. Mr. Hodge routinely acts for the Chief Executive Officer.





CURRENT FACILITIES AND HUMAN RESOURCES (continued)

SENIOR MANAGEMENT AND HUMAN RESOURCES (continued)

Quality and Experience of Management and Supervisory Staff (continued)



Ms. Shaunel Reid, Manager of Internal Audit

Ms. Shaunel Reid has held the position of Manager of Internal Audit from September 2015. She holds a Bachelor's of Science in Accounting, an MBA, and is currently enrolled in the Association of Chartered Certified Accountants (ACCA). Prior to her tenure at ANGLEC she worked in the position of Internal Auditor at The National Bank of Anguilla Ltd. for ten years.



Mrs. Jeri Richardson Charles, Corporate Secretary

Mrs. Jeri Richardson Charles, Attorney-at-Law, holds a Bachelor of Laws Degree (LLB) with Honours from the University of East London and a Postgraduate Diploma - Bar Vocational Course (BVC) from the University of Northumbria at Newcastle, following completion of an Associates Degree in Legal Studies at the H. Lavity Stoutt Community College and The University of the West Indies School of Continuing Studies, Paraquita Bay, Tortola, in 2006. Mrs. Richardson Charles was admitted into the Honourable Society of Lincoln's Inn on 29th October 2008, was called to the Bar of England and Wales on 25th November, 2010 and then called to the Bar in Anguilla on June 21, 2011. Mrs. Richardson Charles worked with the Law Firm of Keithley Lake & Associates and with the Government of Anguilla before beginning her formal education. Mrs. Richardson Charles was appointed Corporate Secretary effective April 1st, 2011. Mrs. Richardson Charles manages the company's corporate secretarial portfolio which includes providing strategic, legal and operational support to the Board of Directors.

Senior Management Remuneration and Benefits

The Company provides its employees with a compensation package comparable to other Anguillan firms. Aggregate remuneration for senior management during the year ended December 31, 2016 was EC\$2,342,136 and is expected to remain at the same level for this year.

Others

The Company has retained most of its staff over the long term. Staff turnover is limited. One of the attractions of employment in the Company is the job security that is afforded to staff. The management and staff are relatively young. Even so, succession planning is likely to become an urgent human resource issue for the Company in the near future. The Company's knowledge and skills base will need to be further diversified and deepened with regards to the technologies of clean, renewable energy and other clean and low carbon options to non-renewable high carbon energy. The most specialized and sophisticated knowledge and skills in these fields may be provided by advisers and consultants.

The transition to renewable energy will require innovative, committed and bold action by the Company's Board and executed by motivated and competent management and staff. The transformation process may be rapid and disruptive. It will encompass ideas, behaviour, technology and culture, as well as organizational development, business and financial models. Strategic planning should be а valuable management tool in this situation.





USE OF PROCEEDS

The net proceeds of the offering, if fully subscribed, are expected to amount to EC\$26.368 million after the deduction of EC\$.80 million which is the estimated total cost of the public offering.

The offering comprises the sale of existing shares of ANGLEC that are held by the Government of Anguilla, the majority shareholder. Therefore, the

MANAGEMENT DISCUSSION

This review focuses on the major elements of the balance sheet, income statement and cash flows of the Company. This section should be read in conjunction with the financial information of the Company disclosed elsewhere in this Prospectus. Following are some financial highlights of ANGLEC for the year ended December 31, 2016.

For the year ended December 31, 2016, revenues were \$66.4M compared with budgeted revenues of \$64.5M, a positive variance of \$1.9M or +2.9%. This is due to stronger sales (+11%), driven by a higher than expected increase in demand for the year. The increase in demand is due to lower cost of electricity (a trend experienced throughout the region), along with additional customers such as The Reef, Zemi (full year expansion) and the return of the Cuisinart RO plant to the grid. This had a positive impact on both base sales and fuel sales. This is despite a lower average surcharge rate of \$.13 vs a budget of \$.18 a difference of 28%.

Net income for the year ended December 31, 2016 was \$3.3M compared with budgeted net income of \$2.4M, a positive variance of \$.9M or +37.50%. It is important to note that net income would have been significantly higher, but was impacted by several one-off events:

- 1. The increase in impairment loss (driven by the slow/non-payment of entities such as the Water Corporation, Gov. of Anguilla and several other consumer accounts (\$2.8M); and
- 2. The settlement agreement with the former General Manager including litigation costs (\$2.2M).

Without the impact of the above mentioned items, net income should be significantly higher than budget due to:

net proceeds will be paid to the Government of Anguilla. The Government intends to use the net proceeds to fund the 2017 national budget, specifically in establishing a Sinking Fund to enable it to meet its debt amortization obligations. None of the funds generated from the sale will become available to ANGLEC for capital expansion or for any of its infrastructural needs.

- 3. Higher demand and resulting kWh sales (\$1.9M) (previously discussed)
- 4. Lower than expected fuel cost (\$3.3M). Average cost of fuel for the year is \$5.25 per IG vs. \$6.53 budgeted, a difference of \$1.28, or +20%
- The above items are offset by:
- 5. Higher legal and professional costs (\$511K) due to litigation around various settlement matters; and
- 6. Items 1 & 2 above.

Total assets amounted to EC\$117 million as at December 31, 2016, an increase of 3.5% over last year. Total shareholders' equity at December 31, 2016 was EC\$93.06 million, an increase of 2.6% over last year. This figure is made up of EC\$14.5 million of share capital and EC\$78.5 million of retained earnings.

The Company's cash and liquid investment position remains strong at \$16 million at the end of December, 2016. In addition, \$8 million is held in ANGLEC's self-insurance fund presented as part of investments making a total cash and investment balance of \$24 million. However, due to non-payment or slow payment status of Government and Government related entities such as the Water Corporation, the cash and investment balance declined as compared to last year balance of \$26 million.

Earnings per share was EC\$0.29 for the year ending December 31, 2016 – a decrease of 9.37% over the prior year.

(Please see pages 68-72 of this Prospectus for the detailed financial statements as at and for the year ended December31, 2016

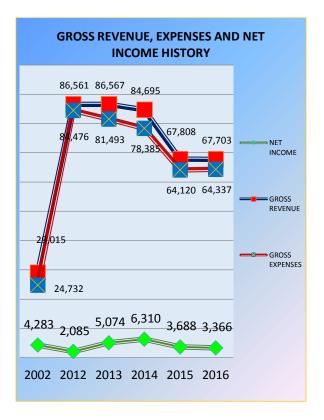




BOOK VALUE, EARNINGS, DIVIDEND AND PRICE HISTORY

ANGLEC - Historical Gross Revenue, Expenses and Net Income Figures

Historical income, expense and net income figures for the years ended December 31, 2012 to December 31, 2016 as compared to the figures during the last public offer in 2002:



BOOK VALUE

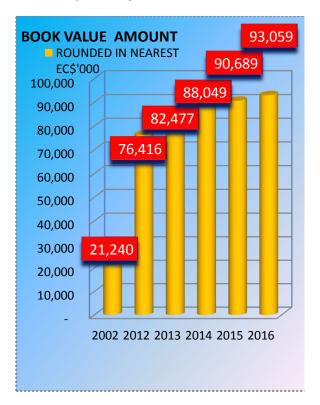
Book value is the net asset value of a company, calculated as total assets minus intangible assets (patents, goodwill) and liabilities. For the initial outlay of an investment, book value may be net or gross of expenses such as trading costs, sales taxes, service charges and so on.

As the accounting value of a firm, book value has two main uses:

1. It serves as the total value of the company's assets that shareholders would theoretically receive if a company were liquidated.

2. When compared to the company's market value, book value can indicate whether a stock is under- or overpriced.

The below chart shows the Company's book value for the years ended December 31, 2012 to December 31, 2016 and compared to the book value during the last public offer in 2002:



EARNINGS PER SHARE

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share. Earnings per share serves as an indicator of a company's profitability. When calculating, it is more accurate to use a weighted average number of shares outstanding over the reporting term, because the number of shares outstanding can change over time. However, data sources sometimes simplify the calculation by using the number of shares outstanding at the end of the period.

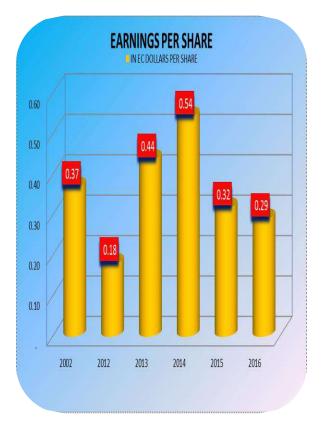




BOOK VALUE, EARNINGS, DIVIDEND AND PRICE HISTORY (continued)

EARNINGS PER SHARE (continued)

The below chart shows the Company's earnings per share for the years ended December 31, 2012 to December 31, 2016 and compared to the December 31, 2002.



DIVIDEND HISTORY AND POLICY

The below table shows the Company's dividends declaration for the years ended December 31, 2012 to December 31, 2016.

Table 7: Cash Dividend History

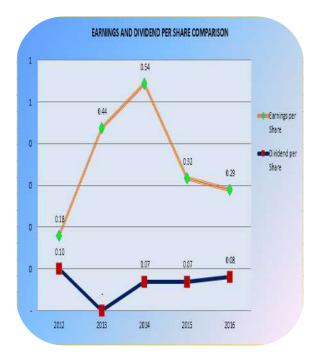
| Year Declared | | | |
|------------------|----------------|----------|--|
| 2012 | EC\$ 1,164,000 | EC\$0.10 | |
| 2013 | - | - | |
| 2014 | EC\$ 815,000 | EC\$0.07 | |
| 2015 | EC\$ 815,000 | EC\$0.07 | |
| 2016 | EC\$ 931,000 | EC\$0.08 | |
| | | | |

The Company is forecasting an annual cash dividend of EC\$0.08 per share in 2017 and EC\$0.12 per share for the years 2018 and 2019 as shown in the projected financial statements for the years 2017-2019, subject to future capital and liquidity requirements of the Company, adequate cash flow and provided that the Company does not experience adverse or catastrophic shocks such as hurricanes.

However, the dividend frequency and pay-out ratio are at the sole discretion of the Company with consideration on certain loan covenant requirements. It should also be noted that dividends can only be declared after covenants with lending agencies are satisfied. As per CDB's loan covenant, ANGLEC cannot pay dividends in any year in which it fails to maintain a debt service ratio of at least 1.5 times. Any retained profits will increase the book value of the shares.

The Company has not designated any outside paying agent for paying dividends should such dividends be declared by the directors and sanctioned by the shareholders.

The following chart shows the comparison between the earnings and dividend per share from December 31, 2012 – December 31, 2016:



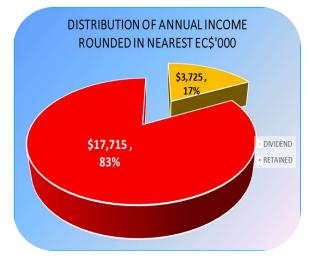




BOOK VALUE, EARNINGS, DIVIDEND AND PRICE HISTORY (continued)

DIVIDEND, HISTORY AND POLICY (continued)

The following chart shows the distribution of earnings into dividend and what was retained by the Company from December 31, 2012 – December 31, 2016:



RECENT TRADE

There has been no official market for shares in ANGLEC. There is no known previous sale since the last initial public offering which was EC\$2.50 per share.

Also, the only shares traded since the Company's incorporation in 1991 aside from the public offer in 2003 were the buyback of 5.4 million shares of treasury stock from CDC in 1998 at a total price of EC\$2,500,000 being a reduced price in full and final settlement of a protracted dispute over matters pertaining to the management agreement. In June 2003, the Anguilla Social Security Board acquired 400,000 shares purchased at EC\$2.50 per share.

FINANCIAL POSITION

Detailed audited financial statements for the three years ended December 31, 2016, December 31, 2015 and December 2014 can be found later in this Prospectus. Other selected financial information dating back to December 31, 2014 is shown in Table 6 under Summary Financial Information as well as the Forecasted Financial Statements for the three years ended December 31, 2019.

The Company's total assets have grown from EC\$45,984 million in 2002 to EC\$117,578 million in 2016. Over the last fourteen years shareholders' equity has grown from EC\$21,241 million at December 31, 2002 to EC\$93,059 million at December 31, 2016. The following chart illustrates the historical growth for the past 6 years in the Company's asset and equity base, as well as the forecasted growth for the years 2017 - 2019.

ANGLEC - Historical Growth in Asset and Equity Base

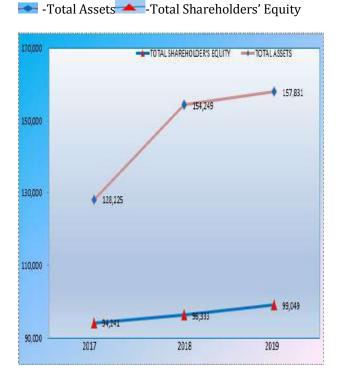




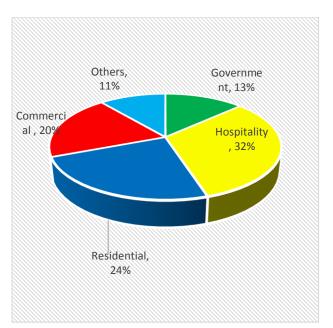


FINANCIAL POSITION (continued)

ANGLEC Forecasted Growth in Asset and Equity Base



The following chart shows the breakdown of Energy Sales by Consumer Category as at Dec 31, 2016.



DRIVERS OF ELECTRICITY DEMAND

Generally, demand projections have to take two main aspects into account: Income drivers and price or industry drivers. The income drivers are macroeconomic and demographic factors such as GDP growth, growth in household disposable income, population growth, growth in the number of households. Price or industry drivers, on the other hand, are related to seasonal demand of industry, regulations and household activity.

| Macro- | Real GDP – Economic Growth | | | |
|----------------------------|--|--|--|--|
| economic | Total population | | | |
| Drivers | Industrial and Tourism production | | | |
| | Housing and New Construction | | | |
| | Projects | | | |
| Industry | Peak load and seasonal variation | | | |
| Drivers | Energy-intensity of industrial | | | |
| | activities | | | |

| Industry | Electric consumption per | |
|------------------------------|--|--|
| Drivers | household | |
| Environmental regulations | | |
| | Non-utility power generation | |

Demand for electricity is closely linked to the performance of the economy – in boom times, demand rises as a result of greater utilization. When economic activity declines, demand for power also declines. Economic growth is a key determinant of electricity demand. Although there is not a one-to-one relationship between GDP growth rates and electricity demand growth rates, there is a strong positive correlation. This means that electricity consumption typically increases with increasing GDP growth. Thus, ANGLEC's performance and future success is based on the economic growth of Anguilla.



OPERATIONAL FACTORS

FIXED ASSETS

The net book value of ANGLEC's fixed assets at December 31, 2016 is as follows (rounding differences may occur):

| Fixed Assets | EC\$'000 | |
|-----------------------------------|----------|--|
| | | |
| Land and buildings | 12,181 | |
| Plant and machinery | 54,607 | |
| Furniture, fittings and equipment | 931 | |
| Capital work-in-progress | 1,142 | |
| Motor vehicles | 1,594 | |
| Total | 70,455 | |

All of these fixed assets are located in Anguilla. The land and buildings are subject to a mortgage imposed by CDB for a loan made to the Company in the year 2005 and 2015 to finance the purchase of two generators and the construction of the solar plant. Also, NCBA has a debenture on the assets of the Company to cover the overdraft facility.

COMPETITION

The technology of electricity distribution has not yet developed to the point where a competitive market with more than one distribution system can be viable in a small market the size of Anguilla's. For the foreseeable future it is expected that a single distribution system is all that the market will be able to support.

There are no independent power producers in the Anguilla market at present. With the introduction of renewable and clean energy technologies that situation is likely to quickly change. Producers other than the Company may enter the market, subject to entering into power purchase agreements with the Company. Government policy in the long run is likely to favour the creation of oligopolistic competition in electricity production. Waste to energy technology is also likely to become part of the solution.

It is becoming more and more affordable for some of the Company's customers to install the capacity to produce some or all the electricity that they need and even in excess of their needs, using renewable energy technologies.



As the transition to renewable energy unfolds, the Company will be pressured to restructure its business model to take account of the pressure for competition in electricity production. Because distribution is likely to remain a pure monopoly for the foreseeable future, this will give the Company an edge in negotiations. Independent power producers will have to negotiate the sale of their product to the Company for distribution to consumers. It would no longer be necessary for the Company to invest in its own power plants to secure 100% of the power supplies it requires to satisfy its customers demand.

CUSTOMERS

The Company serves a market that is quite small by any standards of just more than 8,000 customers. Market penetration is extremely high. Demand growth will not come from further market penetration. Its customer base is expected to grow gradually with economic expansion and growth in the population.

Anguilla's hotels account for the highest percentage of the Company's electricity sales. A priority of the Government is to attract new foreign direct investment into hotel and other tourism projects, including several mega yacht marinas. Expansion of the Clayton J. Lloyd International Airport is a priority for the Government to complement expansion of the tourism plan. Expansion of the public water supply is also a major goal. In both cases the increase in electricity consumption would be significant.

The Company's customers have a positive image and perception of the Company. This is attributable in large measure to the overall quality and reliability of its service. Its corporate social responsibility endeavours in education, culture, health, sports and community development have also contributed to its positive image and perception.



OPERATIONAL FACTORS (continued)

COSTS AND PRICES

The number one concern of the Company's customers is the high price they pay for electricity. The largest single determinant of the price of electricity is the cost of diesel. Oil prices are expected to continue trending higher on a long-term basis, with major oscillations around the trend line. Major fuel price fluctuations in the last five years have forced the Company to make continued use of the surcharge adjustment mechanism in the Electricity Rates and Charges Regulations.

The long-term trend is for oil prices to continue to rise. Continued reliance on electricity produced by diesel burning generators creates the risk of the cost of electricity ultimately becoming unaffordable to large numbers of households and businesses. As the cost of extracting crude oil continues to rise, the selling price of diesel, processed from it, could increase to untenable levels. Enormous negative economic and social costs would be suffered, if consumers have no affordable alternative.

The Company's foremost challenge is to rapidly cut its dependence on fossil oil. To do so it has to tap into renewable energy resources, into alternative non-renewable energy sources and cheaper low carbon fossil fuels to produce the electricity it supplies to its customers at affordable and wherever possible reduced prices. It must simultaneously maintain the quality, reliability and sustainability of supply. This will require changes in the Company's business culture.

CREDITORS AND CREDIT HISTORY

The Company has achieved an excellent credit history over the 26 years of its operations and is now a self-liquidating, commercially viable and sound business. The Company has taken substantial loans over the years mainly from the Caribbean Development Bank (CDB) and commercial banks in Anguilla and has serviced its loan obligations per the terms thereof, while building up significant liquid reserves. The Company is in a robust credit position with low debt to equity. It has significant borrowing capacity. The Company should be able to obtain financing for projects to reduce dependence on oil and increase the use of renewable energy technologies without too much difficulty.



TECHNOLOGY

The Company has been using technology to improve quality, efficiency and productivity to reduce the unit cost of its operations. However, its switch to renewable and clean energy technologies in electricity production has lagged somewhat compared to the industry leaders in this field in the Caribbean, but well ahead of some other utilities. The Company must decide on the overall mix of technologies and on the pace of their deployment. The most consequential production choices facing the Company is the switch to clean, renewable, lower cost electricity production on a sustained basis and ending its over reliance on diesel fuel to produce electricity.

The long-term survival and success of the Company as the public supplier of electricity and more generally as an energy company will depend a great deal on how it handles the process of weaning itself off oil. The issue is urgent. The oil industry and oil markets will continue to experience huge fluctuations and instability going forward. The present favourable market price situation for oil will not last. Destabilizing, even catastrophic swings and fluctuations will continue and likely become the norm.

SUPPLIERS

Three-year competitive bid contracts are used by the Company to obtain its diesel supplies. The aim is to obtain lower prices and reduce short run volatility. Sol and Delta Petroleum vie for the contract. The process faces the risk of subversion, best combated by faithful application of transparent procurement procedures. The Company's relationship with its fuel supplier is critical. The Company does not hedge fuel prices

The Company enjoys solid relationships with its suppliers of critical plant (e.g. generators), other machinery and equipment, vehicles and materials. The same applies to suppliers of ICT and telecommunication systems and services. The Company also maintains productive relationships with its providers of professional services such as legal services and external auditing services.





ANGUILLA'S ECONOMIC OVERVIEW

GENERAL OVERVIEW

Economic activity in Anguilla is provisionally estimated to have expanded by 4.5 percent in 2016 compared with growth of 2.8 percent in 2015. The expansion in economic output was primarily attributable to growth in major sectors including construction, electricity and water, hotels and restaurants, real estate, renting and business activities, wholesale and retail trade, and the public sector. However, growth was tempered by declines transport, storage and communications, in manufacturing and financial intermediation. Consumer prices grew by 1.7 percent during 2016, on an end of period basis, following a decline during the previous year. The fiscal operations of the central government resulted in an overall deficit relative to the surplus position achieved in 2015. With respect to debt, the disbursed outstanding public sector obligations increased, largely on account of the central government assuming the bulk of the liabilities associated with the resolution of the intervened banks. On the external front, the merchandise trade deficit narrowed, while the external public sector debt increased. In the banking system, monetary liabilities declined as did domestic credit. However, net foreign assets increased. The spread between the weighted average interest rates on loans and deposits remained unchanged year-on-year, while the liquidity position of the banking system improved.

Economic activity is expected to be fairly buoyant in 2017 on account of sustained projected increases in stay-over arrivals as both the newly established and existing hotels ramp up their marketing efforts. Relatedly, continued improvement in the economy of key source markets including the United States of America and Canada, is expected to drive the increase in the number of both excursionists and stay-over visitors. The construction sector is expected to benefit from targeted incentives including a reduction in import duties on construction materials. Further. government's capital programme is projected to receive a boost from grant aid to be provided by the 11th European Development Fund (EDF) as well as the United Kingdom government. Some additional support to growth is also expected to be provided by the ongoing stabilisation of the banking system with implications for credit growth. Key downside risks emanate from the continuing challenges with the resolution of the banking sector as well as the implications of Brexit on Anguilla's future relations with St Maarten, a key tourist hub for the island.

OUTPUT (SECTORAL ANALYSIS)

Economic output across most sectors expanded in 2016, led by tourism. Value added in the hotels and restaurants sector, a proxy for activity in the tourism industry, is estimated to have expanded by 10.0 percent in 2016, following growth of 2.2 percent in 2015. The growth outturn was primarily driven by an increase of 8.2 percent in the number of stay-over visitors to 79,239 compared with growth of 3.3 percent in 2015. Stay-over arrivals increased across all source markets, with the two largest, the USA and the Caribbean, growing by 6.9 percent and 7.5 percent respectively. In addition, the UK and Canadian markets saw growth of 7.8 percent and 3.1 percent respectively. The contribution of the hotels and restaurants sector to GDP also increased to 24.1 percent relative to 22.9 percent recorded in 2015. The higher level of activity in the tourism industry was influenced by the completion of new resorts including the Zemi Beach House, the Manoah Hotel, and the Reef by Cuisinart. In addition, greater participation among home and villa owners under the Airbnb framework is likely to have driven the increase in the number of visitors. Another likely contributing factor was the sustained marketing efforts, especially by the major hoteliers. Tempering tourism output was a 14.3 percent decline in the number of excursionists to 96,731, owing to the lower number of cruise ship calls into St Maarten, the key entry point for most persons traveling to Anguilla on day trips. The real estate, renting and business activities sector, which accounts for 13.5 percent of GDP and represents the second largest contributor to economic output, recorded a 2.2 percent expansion in value added compared with a 2.3 percent increase in 2015. Developments in this sector were largely associated with the level of activity in the tourism industry and the availability of investment capital in the global real estate market.

Source: Eastern Caribbean Central Bank 2016 Annual Economic and Financial Review with updates based on the latest Government of Anguilla 2016 Fiscal Outturn Summary





<u>OUTPUT SECTORAL ANALYSIS</u> (continued)

The construction sector, another critical component of real GDP and representing 10.9 percent of total output, is estimated to have grown by 14.0 percent in 2016 compared with an expansion of 7.6 percent in 2015. The higher level of activity was primarily driven by the completion of three major hotels. In addition, construction activity is estimated to have been positively impacted by the larger number of approved building permits issued in 2016, rising to 132 compared with 118 permits issued one year prior. Public administration, defense and compulsory social security, which account for 9.9 percent of GDP, rose by 2.0 percent, down from the 4.2 percent rate of increase recorded in 2015. The lower growth rate was influenced by reduced outlays on capital expenditure as well as transfers and subsidies. Value added in the wholesale and retail trade sector, accounting for 8.5 percent of GDP, increased by 2.5 percent following growth of 2.0 percent in 2015, consistent with the higher level of stayover visitors. By contrast, value added in the financial intermediation sector, which constitutes 9.5 percent of GDP, declined by 2.2 percent, following growth of 4.8 percent in 2015. The outturn was largely influenced by the resolution of the intervened banks. Additionally, the transport, storage and communications sector recorded a 1.9 percent decline in value added, following growth of 4.6 percent in 2015. Within the subcomponents, activity in the transport and storage subsector fell by 5.0 percent, consistent with the decline in excursionists, while that of the communications subsector increased by 1.5 percent.

PRICES, WAGES AND EMPLOYMENT

The consumer price index rose by 1.7percent, on an end-of-period basis in contrast to a decline of the same magnitude in 2015. The increase in prices was primarily driven by expansions in the subindices for communication (10.7 percent), household furnishings, supplies and maintenance (5.2 percent), clothing and footwear (3.2 percent), and transport (2.7 percent). The increase in the communication sub-index was influenced by a higher communication tax imposed in 2016, while that for household furnishings, supplies and maintenance was driven by the higher cost of furniture and furnishings. Similarly, the increased

cost for apparel contributed to the higher subindex for clothing and footwear. The higher costs associated with transport were primarily attributable to the increase in government imposed taxes on vehicles and motor licenses. By contrast, the increase in the general price index was mitigated by declines in the sub-indices for recreation and culture, and housing, utilities, gas and fuels which fell by 3.5 percent and 1.8 percent respectively. The decline in the recreation and culture sub-index was influenced by lower prices associated with electronic items and veterinary services, while a reduction in the price of cooking gas coupled with a lower surcharge drove the decrease in the housing, utilities, gas and fuels subindex.

CENTRAL GOVERNMENT FISCAL OPERATIONS

The fiscal operations of the central government resulted in an overall deficit of \$3.2m (0.34 percent of GDP) in 2016 in contrast to a surplus of \$3.9m (0.5 percent of GDP) in 2015. This outturn was largely driven by a decline in current revenue coupled with an increase in current expenditure, resulting in a narrowing of the current account surplus. A primary surplus (after grants) of \$8.8m was recorded compared with one of \$12.3m one year prior. Current revenue declined by 1.2 percent to \$188.7m (20.4 percent of GDP) in contrast to an expansion of 1.6 percent to \$191.0m (22.1 percent of GDP) one year prior. The contraction in current revenue was mainly influenced by a 1.5 percent (\$2.4m) decline in tax revenue, with flows associated with domestic goods and services falling by \$3.4m and those from taxes on international trade and transactions contracting by \$0.6m. With respect to taxes on domestic goods and services, receipts associated with stamp duties, the bank deposit levy and accommodation tax fell by \$3.9m, \$3.4m and \$1.3m respectively. Lower stamp duty receipts were associated with reduced property sales, while the intake from the bank deposit levy moved in line with the reduction in total savings in the banking system.

Source: Eastern Caribbean Central Bank 2016 Annual Economic and Financial Review with updates based on the latest Government of Anguilla 2016 Fiscal Outturn Summary





CENTRAL GOVERNMENT FISCAL OPERATIONS

In addition, the accommodation tax intake declined as occupancy levels in some of the key resorts fell owing to more tourists moving to non-traditional sources of accommodation. The reduced flows from taxes on international trade and transactions were mainly attributable to a \$0.4m decline in customs service charge receipts. The reduction in tax revenue was moderated by a \$0.6m increase in receipts from taxes on income and profits, owing to a higher intake from the stabilization levy. Further, property tax receipts increased by \$1.0m to \$5.8m, in line with improved tax administration practices. Current expenditure increased by 2.3 percent to \$187.7m (20.3 percent of GDP), compared with growth of 3.0 percent to \$183.5m (21.3 percent of GDP) in 2015. This outturn was primarily driven by expansions in domestic interest payments and outlays on personal emoluments and goods and services. The largest expansion in expenditure was observed for domestic interest payments which grew by \$4.9m relative to a decrease of \$0.7m in the prior year. The higher interest payment was directly associated with increased public sector debt owing to the central government assuming the liabilities of the intervened banks. Personal emoluments increased by \$2.1m to \$84.5m, following growth of \$1.7m in the year prior. Outlays on goods and services rose by \$1.5m to \$38.5m compared with an increase of \$0.6m in 2015. Mitigating the increase in current expenditure were declines in external interest payments and transfers and subsidies of \$1.3m and \$3.0m respectively. In addition, capital expenditure increased by \$4.8m to \$11.4m (0.7 percent of GDP) in contrast to growth of \$3.9m to \$7.3m (0.9 percent of GDP) in 2015. The lower capital outlays were associated with reduced grant flows which fell by \$3.6m to \$0.1m relative to the level in the prior year.

PUBLIC SECTOR DEBT

The total disbursed outstanding public sector debt was estimated at \$475.2m at the end of 2016, more than double the \$212.7m level recorded at the end of 2015. As a percentage of GDP, the debt ratio increased to 51.4 percent from 24.6 percent one year prior. This outturn was mainly attributable to the accumulation of new debt associated with the resolution of the indigenous banks. Central government debt accounted for 97.4 percent of total disbursed outstanding debt, while that of statutory bodies represented 2.6 percent. Further, domestic debt represented 56.3 percent of total debt compared with 23.6 percent in 2015, while external debt fell to 43.7 percent of total debt relative to 76.4 percent recorded in the prior year.

MONEY AND CREDIT

Monetary liabilities (M2) contracted by 5.9 percent to \$1,011.0m during 2016, in contrast to growth of 3.2 percent to \$1,073.9m during 2015. The decline in M2 was mainly influenced by contractions in both quasi money and narrow money (M1). In respect of quasi money, private sector time deposits and foreign currency deposits contracted by 18.2 percent (\$22.0m) and 5.1 percent (\$38.2m) respectively. Similarly, for M1, private sector demand deposits fell by 17.6 percent (\$9.2m) compared with growth of 35.7 percent (\$13.7m) in 2015. Domestic credit contracted by 43.1 percent (\$402.1m) to \$532.0m, following a decline of 5.0 percent to \$934.1m in 2015. This development was largely attributable to reductions in outstanding credit to the private sector. Private sector credit declined by 47.0 percent (\$575.4m) to \$647.7m, reflecting a contraction in credit to households and businesses of 31.1 percent (\$161.1m) and 58.5 percent (\$400.4m) respectively. The decline in private sector credit was primarily driven by the transfer of bad assets from the books of the National Bank of Anguilla (NBA) and Caribbean Commercial Bank (CCB) to the Receiver as part of the bank resolution process. The net deposit position of the central government increased by 17.9 percent (\$11.7m), largely due to an increase in the deposits at the Central Bank (\$59.4m), on account of the CDB recapitalisation loan. However, central government deposits held at commercial banks declined by 47.7 percent (\$41.2m) as the government sought to honour its debt service and other obligations. The increase in the net deposit position was moderated by a 17.4 percent (\$2.1m) expansion in commercial bank credit in addition to a 45.6 percent (\$4.4m) increase in Central Bank credit to the government.

Source: Eastern Caribbean Central Bank 2016 Annual Economic and Financial Review with updates based on the latest Government of Anguilla 2016 Fiscal Outturn Summary





MONEY AND CREDIT (continued)

In the rest of the public sector, the net deposit position of non-financial public enterprises fell by 82.6 percent (\$185.0m), reflecting a contraction in their deposits at commercial banks. An analysis of changes in the distribution of credit indicates broad-based declines across all the major sectors relative to 2015. The sectors recording the largest contraction in credit include tourism (\$160.3m), construction and land development (\$128.6m), personal which includes the acquisition of property (\$107.0m) and durable consumer goods (\$20.6m), distributive trades (\$51.4m), and professional and other services (\$47.3m). Of note is that the declines primarily reflected the transfer of bad assets from the intervened banks to the Receiver as opposed to a deliberate reduction in credit by commercial banks. The only sector to which credit expanded was public administration which saw a 17.3 percent (\$2.1m) increase over the level recorded for 2015. The net foreign assets of the banking system rose by 32.7 percent to \$432.2m compared with an increase of 23.6 percent to \$325.7m during 2015. The outturn was primarily driven by a 39.1 percent (\$77.5m) increase in commercial banks' external assets, coupled with a 46.1 percent (\$75.1m) decline in their external liabilities. Anguilla's imputed share of the ECCB reserves grew by 15.4 percent to \$150.0m. Liquidity in the commercial banking system improved during the review period. This was evidenced by an 11.9 percentage point increase to 42.9 percent in the ratio of liquid assets to total deposits plus liquid liabilities, comfortably exceeding the prudential benchmark range of 20.0 to 25.0 percent. Additional support to the liquidity situation was provided by the 26.8 percentage point decline in the loans and advances to total deposits ratio to 55.6 percent, well below the prudential benchmark of 80.0 to 85.0 percent. The

spread between the weighted average interest rates on loans and deposits remained unchanged at 6.4 percent over the review period. This development was attributable to both the weighted average lending and deposit rates declining by the same magnitude, that is, 0.3 percentage point compared with their corresponding rates in 2015. The weighted average lending rates fell to 8.8 percent from 9.1 percent and the weighted average deposit rate declined to 2.4 percent from 2.7 percent.

TRADE AND PAYMENTS

Anguilla is estimated to have generated a merchandise trade deficit of \$502.4m in 2016, representing a decline of 3.7 percent (\$19.5m) relative to the deficit recorded one year earlier. The narrowing of the merchandise trade deficit was largely attributable to a larger decline in import payments relative to the fall in export receipts. Total import payments fell by 5.3 percent (\$29.3m), while total export receipts contracted by 33.4 percent (\$9.7m). Gross travel receipts are estimated to have increased by 2.7 percent (\$9.4m) to \$355.5m over the year, largely on account of the increase in stay-over arrivals. However, flows associated with travel receipts were mitigated by the decline in the number of excursionists. Commercial banks' transactions resulted in a net outflow of \$86.5m in short term capital compared with an outflow of \$59.9m during 2015. The government of Anguilla received external disbursements totaling \$59.9m in 2016 largely attributable to inflows associated with CDB recapitalization loan, while its external principal payments amounted to \$13.4m. At the end 2016, public sector external debt stood at 22.5 percent of GDP, compared with a ratio of 18.8 percent in 2015.

Source: Eastern Caribbean Central Bank 2016 Annual Economic and Financial Review with updates based on the latest Government of Anguilla 2016 Fiscal Outturn Summary





PROSPECTS

Based on the January 2017 update of the World Economic Outlook (WEO), global economic growth is forecast at 3.4 percent for 2017, unchanged from the October 2016 forecast. Importantly, growth projections for advanced economies have improved, driven in part by fairly robust economic activity in the United States of America over the second half of 2016 and some level of stabilization among key European economies. In addition, the fiscal stimulus pronouncements by the new US administration and China are likely to provide a further impetus for growth over the short to medium term.

However, growth prospects for emerging market and developing economies are likely to disappoint owing to some tightening in financial conditions. Importantly, 2017 growth in the United States of America and the United Kingdom, two key source markets for Anguilla, is projected at 2.3 and 1.5 percent respectively. Given the prevailing and forecasted global conditions for 2017, a moderate expansion in economic activity is projected for the Anguillan economy. The projection is premised on increased visitor traffic to the island as marketing campaigns at both the public and private sector levels intensify. Further, the additional airlift provided by Seaborne Airlines out of Puerto Rico, coupled with its expanded code share agreements with American Airlines, Delta and JetBlue augurs well for increased stayover visitor to the island, especially out of the North American market. Moreover, the expansion of Anguilla's service offerings with the addition of the Zemi Beach Resort, The Reef by Cuisinart, the acquisition of Four Seasons Resort and Residences of Viceroy Anguilla, and Manoah Hotel, among others, has the potential to increase the attractiveness of the island. Inflationary pressures are expected to be contained as oil prices are not projected to increase appreciably in 2017, as global crude stocks continue to exceed the five-year average by a significant margin. This situation is expected to continue into 2017, despite the coordinated oil cut by members of the Organization of Petroleum Exporting Countries (OPEC), as non-OPEC producers such as the United States of America, Canada and Brazil are expected to ramp up production.

The fiscal operations of the Central Government are expected to generate an overall surplus in 2017 based on continued strengthening of the Anguillan economy and its tourism industry in particular. The anticipated higher level of tourism activity is expected to positively impact wholesale and retail trade as well as the transport, storage and communications sectors, thus boosting the revenue generating capacity of the central government. In addition, the central government is expected to continue to exercise fiscal prudence as it adheres to the spending limits prescribed under the Framework for Fiscal Sustainability and Development (FFSD). However, the overall surplus is likely to be moderated by increased current expenditure in 2017 primarily due to higher interest payments associated with the debt incurred in stabilizing the domestic banking system.

Capital expenditure is projected to increase in 2017 based on larger grant allocations by the UK government as well as the anticipated disbursement of the first tranche of the 11th European Development Fund (EDF). As such, a capital budget of \$44.3m has been planned for Anguilla for fiscal year 2017. This compares with capital expenditure of \$0.7m in 2016. On the external front, the merchandise trade deficit is expected to widen, consistent with a projected increase in consumer spending as the economy continues to recover. In addition, gross inflows from travel are projected to be higher in 2017, consistent with the projected increase in visitor arrivals. Despite the positive economic projection, downside risks persist. These include uncertainties associated with the on-going resolution of the NCBA; the potential fallout from Brexit and its implications for trade and travel between Anguilla and the EU associated states of St Maarten/ St Martin, a key entry point for visitors traveling to Anguilla; the implications of the new US administration's policies for foreign direct investment and travel to Anguilla; and the fiscal challenges of honoring increased debt obligations as they fall due.

Source: Eastern Caribbean Central Bank 2016 Annual Economic and Financial Review with updates based on the latest Government of Anguilla 2016 Fiscal Outturn Summary





DEVELOPMENTS AFFECTING ANGUILLA'S ENERGY SECTOR

The global oil market experienced major swings in petroleum prices in the last ten years 2007 - 2016. Crude oil prices in US Dollars skyrocketed to \$140.00 per barrel in 2008/2009 and then slumped as low as under \$30.00 per barrel, if only briefly, within a year. They climbed back to over \$100.00 per barrel in 2011 and remained at that level through 2014. In 2015, prices again slumped to under \$40.00 per barrel and briefly as low as \$30.00. They remained under \$50.00 per barrel in 2016. Oil market researchers have projected that prices will gradually reach \$52.00 - \$55.00 per barrel in 2017 and in 2018 between \$57.00 and \$60.00 per barrel. Great uncertainty remains in the market. It is expected that the massive price swings of the last ten to fifteen years will reoccur and perhaps intensify over the next ten to fifteen years. Some analysts have predicted that long term, crude oil prices could reach as high as \$300.00 per barrel. This does not augur well for the future of power generation that is heavily reliant on crude oil fuels as its energy source.

The Anguilla Government approved and published for some years now, circa 2010, an energy policy, The Anguilla National Energy Policy: 2008 – 2020. The policy emphasizes the urgency with which steps need to be taken nationally to substantially transform the electricity sector (the Company is to play a central role) and to maximize the use of the abundant renewable resources available to generate the electricity that the country needs and will need. Since then, there has been a loss of momentum in the implementation of the policy. The Company had a big hand in the design and drafting of the policy, undertaken by a public/private working committee chosen by the Government to prepare and recommend an appropriate energy policy and related strategies for Anguilla eventually to attain energy independence.

Commercial, residential and other non-commercial consumers in Anguilla, in the last five years, have become more aware of and interested in renewable energy solutions to their power needs. A number of the Company's consumers have invested in solar energy systems to provide some of their energy needs. This has been happening despite the fact that the legal, regulatory and technical frameworks and procedures have not been put in place to enable renewable energy integration with the public supply provided by the Company. Solar energy systems installed by these enterprising individuals and corporations range from a few kilowatts in capacity to a one (1) megawatt system to power a reverse osmosis water desalination plant. At least one solar energy consulting and construction firm, is based on Anguilla and is marketing its services and systems in Anguilla and the Eastern Caribbean.





INTERNATIONAL ECONOMIC OVERVIEW

GENERAL OVERVIEW

World growth, estimated as in the October 2016 WEO, at 3.1 percent in 2016, is projected to increase to 3.5 percent in 2017 and 3.6 percent in 2018—an upward revision of 0.1 percentage point for 2017 relative to October. Together with the modest change in the forecast for the overall global growth rate, projections of the strength of economic activity across country groups have also shifted. In line with the stronger-than-expected pickup in growth in advanced economies and weaker-than-expected activity in some emerging market economies in the latter half of 2016, the forecast for 2017-18 envisions a rebound in activity in advanced economies that is faster than previously expected, while growth in 2017 is forecast to be marginally weaker in emerging market and developing economies relative to the WEO. These October 2016 revisions notwithstanding. the broad story remains unchanged: over the near and medium term, most of the projected pickup in global growth will stem from stronger activity in emerging market and developing economies.

Economic activity in advanced economies as a group is now forecast to grow by 2.0 percent in 2017 and 2018, 0.2 percentage point higher than expected in October 2016. The stronger outlook in advanced economies reflects a projected cyclical recovery in global manufacturing, signs of which were already visible at the end of 2016, and an uptick in confidence, especially after the U.S.

elections, which are expected to fuel the cyclical momentum. As also noted in the January 2017 WEO Update, this forecast is particularly uncertain in light of potential changes in the policy stance of the new U.S. administration and their global spillovers.

Growth in the group of emerging market and developing economies is forecast to rise to 4.5 percent and 4.8 percent, respectively, in 2017 and 2018, from an estimated outturn of 4.1 percent in 2016. This projected upturn reflects, to an important extent, a stabilization or recovery in a number of commodity exporters, some of which underwent painful adjustments following the drop in commodity prices, and strengthening growth in India, partially offset by a gradual slowdown of the Chinese economy, Nevertheless, as emphasized in previous WEOs, the outlook for emerging market and developing economies remains uneven and generally below these economies' average performance in 2000–15. A variety of factors weigh on their outlooks, including China's transition to a more sustainable pattern of growth that is less reliant on investment and commodity imports; a protracted adjustment to structurally lower commodity revenues in some commodity exporters; high debt levels everywhere; sluggish medium-term growth prospects in advanced economies; and domestic strife, political discord, and geopolitical tensions in a number of countries

Source: IMF World Economic Outlook (WEO) Update, April 2017: Gaining momentum?







REGIONAL ECONOMIC OVERVIEW

GENERAL OVERVIEW

The economies of most of the Caribbean Development Bank's (CDB) borrowing member countries (BMCs) recorded positive growth in 2016. With the exception of Guyana, countries that are predominantly commodity exporters saw their economies contract. Trinidad and Tobago recorded a decline of 5%; Suriname, 9%; and Belize, 1.2%. In 2016 average growth across the region was -0.9%, compared to 0.4% in 2015. Growth in the Caribbean continues to lag behind other Small Island Developing states (SIDS).

COMMODITY PRICES REMAIN LOW

BMC economies are either commodity based or service oriented (tourism). Growth in tourismdependent economies was largely driven by increased visitor arrivals and related expenditures. However, the pace of growth for visitor arrivals has slowed. In 2016, the number of visitors increased by approx. 1.7%. This compares poorly with 2015 (4%) and 2014 (5.9%). Despite the recent uptick in crude oil and natural gas prices, economic contraction is estimated for commodity exporters – Belize, Suriname and Trinidad and Tobago.

THE PROBLEM OF UNEMPLOYMENT

High levels of unemployment persist. Most countries showed declines in unemployment, but underemployment is still a challenge. In Saint Lucia, unemployment declined in 2016 due to increased construction sector activity, but is still high at 20%. Unemployment is rising in Trinidad and Tobago, from 3.4% in 2015 to 4.4% in 2016, and in Suriname, from 8.9% in 2015 to 11.9% in 2016. Youth unemployment continues to be a major challenge, with rates in excess of 30% in most territories.

DOING BUSINESS IN THE CARIBBEAN

The ability to do business in most BMCs has deteriorated. Guyana moved 16 places to 124 in the World Bank 2017 Global Doing Business ranking. However, rankings for all other BMCs declined. Guyana benefited from reforms, particularly related to advancement in the use of its credit bureau. An aggressive, ownership-driven reform agenda puts Jamaica as the consistently best regional performer in its Doing Business indices, notwithstanding the slight fall in ranking. Jamaica is ranked the highest at 67. Overall, the region's ranking fell three places to 120 in 2017.

LOW ECONOMIC GROWTH AND HIGH PUBLIC DEBT

The Region continues to be characterized as an area of low economic growth and high public debt. More than half of BMCs are saddled with debt ratios in excess of 60% of GDP. Between 2015 and 2016, only 5 territories were able to reduce their debt burdens: Antigua and Barbuda (by 5.5%), Grenada (by 5.1%), Jamaica (by 4.5%), St Kitts and Nevis (by 3.5%) and Guyana (by 2.2%). These countries all recorded positive growth and all but one (Guyana), had primary fiscal surpluses in 2016. All other countries recorded an increase in their debt ratios at varying degrees.

FOREIGN CURRENCY RESERVES

Foreign currency reserves dipped below benchmark levels in some BMCS in 2016. Last year, Barbados' foreign currency reserves fell below the equivalent value of the global benchmark of three months of imports. The Bahamas and Suriname saw improvements, but reserves also remained below the three month threshold. Foreign exchange reserves remained above the threshold in other countries. Trinidad and Tobago continued to accumulate the largest stock of reserves.

2017 OUTLOOK

In 2017, the region is projected to record positive growth across the board. Growth across BMCs is expected to average 1.7% in 2017, and will largely be driven by increased tourism activities, and construction mainly related to the tourism industry. Although the growth projection is better than 2016, it is still below where it needs to be to stimulate employment and reduce the persistently high debt levels.

Source: http://www.caribank.org/wp-content/uploads/2017/02/FactSheet_Caribbean-Economic-Review-and-2017-Outlook.pdf





ANGUILLA LAWS AND REGULATIONS OVERVIEW

THE REGULATORY ENVIRONMENT

ANGLEC is primarily owned and regulated by the Government of Anguilla. It has been granted an exclusive Public Supplier's Licence for a period of 50 years effective April 1, 1991 to generate, transmit, distribute and sell electricity in the island of Anguilla under the Electricity Act, enacted in 1991 and revised in 2000 and 2010 and became the Electricity Act, 2000 R.S.A., cE-35 and The Electricity Act R.S.A. E35, 2010, respectively. The Licence provides an option to renew for a period not exceeding 50 years once the application is made to the Governor not later than one year before the expiration of the public supplier's licence. The Licence states that should Anguilla change its political status and become an independent nation during the term of the Licence then said Licence shall remain in full effect.

There has been an increase in the installation of solar panels for personal use, whether home or business, by persons on the island. The installations must be for personal use and cannot be distributed. Any distribution of electricity would require a supplier's licence.

The Governor may grant a private supplier's licence, that is to say, a licence authorizing the applicant to use any electrical plant for the purpose of supplying his own premises, as specified in the licence, with electricity.

ANGLEC is not exempt from paying taxes and licence fees as required of businesses in Anguilla e.g. Gross Revenue Tax, Environmental Levy and Business Licence. However, under The Electricity Exempt Regulations, ANGLEC is exempt from paying the majority of taxes enumerated as follows:

a. Customs duties on any goods, however described, imported into Anguilla by or on behalf of Anglec solely for its use directly in connection with the operation, generation, transmission, distribution and supply of electricity;

- b. Fees on any exchange control restriction in relation to any remittance of funds by Anglec;
- c. Registration fees and all other similar fees or levies relating to Anglec's authorised capital excluding initial incorporation fees;
- d. Stamp duty and all other similar fees and levies in respect
- e. Any fee or charge under the Aliens Land Holding Regulation Act
- f. Taxes, levies, or duties enumerated in section 32 of the Electricity Act, whether imposed under any present or future written law.

In June 2003, a Public Utilities Act was enacted to license and regulate public utilities in Anguilla. The Act transferred certain regulatory powers to the Public Utilities Commission including the review and approval of tariff increases.

The company is regulated by the Companies Act R.S.A. c. C65 2014, The Electricity Act R.S.A. E35, 2010, Revised ANGLEC Exemption Regulations R.R.A. E35-1, The Electricity (Rates and Charges) Regulations R.R.A. E35-2, The Electricity Supply Regulations R.R.A. 35-3, Electricity (Validation and Amendment) Act, 2016, The Environmental Levy Act E63 and The Public Utilities Commission Act 2014.

THE ELECTRICITY ACT

ANGLEC has been granted an exclusive Public Supplier's Licence pursuant to the Electricity Act, 1991 for a period of 50 years effective April 1, 1991 to generate, transmit, distribute and sell electricity in the island of Anguilla. The Licence provides an option to renew for a period not exceeding 50 years once the application is made to the Governor not later than one year before the expiration of the public supplier's licence. The Licence provides that should Anguilla change its political status and become an independent nation during the term of the Licence then said Licence shall remain in full effect.





THE ELECTRICITY ACT (continued)

Section 4 of the Public Supplier's Licence issued to ANGLEC by the Government of Anguilla on 28 March, 1991 states that in determining whether any or what variation of the tariff of rates and charges should be made, the Minister or the Arbitrator shall have regard to the principle that the Licensee's revenues must be at least sufficient to enable the Licensee to 1) meet all expenses reasonably incurred in the production of such revenues 2) repay its indebtedness 3) provide for the cost of replacement of its capital assets 4) provide a reasonable proportion of the capital costs of expanding its undertaking to meet any demand for an increased service to the public; and 5) provide an annual return on its Ordinary Shareholders' Equity at a rate which is not less than the average twelve-month deposit rate paid by commercial banks in Anguilla plus three percent provided that such return shall be at a rate not less than twelve percent per annum.

A private supplier's licence may be issued by the Governor after consultation with ANGLEC to an applicant to use any electrical plant for the purpose of supplying his own premises with electricity. Under the Electricity Act, subsection 2 (1), no person shall use or cause to be used any electrical plant for the purposes of supplying any premises with electricity except if the electrical plant is powered by wind or photovoltaic generation and provides electricity to his own premises, or when the private plant is used when there is a temporary breakdown in the supply of electricity under a public suppliers' licence.

ANGLEC EXEMPTION REGULATIONS

In subsection 32 of the Electricity Act, ANGLEC may be exempted, by regulation, from liability to pay any taxation, duties, imposts, levies and rates, including but not limited to income tax, withholding taxes, corporation tax on profits, advance corporation tax, accumulation tax, capital gains tax, capital transfer tax, gift tax, inheritance tax, value added tax, custom duties, capital duty, excise duties, import duties, development land tax, stamp duty, stamp duty reserve tax and generally any tax, duty, impost, levy or rate or other amount and any interest, penalty or fine in connection therewith which would otherwise be payable in respect of operations, activities, investments and profits of the supplier arising pursuant to the supplier holding a public supplier licence. Similarly, ANGLEC may be exempted from any exchange or other restriction or control in relation to the remittance of funds by the supplier to others whether overseas or otherwise.

The Government of Anguilla has imposed customs duty of EC\$.40 per imperial gallon on fuel imported by ANGLEC during the year 2001 and an Environment Levy of 7% of the total income derived monthly by ANGLEC, a public supplier, from the supply of electricity to consumers other than Government. Currently, the import duties per imperial gallon is EC\$.50. The Public Supplier shall pay the environment Levy to the Treasury within 30 calendar days of the end of each calendar month. Section 32, of the Electricity Act, R.S.A, c35 as amended states, that the Governor may, by regulation, impose an environmental levy based on a percentage of the total income from electricity supplied by a public supplier or on such other basis as he may determine. A 5% Environmental Levy was implemented effective September 1, 2003, effective 15 April 2010, the Environment Levy was increased to 7% by the Government's of Anguilla. A Tariff Adjustment has been applied to offset the Environmental Levy imposed and was effective September 1, 2003. In 2016, ANGLEC's annual license fee was increases from EC\$300,000 to EC\$750,000. In addition, ANGLEC is required to pay a variable portion in the amount of 0.65% of its audited gross revenue from the previous year's audited financial statements and payable in the last quarter in the year in which it is due.





THE PUBLIC UTILITIES COMMISSION ACT

While the Electricity Act makes provision for a Commissioner, the monitoring and effective regulation of ANGLEC is indirectly performed by the Ministry of Infrastructure, Communications, Utilities and Housing (MICUH) and the Governor.

In June 2003, the Public Utilities Commission Act, 2003 was passed and subsequently the Public Utilities Commission Act, 2014. The Public Utilities Act is designed to regulate utilities in competitive markets. This Act establishes a Public Utilities Commission ('PUC') that would, among its other functions, license and regulate public utilities in Anguilla.

The PUC is structured as an independent body comprising three (3) members appointed by the Governor in Council. The members of the PUC would not be able to hold public office while serving in the PUC. Under the PUC Act, the Governor in Council determines Government's policy in relation to the various public utilities and may provide the Commission with written directions of general application on the basis of such policy.

The PUC would also determine tariffs and the present procedure for tariff increases should completely overhaul. Under this regime applications to increase tariffs are to be made to the PUC. The PUC would then determine whether any such request is to be granted. The PUC Act also provides for the review of tariffs every five years. The criteria for determining changes to tariffs are the principle that tariffs are to be just and reasonable and must promote efficiency in the supply and consumption of electricity.

Currently, an amendment to the electricity act is in progress to give the Public Utilities Commission and the Electricity Commissioner the sole responsibility for the monitoring and effective regulation of ANGLEC. This amendment is expected to take effect by the end of 2017.

LIBERALISATION

Government has liberalised the telecommunication market when they enacted the Telecommunications Act in May 2003. This established a regulatory framework that promotes effective competition in Anguilla. This Act allows providers of telecommunication services to enter the market, thereby facilitating competition in the sector. This is also evidenced as individuals and businesses have increased the personal use of solar panels, to reduce the cost of electricity.

Internationally, countries seem to have adopted liberalisation of their various economic sectors as a centrepiece of their economic development. One of the goals of liberalisation is to make pricing and range of goods and services in local markets competitive with international prices and standards and thus making their countries more internationally competitive. One of the benefits to citizens is greater customer satisfaction both in respect of the range of services offered and the competitive pricing of such services. Furthermore, countries worldwide have begun to permit both local and foreign companies alike access to domestic markets.

With respect to the electricity sector, European countries liberalized their electricity generation, transmission and distribution. Those countries have large markets, a great number of power plants, different generation technologies, a European wide distribution system, access to capital and subsidies (in the case of alternative energy). The Anguillan market is constrained by market size, an extremely limited applicable range of generating technology and no regional electricity grid. It is therefore difficult to predict the likely introduction of liberalisation in the local electricity sector.





LIBERALISATION (continued)

The largest challenge right now to electricity companies is the fast growth of renewable energy, while still running in coal fuel equipment whereby it is difficult to reduce the production level.

RENEWABLE ENERGY

Anguilla's government has developed an internal infrastructure to ensure integration of renewable energy technologies into the island's electricity system by establishing the Anguilla National Energy Committee and the Anguilla Renewable Energy Office. These institutions have been instrumental in the development of the country's 2011 Climate Change Plan (CCP) and 2008 National Energy Policy (NEP).

Currently, the energy laws in Anguilla allow independent power producers to generate electricity using renewable resources for personal consumption but does not enable interconnectivity with the utility. The NEP recommended a legal framework to promote reduced dependence on fossil fuels particularly for power generation. It also recommended developing legislation to enable renewable energy integration and encourage customer-generated renewable power. Some of its recommendations include identifying the potential and viability of renewable energy in Anguilla, mandating environmental impact assessments for new energy projects, developing appropriate pricing policies, and creating financial and tax incentives to encourage private sector investments in renewable energy. The NEP also promotes energy efficiencv and conservation hv recommending policies for a national energy code for buildings, implementing product labeling and verification through standard agencies, and financial incentives for energy-efficient devices and demand side management.

The CCP facilitates the transition of Anguilla to an energy independent, climate resilient, energyefficient, low-carbon economy. It includes directives to ensure implementation of the energy policy along with the Environmental Protection Bill while encouraging renewable energy generation for energy independence. While supportive of renewable energy and energy efficiency, these policies do not have specific targets for renewable or energy efficiency deployment.

Anguilla's high solar energy potential has garnered interest from large- and medium-size electricity consumers, along with the utility and government. Solar water heaters are gaining popularity due to their cost-effectiveness. The government is building on these trends by developing an effective energy policy framework that promotes renewable energy integration. In addition to energy efficiency, technical feasibility and commercial viability of the high wind energy potential on the island will be critical in developing the country's future energy landscape.

Source: (Excerpts from Energy Transition Initiative: Island Energy Snapshot)

RENEWABLE ENERGY CHALLENGES

Viable renewable technologies with the most potential in Anguilla (solar PV and wind) can provide lower-cost power than diesel generation. However, they do not provide firm power for base load (that is, power that may be ensured at any time). Therefore, conventional generation capacity will still be required in Anguilla. Non-existence of adequate regulatory framework for renewable energy may be a significant barrier at both utility and distributed scale. In addition to the three basic needs for developers of renewable energy systems to be able to access the resource, access and develop the site, and sell their generation, an adequate regulatory framework for electricity needs to be in place. This means the existence of an adequate body of rules that ensure good quality of service at reasonable price; and of someone with the power and ability to effectively administer and enforce those rules.





RENEWABLE ENERGY CHALLENGES (continued)

Specifically for renewable energy:

- For utility scale renewable energy, an adequate regulatory framework would ensure that renewables are treated on a par with conventional generation options when planning and developing generation capacity, and enable the utility to recover efficiently incurred costs through tariffs; and
- For distributed scale renewable energy, an adequate tariff structure would not jeopardize the utility's financial viability as an increased number of its customers generate with their own small renewable energy systems, and would allow the utility to be remunerated for services it offers to customers (and for which it incurs costs).

Anguilla's regulatory framework is rudimentary rules are limited, as are arrangements and institutional capacity to administer them. The public supplier's service standards and criteria for tariff adjustments are broad. The regulatory function of monitoring and enforcement of licence conditions is equally broad, and fragmented. The existing framework does not act as a barrier to integrating renewable energy per se. However, it does contain some economic regulatory distortions that prevent Anguilla from doing that integration well, because ANGLEC is not given the correct economic incentives to integrate renewable energy:

• ANGLEC has no obligation to operate on a least cost basis—ANGLEC is able to recover all of its costs once it shows that they are reasonable. It is not required to show that they are based on least cost planning—in particular, that its choice of generation investment is likely to lead to the lowest cost power for the country. This means that ANGLEC is not required to

consider renewable technologies (including those that may be developed by third parties, large and small), and to adopt them if they offer lower cost power to conventional generation. This does not mean that ANGLEC has not considered renewable energy—in fact, it has, including those from third parties. The flaw is in the regulatory framework, not in the actual management of utility operations;

- There is no requirement for periodic reviews of the tariff, and no detailed rules on the application process. Rate reviews adjustments must be initiated by ANGLEC, and there is no requirement as to the frequency with which this must be done. The last rate review was requested almost two decades ago. The rate review principles do not comprehensively detail the information required or the form in which it should be submitted. The resulting process is subjective, and uses outdated approaches to presenting and assessing financial information;
- The design of the fuel surcharge provides a disincentive to ANGLEC to use renewable technologies, ANGLEC may be able to lower the total cost of power generation by using renewables, but still be unable to recover all of that lower cost. With conventional generation, ANGLEC is more certain to recover the full cost of generation. With renewable generation, ANGLEC trades a variable cost (fuel) with a capital cost (much higher for renewables), but there is no equivalent tariff mechanism to recover that capital cost. This is not to argue against a surcharge mechanism, which is needed to avoid the utility's continued operation, but simply to point out that the situation reduces incentives for the use of renewables, even when they are lower cost; and





RENEWABLE ENERGY CHALLENGES (continued)

- The tariff structure is a disincentive to allowing sale of excess electricity from customer-owned distributed systems— Anguilla's tariff structure bundles all services provided by ANGLEC into one base rate, which is adjusted with surcharge. Although many customers may not realize, they receive more than one service from ANGLEC:
 - (i) the sale of electricity (kWh), which requires high variable cost of generation (in most part fuel);
 - provision of backup and standby capacity, which requires fixed capital and operating and maintenance costs; and
 - (iii) connection to the distribution grid, which also requires fixed costs. Under the current tariff structure, if ANGLEC sells less kilowatt hours because more and more customers generate with their own systems while keeping their utility interconnection, ANGLEC is unable to recover the costs of services (ii) and (iii), because their recovery is bundled together with the service of providing kilowatt hours (i). This means that connected customers keep on enjoying services that ANGLEC provides, and incurs costs for, without paying for them.

Most of the limitations above cannot be solved in the near term, or simply with the drafting of new rules—because even in that case, since the rules require expertise that is costly and not currently available in the Government, there would be financial and technical constraints for the Government to perform the regulatory function by being responsible for administering these new rules. The best way to solve them is not necessarily to create a complex and sophisticated regulatory system specifically for Anguilla as larger countries have—this would entail high costs that would not be justified by the limited amount of regulatory activity. Some of the limitations (such as the lack of a well-established process for rate reviews) go beyond renewable energy integration per se, and involve broader power sector reform.

Source: (Excerpts from Anguilla Renewable Energy Integration Project)

ELECTRICITY (RENEWABLE ENERGY SUPPLY) REGULATIONS, 2016

On the 30th of December 2016, the Governor of Anguilla signed the Electricity (Renewable Energy Supply) Regulations 2016 under section 44 of the Electricity Act, R.S.A. c. E35. This regulation enumerates the step by step procedures that should be followed by a licensee in:

- a. Developing, procuring of contracting new renewable energy generation capacity at utility scale which is 1MW or larger; and
- b. Contracting new renewable energy generation at distributed scale.

THE COMPANY'S RENEWABLE ENERGY OUTLOOK

In 2016, the Company installed and commissioned its first solar farm with an installed capacity of 1.1 MW. The solar farm represents approximately 10% of ANGLEC's baseload capacity. Although, this is a major achievement for the organization, other countries in the region continue to develop and pursue wind, solar and geothermal initiatives.

The Company will accelerate the development and expansion of its renewable energy generating capacity, following on the successful development of its 1.1MW solar plant. The objective will be to maximize the production of electricity from renewable and alternative sources during the planned period.





THE COMPANY'S RENEWABLE ENERGY OUTLOOK (continued)

The Company will lobby for and assume a lead role working with the Government to achieve the early enactment of the necessary legislative and regulatory changes to facilitate the transition to



renewable and alternative energy technologies, including the essential standards and regulations for "grid tie", essential to the general adoption of renewable energy technology in Anguilla. Pre-investment feasibility studies will be commissioned and conducted on:

1) The integration of current equipment and technologies to accommodate new renewable energy in solar, wind and other alternative sources;

- 2) A wind viability and the feasibility and cost to build a 2 3 megawatt wind energy farm;
- 3) The building of an additional 4 MW solar energy farm.

GLOBAL UTILITY RISK ASSESSMENT

Utility companies face a significant, and growing, number of business risks. Deregulation, stronger environmental restrictions and scrutiny, and now implied terrorist threats have made the utility business an increasingly dangerous area in which to operate and invest.

Economic Risk

Demand for electricity is intimately linked to the economic well-being of the community in which a utility operates. Companies that serve mostly residential markets are less subject to the vagaries of economic cycles, since consumers will continue regardless to refrigerate food, watch television, and surf the Internet. Only a very sharp downturn in the economy will result in a marked decrease in domestic consumption of electricity, or high delinquency rates. The same is not true of business customers, however, faced with falling demand, they are more likely to adjust production and cut back on personnel as they attempt to reduce operating costs. These result in falling revenues for utilities.

Regulatory Risks

Utilities are one of the most heavily regulated industries, and therefore face the constant threat of adverse regulatory decisions. Deregulation has served to change, but not reduce, the risks faced by utilities.

Environmental Risks

One area of strong regulatory oversight is in environmental issues. Power generators are particularly exposed to potential environmental problems. Fossil fuel powered generators face restrictions regarding their emissions. Sensitivity to environmental issues has pushed companies to increase reliance on renewable energy, which is reducing the demand for coal and fuel generating units.

Price Fluctuation Risks

Utilities are exposed to various types of price risk. Changing natural gas prices pose a risk for power generators. The price of fuel and coal generating prices are falling due to renewable energy. Depressed prices in oil have also pushed the price downwards.





GLOBAL UTILITY RISK ASSESSMENT (continued)

Deregulation – Re-regulation

Political realities around the globe will prohibit the total deregulation of the utilities business for the foreseeable future, leaving companies in a murky period of transition. Deregulation can only work when markets are competitive, adequate and effective. However, this will not happen automatically. Competitive and effective markets require the establishment of detailed market rules, design and regulation that would be appropriate for small isolated grid systems such as Anguilla. In a regulated market, pricing policies are fixed by the government and the consumer has no say in it. Hence, most consumers do not care about the rates and usage. In some large industrialized countries deregulated electricity market, however, consumers can choose from a variety of options according to their needs and as per their choice and budget. Thus, consumers become more aware of the process involved. In some markets, consumers benefit from the increased quality of service and possibly a reduction in electricity prices. However, liberalisation reforms do not always lead to lower retail electricity prices and in some markets have lead to price increases. Therefore, such measures must be studied closely as they may not apply to small isolated grid systems such as Anguilla.

Reliance on Debt Financing

Backed by the steadiness of their regulated revenue streams, utility companies have historically been largely debt financed. As a result, the utility industry has a relatively high exposure to changing interest rates. Many companies manage interest rate risks through swaps and forward-rate agreements. Regulated utilities can usually include the costs of these hedges in the calculation of regulated rates.

Foreign Exchange Risks

Although not applicable to ANGLEC, the drive by many utility companies to diversify geographically, particularly into emerging market economies, has increased the risk of changing foreign exchange rates. Prior to deregulation, few utility companies maintained international operations.

Operating Risks

Operational risks for utilities result from the need to maintain a constant source of supply, as well as ensuring the safety of plant workers and nearby residents. Security concerns at power plants have increased over the years in the wake of reports that terrorists display a troubling interest in power generation facilities, particularly nuclear plants.

Weather

The weather poses an obvious risk for utilities, and is one over which they have no control. The increased incidence of hurricanes since 1995 remains a grave concern to utility companies in the Caribbean hurricane belt. The reliance of companies on large solar and wind farms increases the vulnerability of the companies to weather systems.

Plant Safety

Safety issues are of great concern for power generators and distributors. Accidents that harm plant workers or nearby residents can result in penalties and personal injury lawsuits.

Strategic Risks

Utility deregulation has raised the issue of corporate strategy. Freed of restrictions on investment outside their operating areas, utilities have formed holding companies to diversify into new businesses and markets. In many instances, particularly for U.S. companies, owners of regulated utilities have branched out into unregulated businesses. Utility owners must decide what, if any, new businesses to enter, where to enter them, and whether to use partnerships, alliances or outright purchases to gain exposure.





WHAT ARE THE RISKS?

The contents of this Prospectus should not be construed as investment or legal advice. Each prospective investor is urged to seek independent investment and legal advice concerning the consequences of investing in ANGLEC.

In addition to the aforementioned information set forth in this Prospectus, the following risk factors should be carefully reviewed by prospective investors before purchasing shares offered by ANGLEC. Management has detailed the risks below in order of importance of the factors perceived to constitute the greatest threat that the investment will be lost in whole or in part, or will not provide an adequate return. These eventualities can constrain cash flow thus hampering ANGLEC's capital expansion capabilities and payment of dividends, reduce or eliminate profits and hence reduce the return to investors.

Natural Disasters

The growth and stability of Anguilla's economy is significantly affected by hurricanes and other natural disasters. A serious hurricane or other natural disaster could have an adverse effect on the Company's earnings. Two major hurricanes in 1995 and 1999 and minor hurricanes in the 2000's ravaged the island and wreaked havoc on ANGLEC's infrastructure. While the Company was able to recover to pre-hurricane levels from adequate insurance coverage and claims settlement as well as the self-insurance fund, no such future guarantee exists. No actuarial assessment has been conducted to predict the future eventuality of such disasters.

Consumer Group Concentration

ANGLEC's largest consumer groups are the Hotels and the Government sectors which constitute 45 percent of sales. Any sudden decline in revenue earnings capability in either of the two sectors can adversely impact the revenue earning stream, profitability and cash flow of ANGLEC. Significant hotel closures, the slowdown in the construction sector, and the struggling economy have adversely impacted ANGLEC's revenue growth.

Large Consumers' Inability to Pay

Short or medium term cessation of payments of electricity bills by either of the two large sectors above can impact severely the cash flow sustainability of the Company. Delayed payment or non-payment of the GOA's current outstanding receivable will also constrain cash flow and reduce profits.

Adjustments in Exemptions

ANGLEC's Exemption Regulations enabled under section 32 of the Electricity Act, R.S.A. c. E35 exempts ANGLEC for the duration of the validity of its public supplier licence from liability to pay customs duties on any goods imported into Anguilla on or behalf of ANGLEC, taxes, levies or duties enumerated in Section 32 of the Electricity Act. Regulations may be altered from time to time by the Governor. Customs duties on fuel (EC\$0.40 per imperial gallon) imported into Anguilla have been imposed on ANGLEC by GOA, as well as a licence fee of EC\$750,000 per year effective as of year 2016. A 5% Environmental Levy on electricity revenues (net of revenues from Government's consumption) which went into effect September 2003. Additionally, in 2016 the Government of Anguilla imposed a Gross Revenue Tax of a variable portion in the amount of .65% of the audited gross revenue of the supplier from the previous year's audited financial statements and payable in the last quarter in the year in which it is due.

Net Profit and Cash Flow may be reduced by any amounts not recovered from the imposition of a surcharge to customers or tariff increases as approved by the GOA or the Public Utilities Commission when set up. Thus, the return to the investor may be significantly affected. Limiting ANGLEC's cash flow can impact its capital expansion capabilities.





WHAT ARE THE RISKS? (continued)

Revision of Laws affecting ANGLEC

As noted in the above section "Adjustments in Exemptions", certain exemptions that were part of the Public Suppliers Licence have been removed subsequently by GOA. The Laws affecting ANGLEC are likely to be updated to reflect adjustments of exemptions as well as changes brought about by the amendments to the PUC Act, 2003 and any other future Acts or regulatory changes likely to impact on the operations of the Company.

ANGLEC is reliant on key management personnel

The Company is dependent on certain key management personnel whom it considers important to its future success. The loss of such individuals or other members of senior management and failure to replace them with equally competent and effective successors could have an adverse impact on the future performance of the Company.

Public Utilities Commission (PUC) Impact

A Public Utilities Commission Act was passed in June, 2003, however, this did not result to a direct regulation of ANGLEC. The regulation of public utilities is still under the Minister of Infrastructure, Communications, Utilities and Housing (MICUH) as of this date.

The proposed amendments to the Electricity Act this year however will give regulatory power to the PUC to regulate ANGLEC. The PUC has wide powers as summarized in the section of the Prospectus captioned "Regulatory Environment". The impact of the regulatory power of the PUC on the operational and financial performance of ANGLEC cannot be ascertained at this point.

The secondary market for shares is presently limited

Following the distribution of shares under this offering, investors should be aware that they might not be able to liquidate their holdings at the prices on an organized securities market since the Company is not listed.

Currency exchange risk

ANGLEC's operating results are reported in Eastern Caribbean dollars. The Company is vulnerable to currency exchange risk as a portion of the Company's revenues and expenses are generated or incurred in foreign currencies. While the Eastern Caribbean dollar has been fixed to the United States dollar for over 40 years, it does fluctuate against other currencies and there is no guarantee that the Eastern Caribbean dollar will remain fixed against the United States dollar. Exchange risk primarily reflects the impact of fluctuating exchange rates on the net difference between total foreign currency revenues and foreign currency expenses. Currently, the currency exchange risk of the Company is not considered material and the Company has currency risk procedures in place.

Liberalisation Policy Shift

Even though ANGLEC has a 50-year public supplier licence ending March 31, 2041, there is no guarantee that the industry might not be liberalized similar to Telecommunication and that private suppliers as well as other public suppliers might not be licensed. Additionally, the Company has already fielded requests from businesses that have renewable infrastructure in place to use both connections interchangeably. Interconnection using ANGLEC's distribution infrastructure might be effected and any associated connection fees will be regulated by the PUC. Such an eventuality might not place ANGLEC in a competitive position vis-àvis any licensed competitors. ANGLEC's Public Supplier Licence specifies a minimum Rate of Return (ROR) on ordinary shareholders' equity of 12 percent. The 12% however might change to be in lined with the current market interest rate.





WHAT ARE THE RISKS (continued)

Liberalisation Policy Shift (continued)

In the Telecommunications Act that has liberalized the telecommunications sector, there has been a shift away from Rate of Return regulations to Price Cap regulations or any other modern day regulation that the PUC deems more appropriate. Liberalization terms, if and when, may be determined through negotiations involving the GOA, public utilities and other interested parties and could result in a revision of the Licence. Again, these eventualities may have a far reaching impact on ANGLEC's market share and may reduce or eliminate projected profitability, thus significantly reducing return to investors.

Potential Increased Cost of Borrowing

In the past, ANGLEC has procured soft loans from the Caribbean Development Bank (CDB) by virtue of it being a majority owned entity by government. With the divestiture of shares to the general Anguillan Public, the GOA will become a minority shareholder. As such, loans with favourable market terms that were previously available to the Company from institutions such as the CDB may no longer be available at such favourable terms going forward.

The shares may not trade at or above the subscription price

The Government of Anguilla, determined the subscription price of ANGLEC shares for this public issue taking into account the factors listed under the heading "Offering Price Determination". The subscription price does not necessarily bear a direct and strict relationship to the book value of ANGLEC's assets, past operations, cash flows, earnings, financial condition or any other established criteria for value and prospective investors should not consider the offering price to be an indication of its underlying net book value. ANGLEC cannot assure that its shares will trade at prices in excess of the subscription price at any time after the date of this Prospectus.

This investment may not be appropriate for all investors

Investing in securities has inherent risks attached, as the market value of investments may go up or down. Prior to making an investment decision, prospective investors should review the financial statements of the Company and consider the investment in view of their personal circumstances and objectives. If there are any doubts about the shares offered herein, independent professional advice should be sought.

Past performance is not a guarantee of ANGLEC's future performance

Actual financial results may differ substantially from the historical results presented in this Prospectus. There are no guarantees that the continued operations of the Company will be profitable nor is past performance a guarantee of future performance.

Forward-looking statements in this Prospectus are not guarantees of ANGLEC's future performance

This Prospectus contains or incorporates by reference forward-looking statements. Forwardlooking statements typically can be identified by the use of forward-looking words, such as "may," "will," "could," "projected," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "intend," "forecast," and the like. These statements appear in a number of places in this Prospectus and the information incorporated by reference including statements regarding ANGLEC's current plans, intentions, strategies, beliefs and expectations.

Forward-looking statements do not guarantee future performance and involve risks and uncertainties that could cause actual results to differ materially from those anticipated. The information contained in this Prospectus, or incorporated by reference, identifies important factors that could cause such differences.





WHAT ARE THE RISKS (continued)

ANGLEC may not be able to realise the anticipated benefits of future investment

ANGLEC intends to construct an office building in the near future which involves numerous risks, including diversion of ANGLEC's management's attention away from operating activities and the costs associated with delays or change-orders in the construction. ANGLEC cannot assure that it will not encounter unanticipated problems or liabilities relating to these commitments or to any other assets or companies to which it may make or have already made investments in, nor can it assure that it will realise the anticipated benefits of any past or future investments.

Competitive and market conditions

ANGLEC is vulnerable to changes in competitive and market conditions. Changes in competitive, economic, macroeconomic policy or market conditions locally, regionally or internationally could significantly affect ANGLEC's operations and may reduce or eliminate projected profits.

RISK MANAGEMENT

CURRENCY RISK

A large portion of the Company's liabilities is in United States Dollars. The Company therefore has aligned this element of its currency risk with that of the United States economy and currency. Further, the Company's assets are in Eastern Caribbean Dollars. The Eastern Caribbean Dollar has been officially pegged to the United States Dollar at a fixed rate of EC\$2.6882 to US\$1.00 since 1975. In light of the above facts, foreign currency risk is considered minimal. Management will continue to monitor the strength of both currencies and, should the need arise, will take appropriate steps to protect against adverse foreign exchange movements.

OPERATIONAL RISK

Demand projections may not be met if external factors such as a downturn in the economy arising from economic recessions or natural disasters occur. Similarly, electricity consumption might be impacted by increases in tariffs triggered by increases in fuel prices. As per the Electricity Act,

ANGLEC's current dividend policy may change

The amount of any dividend declared will be determined on an annual basis after reviewing the Company's cash flow, earnings, financial position, debt retirement obligations and other factors including the need to provide for the Company's growth and resources to meet future expansion and optimal cost of capital. Changes in capital requirements or downturns in business may cause a reduction in the payment ratio and/or frequency. Also, dividends can only be declared after covenants with lending agencies are satisfied. As per CDB's loan covenant, ANGLEC cannot pay dividends in any year in which it fails to maintain a debt service ratio of at least 1.5 times.

ANGLEC might increase the tariff by EC\$0.01 for every EC\$0.10 that fuel prices increase over EC\$3.64 per imperial gallon and this increase may be recognized as a surcharge payable by the consumer. In addition, an Environmental Levy of 5% on the electricity revenues of ANGLEC (less GOA's consumption) was enacted in April, 2003 and is being implemented as of September 2003. A Gross Revenue Tax of 0.65% has also been imposed on the Company effective the year 2016. This will negatively impact the profits of the Company and there is no guarantee that this percentage will not be increased. The Company cannot guarantee for levies or taxes that may be imposed by the Government of Anguilla that could impact the profits of the Company.

Anguilla is in the zone for hurricanes and numerous hurricanes, varying in size and strength, have impacted the island, it's infrastructure and consumption. An actuarial assessment of future storms has not been determined.





RISK MANAGEMENT (continued)

OPERATIONAL RISK (continued)

Internally, the Company has taken steps to mitigate operational risk, by establishing a wide range of procedures and programmes. These include effective internal control processes with adequate segregation of duties, information technology systems to meet the expanding needs of the Company, risk monitoring systems, a strong human resource management policy to ensure the Company is staffed by competent, committed and professional individuals and ongoing training programmes. The Company also has an effective disaster recovery plan in place such that it can continue operations in the event that the premises are partially or completely destroyed.

The Company not only monitors all of these processes and controls from within, but is also

subject to an external annual audit which reviews and comments and advises on the adequacy of certain controls.

PROPERTY AND BUSINESS INTERRUPTION INSURANCE

Management has reviewed the Company's property and business insurance coverage and is of the opinion that the Company maintains adequate insurance coverage for its business operations and any associated risks except for the transmission and distribution insurance coverage. Details of this insurance are as follows:

| ТҮРЕ | INSURANCE COMPANY | SUM INSURED | DEDUCTIBLE | |
|---------------------------------|----------------------------------|----------------|---------------|--|
| Business Interruption | Nagico Insurance Company Limited | EC\$25,000,000 | See (a) below | |
| Building & Contents | Nagico Insurance Company Limited | EC\$85,801,000 | See (a) below | |
| Solar Power Plant | Nagico Insurance Company Limited | EC\$7,526,960 | See (b) below | |
| Comprehensive General Liability | | | | |
| Employers liability | ALESCO | EC\$5,000,000 | See (c) below | |
| Public, Products & Pollution | ALESCO | EC\$5,000,000 | See (c) below | |
| Transmission & Distribution | Self-insurance | | See (d) below | |

(a) Deductible

- i. Earthquake, Windstorm, Named Windstorm, Wind-Driven Water and Resultant Flood 2% of the Sum Insured of any one affected location. Always subject to a minimum of EC\$1,350,000 each loss occurrence combined for all affected locations.
- ii. All Other Losses Including Machinery Breakdown XCD50,000
- iii. Property In Transit XCD 25,000 each and every loss
- iv. Residential Property XCD 10,000 each and every loss
- (b) 2% of the sum insured applied separately subject to \$1,500 minimum each/every occurrence.
- (c) XCD 7,500 each and every claim but XCD 50,000 each and every claim in respect of claims brought against the Insured under the jurisdiction of USA or Canada.
- (d) 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 in the same year. Consequently, the Company ceased commercial insurance cover of its Transmission and Distribution assets and will place an appropriate amount into the Fund on an annual basis.





RISK MANAGEMENT (continued)

PROPERTY AND BUSINESS INTERRUPTION INSURANCE (continued)

(d) continued

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

| | 2016 | 2015 |
|-------------------|-----------|-------------|
| Beginning balance | 4,206,642 | 4,064,470 |
| Additional fund | 3,937,083 | 1,622,862 |
| Withdrawals | - | (1,480,690) |
| Ending balance | 8,143,725 | 4,206,642 |

This fund is placed in a term deposit with local banks and is restricted to provide coverage for required expenditures in the event of natural disasters or similar catastrophic events. However, as per the Company internal assessment the current level of the fund is very low as compared to the 60% or EC\$24,000,000 risk exposure. The Company however will continue to aggressively fund its self-insurance program until it reaches the required risk exposure.

LICENCE WITH GOA FOR 50 YEARS

On March 28, 1991, ANGLEC was granted a 50-year exclusive Public Supplier's Licence by the Government of Anguilla which ends March 31, 2041 and this Licence may be renewed for a period not exceeding fifty years. The Licence stipulates that it shall stay intact even if Anguilla changes its constitutional status and becomes independent. It is important to note that in May 2003, the Government of Anguilla enacted a new Telecommunications Act, 2003 to liberalize the telecommunications sector in accordance with Anguilla's new telecommunication's policy. As a result, the dominant telecommunications provider surrendered its licence that had a remaining duration of 15 years in exchange for a new 10year licence under the new telecommunications liberalized environment. It is difficult, if not impossible to predict the path that electricity industry will be in the coming years. A revised electricity act might take over the remaining duration of ANGLEC's licence or ANGLEC will remain the dominant and only provider of electricity in Anguilla.





GENERAL INFORMATION

APPROVAL OF SHARE OFFERING

At the Executive Council meeting of the Government of Anguilla on 23rd of March, 29th of June 2017 and 3rd of August 2017, it was resolved that:

The Government of Anguilla will sell by Public Offering 4,636,100 shares the Government of Anguilla owns in ANGLEC in the following prescribed manner:

- a. The sale will prioritize individual Anguillan Belongers residing in Anguilla or abroad, those individuals who hold official residency status in Anguilla, and all those individuals who have lived in Anguilla for at least six months of each calendar year of 2015 and 2016; and
- b. Corporate applicants being limited to companies incorporated in Anguilla with the majority of its shares being held by 1) Anguillan Belongers residing in Anguilla or Abroad, 2) those individuals who hold official residency status in Anguilla, and 3) all those individuals who have lived in Anguilla for at least six months of each calendar year 2015 and 2016.
- c. If the sale is not fully subscribed or exhausted by (a) and (b) above, the sale will be allocated to the following:
 - 1. Individuals outside the definition of letter (a) above and are nationals of the OECS.
 - 2. Corporate applicants outside the definition of (b) above and are incorporated and owned by individuals which are nationals of the OECS.
- d. Selling price of EC\$5.86 per share be used;
- e. The Allotment shall be undertaken in blocks of 100 shares (EC\$586.00) with all applications for lesser amounts being satisfied before any further allotments are made.
- f. There shall be no provision for the subsequent sale of any under-subscribed portion of the Offer.
- g. That if at least a minimum subscription of EC\$11,720,000.00 (being 2,000,000 shares) is reached then the sale shall be complete.
- h. That the share issue shall be open until 2:00 p.m. on September 25, 2017 to allow maximum participation by the public and no special rights, pre-emptive or otherwise will be attached to these shares;
- i. That the collection, allotment, registration and settlement of shares made available through this offering would be undertaken using licensed securities intermediaries and the primary market infrastructure of the Eastern Caribbean Securities Exchange (ECSE);
- j. That the Eastern Caribbean Central Securities Registry (ECCSR) would be responsible for maintaining and servicing shareholder records on behalf of Anguilla Electricity Company Limited; and
- k. That the Offering shall be registered with the ECSRC.





GENERAL INFORMATION (continued)

CORPORATE GOVERNANCE

Articles of Continuance

The Company is authorised by its Articles of Continuance to engage in a wide range of business activities which primarily includes, but is not limited to, the generation, transmission and distribution of electricity in Anguilla.

By-laws

Following are extracts from the By-laws of the Company as they relate to Directors:

- Pursuant to Paragraph 4.2, there shall be a minimum of five (5) and a maximum of nine (9) Directors;
- (ii) Pursuant to Paragraph 4.3, Directors shall be elected by the shareholders through secret vote.
- (iii) Pursuant to Paragraph 4.6, unless their tenure is sooner determined, a director shall hold office for a period of three (3) years.
- (iv) Pursuant to Paragraph 4.7.1, the shareholders of the Company may, by ordinary resolution passed at a special meeting of the shareholders, remove any Directors from office and a vacancy created by the removal of a Director may be filled at the meeting of the shareholders at which the Director is removed;
- (v) Vacancies among the directors of the Company, including a vacancy occurring pursuant to the preceding paragraph, may be filled by a quorum of the directors of the Company under Section 72 of the Companies Act.

- (vi) Pursuant to Paragraph 5.1, the Directors may from time to time:
 - a) Borrow money upon the credit of the Company;
 - b) Issue, reissue, sell or pledge debentures of the Company;
 - c) Subject to Section 54 of the Companies Act, give a guarantee on behalf of the Company to secure the performance of any lawful obligation of any person; or
 - d) Mortgage, charge, pledge or otherwise create a security or interest in all or any property of the Company, owned or subsequently acquired, to secure any obligation of the Company.
- (vii) Pursuant to Paragraph 7.1, the remuneration to be paid to the directors shall be such as the shareholders may from time to time determine and such remuneration may be in addition to the salary paid to any officer or employee of the Company who is also a director, unless otherwise resolved by the shareholder(s). The directors shall also be entitled to be paid their traveling and other expenses properly incurred by them in connection with the affairs of the Company.
- (viii) Pursuant to Paragraph 7.2, the Directors may award special remuneration to any Director undertaking any special services on the Company's behalf other than routine work ordinarily required of a Director and approval of the shareholders shall not be required.

For the year ended December 31, 2016, aggregate Directors compensation and expenses totalled EC\$451,168. For the current financial year, Directors' compensation and expenses are expected to remain at the same level. Per the By-laws, the remuneration of the Directors is set by the Shareholders.

The Company's By-laws do not provide for an age limit by which Directors must retire.





GENERAL INFORMATION (continued)

ONGOING FINANCIAL INFORMATION

The Company will, on an ongoing basis, report its affairs as they evolve to the shareholders on a timely basis.

In particular, the Company has committed to: publish annual audited financial statements in the official gazette within one hundred and twenty (120) days of the fiscal year end as mandated by the Companies Act 2014. In addition, shareholders will be provided with management discussion and analysis of the business, financial position and performance of the Company as may be appropriate and comply with the ongoing reporting and disclosure requirements of the Eastern Caribbean Securities Regulatory Commission (ECSRC) and the Eastern Caribbean Securities Exchange (ECSE) to meet its obligations as a Public Company.

The year-end of the Company is December 31.

MATERIAL CHANGE REPORTING

The Company will issue news releases promptly and within seven days to its shareholders following a material change in the business or affairs of the Company. A "material change" is a matter which is likely to affect a shareholder's decision to sell or purchase shares or which is likely to affect the price of the shares.

The Company's Officers and Directors have undertaken that they will not trade in any shares of the Company while there is an undisclosed material change. By so doing, ANGLEC intends that all trading in its shares is conducted on a basis of equal access to information regarding the Company.

MATERIAL LITIGATION

There are no material current, pending or threatened claims, legal or arbitration proceedings against the Company or any of its directors or properties that may have a significant effect on the Company's financial position.

INSURANCE COVERAGE

The Company reviews its insurance coverage annually and is of the opinion that it maintains adequate insurance coverage for its business operations and associated business risks except on its transmission and distribution assets.

The Company is exposed to insurance risk on its transmission and distribution assets. These assets are not covered by external insurance. To manage this risk, the Company has established a "Self-insurance fund" 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 a possible catastrophic occurrence. The fund is placed in a term deposit with local banks and is restricted to provide coverage for required expenditures in the event of natural disasters or similar catastrophic events. However, as per the Company internal assessment the current level of the fund is very low as compared to the 60% or EC\$24,000,000 current The Company however will risk exposure. continue to aggressively fund its self-insurance program until it reaches the required risk exposure. Also, to further mitigate the risk, the Company continues to upgrade the transmission and distribution system to withstand higher categories of wind velocities.





GENERAL INFORMATION (continued)

COMMISSION TO AGENTS

The Government of Anguilla has entered into arrangements with the Bank of St. Lucia Ltd. (BOSL) of Castries, St. Lucia, a licensed intermediary to act as Principal Broker and New Issue Application Receiving Firm, placement agents and/or investment company, in respect of this issue. BOSL will be paid a flat fee for the procurement of subscriptions for shares of this offer. The BOSL will work with a syndicate of other licensed intermediaries to successfully place the shares being offered.

COMMISSIONS TO SUBSCRIBERS

No commission is payable or has been paid to anyone for subscribing or agreeing to subscribe to this offer.

DISCOUNTS TO SUBSCRIBERS

No discount has been granted or arranged to anyone subscribing or agreeing to subscribe to this offer.

CONSENT OF ADVISORS

BDO Eastern Caribbean, ("the Corporate Advisors") have been retained as corporate advisors to the Government of Anguilla. The Corporate Advisors do not represent the investing shareholders in ANGLEC with regard to this Prospectus and the related Public Offering and no independent advisor has been retained to represent such shareholders. The Corporate Advisors have given and not withdrawn their consent to the issue of this Prospectus with the inclusion herein of their names as Corporate Advisors to the offering in the form and context in which they are included. Neither the Directors nor employees of the Corporate Advisors have a financial interest in ANGLEC and do not intend to apply for shares in this issue. The Corporate Advisors' role in this offer is one of advisory services to the Government of Anguilla only and they are not providing placement, promotion, underwriting or advocacy services. Finally, the price set for the offer has been determined by the Government of Anguilla and not by the Corporate Advisors.





MATERIAL DISCLOSURES

RELATED PARTY TRANSACTIONS

GOA and other statutory bodies is a substantial customer of ANGLEC and consume approximately 14.5% of the overall Kwh units sold by the Company. Details of the GOA and other statutory body's outstanding liabilities to ANGLEC as at December 31, 2016 are as follows:

| | Current charges | 1-30 days | 31-60 days | 61-90 days | Over 90 days | Total |
|------------------------------|--------------------|-----------|---------------|---------------|-----------------|-----------|
| Government – Treasury – | | | | | | |
| regular charges | 41,991 | 64,180 | 56,457 | 60,652 | - | 223,280 |
| Government – Treasury under | | | | | | |
| payment plan | 3,195,606* | 193,855 | 193,855 | 193,855 | 44,412 | 3,821,583 |
| Government – Treasury pass | | | | | | |
| on from Water Corporation | - | - | - | - | 572,578 | 572,578 |
| Government – Other | | | | | | |
| Departments | 236,201 | 235,573 | 218,675 | 26,767 | 42,724 | 759,940 |
| Anguilla Water Corporation | 163,578 | 137,325 | 126,601 | 149,886 | 1,454,451 | 2,031,841 |
| Health Authority of Anguilla | 75,879 | 75,760 | - | - | - | 151,639 |
| Anguilla Air and Seaports | | | | | | |
| Authority | 34,665 | 33,259 | 36,293 | 32,667 | 29,348 | 166,232 |
| Other statutory bodies | 16,573 | 15,773 | 13,761 | 4,622 | 2,801 | 53,530 |
| Total | 3,764,493 | 755,725 | 645,642 | 468,449 | 2,146,314 | 7,780,623 |

* This pertains to the balance of GOA that is yet to be billed by ANGLEC under the payment plan agreement.

Total credit loss on the above receivables amounted to EC\$3,384,693 as at December 31, 2016.

ANGLEC's normal customer policy is payment within 30 days of the billing date. The disconnections are done 1-10th of the month and 11-20th. This may allow accounts that are over 30 days to still be connected for a few days over. With the exception of the above receivables from the Government related party transactions and balances are at normal arms-length Company terms.

MAJOR CONTRACTS AND SERVICE ARRANGEMENTS

- Delta Petroleum for the provision of gas oil for the power plants and gasoline for vehicular usage;
- Daffron and Clevest for the maintenance of the billing system;
- Cooper/Eaton for the advanced metering infrastructure (AMI) technology;
- Building Leasehold Contract expired in November 2011, monthly lease payment is based on amounts agreed upon annually outside of the 2011 contract. No new lease agreement was signed since the expiration;
- Payment plans with various customers;
- Crown Land Lease agreements
- Architect's Design and Supervision Contract for New Administrative Offices.
- Loan agreements with Caribbean Development Bank

No material contracts exist that are not in the ordinary course of business.

DIRECTORS' CONTRACTS

To the best knowledge of the GOA, there are no service arrangements, agreements or contracts between the GOA and any of the Directors or Officers of ANGLEC including contracts expiring within one year.

SUMMARY FINANCIAL STATEMENTS

ANGUILLA ELECTRICITY COMPANY LIMITED

Summary Financial Statements (Expressed in Eastern Caribbean Dollars)

December 31, 2016, December 31, 2015 and December 2014



BDO LLC P.O. Box 136 First Floor MAICO Headquarters Cosley Drive The Valley, AI-2640 Anguilla, BWI



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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of Anguilla Electricity Company Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2016, the summary statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, are derived from the audited financial statements of Anguilla Electricity Company Limited for the year ended December 31, 20 16.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements in accordance with the basis of accounting applied in the preparation of the audited financial statements.

Summary of Financial Statements

The summary financial statements do not contain all the disclosures required by the basis of accounting applied in the preparation of the audited financial statements of Anguilla Electricity Company Limited. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated June 6, 2017. That report also include:

Other matter section which draw attention to the fact that the audited financial statements of Anguilla Electricity Company Limited as at and for the year ended December 31, 2015 before restatement, were audited by other auditors' who expressed an unqualified opinion on these statements on September 20, 2016. As part of our audit, we have audited the adjustments described in Note 36 of the audited financial statements that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.





INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS (continued)

To the Shareholders of Anguilla Electricity Company Limited (continued)

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the basis of accounting applied in the preparation of the audited financial statements.

Auditor's Responsibility for the Summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements.

LLC

Chartered Accountants The Valley, Anguilla 6th of June 2017

Reference:

The full set of the 2016 audited financial statements can be accessed from this link <u>http://www.anglec.com/reports.php</u>





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Financial Position As at December 31, 2016

(Expressed in Eastern Caribbean Dollars (EC\$))

| | | 2015 | 2014 |
|--|-------------|-------------|-------------|
| | 2016 | As Restated | As Restated |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment – net | 70,454,393 | 65,901,778 | 67,825,228 |
| Net pension asset | 243,575 | 301,490 | 509,656 |
| Other assets | 11,492 | 11,492 | 11,492 |
| Investments | 2,173,610 | - | 2,033,953 |
| Total non-current assets | 72,883,070 | 66,214,760 | 70,380,329 |
| Current assets | | | |
| Prepayments and other current assets | 888,165 | 1,195,952 | 452,305 |
| Inventories – net | 7,192,680 | 7,221,888 | 6,013,238 |
| Trade and other receivables – net | 12,704,132 | 12,586,176 | 17,469,557 |
| Investments | 15,067,930 | 4,206,642 | 5,898,499 |
| Cash and cash equivalents | 8,841,691 | 21,744,486 | 13,600,545 |
| Total current assets | 44,694,598 | 46,955,144 | 43,434,144 |
| Total Assets | 117,577,668 | 113,169,904 | 113,814,473 |
| Shareholders' equity and liabilities Shareholders' equity | | | |
| Share capital | 14,536,147 | 14,536,147 | 14,536,147 |
| Retained earnings | 78,522,434 | 76,153,020 | 73,513,809 |
| Total shareholders' equity | 93,058,581 | 90,689,167 | 88,049,956 |
| Non-current liabilities | | | |
| Borrowings – net of current portion | 7,762,482 | 4,428,114 | 5,455,195 |
| Contributions in aid of construction | 3,849,901 | 3,494,294 | 3,639,338 |
| Trade and other payables | 1,876,398 | 1,894,666 | 1,912,841 |
| Total non-current liabilities | 13,488,781 | 9,817,074 | 11,007,374 |
| Current liabilities | | | |
| Borrowings – current portion | 3,988,780 | 3,956,198 | 9,123,043 |
| Customers' deposits | 1,010,205 | 1,284,862 | 1,370,334 |
| Trade and other payables | 6,031,321 | 7,422,603 | 4,263,766 |
| Total current liabilities | 11,030,306 | 12,663,663 | 14,757,143 |
| Total Shareholders' Equity and Liabilities | 117,577,668 | 113,169,904 | 113,814,473 |

The financial statements on pages 5 to 48 were approved and authorized for issue by the Board of Directors on June 6, 2017 and were signed on its behalf by:

Mr. Gareth Hodge

Mr. Gareth H Chairman

Mr. Kent Webster Vice Chairman





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Profit or Loss and Other Comprehensive Income For the Year Ended December 31, 2016

(Expressed in Eastern Caribbean Dollars (EC\$))

| | 2016 | 2015 As Restated |
|--|--------------|---------------------|
| Revenues | | |
| Energy sales | 53,922,482 | 48,232,282 |
| Surcharge | 11,770,296 | 17,179,407 |
| | 65,692,778 | 65,411,689 |
| Cost of operations | | |
| Generation | | |
| Fuel | (20,428,048) | (18,419,587) |
| Fuel surcharge | (8,849,061) | (14,549,004) |
| | (29,277,109) | (32,968,591) |
| Generation - other expenses | (10,372,503) | (9,833,150) |
| | (39,649,612) | (42,801,741) |
| Transmission and distribution expenses | (8,752,310) | (7,985,012) |
| | (48,401,922) | (50,786,753) |
| Gross operating income | 17,290,856 | 14,624,936 |
| Other income | 2,010,469 | 2,395,901 |
| Gross income | 19,301,325 | 17,020,837 |
| | 17,301,323 | 17,020,037 |
| Operating expenses | | |
| Administrative expenses | (14,677,578) | (11,996,121) |
| Consumer services | (730,211) | (760,847) |
| | (15,407,789) | (12,756,968) |
| Income from operations | 3,893,536 | 4,263,869 |
| Other expenses | | |
| Finance cost | (527,799) | (576,358) |
| Net income | 3,365,737 | 3,687,511 |
| Other comprehensive loss | | |
| Re-measurement of net pension asset | (65,431) | (233,769) |
| Total comprehensive income | 3,300,306 | 3,453,742 |
| Additional disclosures: | | |
| Earnings per share | 0.29 | 0.32 |
| Dividends per share | 0.08 | 0.07 |





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Changes in Shareholders' Equity For the Year Ended December 31, 2016

(Expressed in Eastern Caribbean Dollars (EC\$))

| | Notes | Share capital | Retained earnings As Restated | Total |
|--|-------|---------------|-------------------------------------|------------|
| Balance as at 31 December 2014 | | | | |
| As previously reported | | 14,536,147 | 73,773,253 | 88,309,400 |
| Effect of recognition of finance lease | 36 | - | (259,444) | (259,444) |
| As restated | | 14,536,147 | 73,513,809 | 88,049,956 |
| Net income for the year | 36 | - | 3,687,511 | 3,687,511 |
| Other comprehensive loss | 24 | - | (233,769) | (233,769) |
| Dividends paid | 27 | - | (814,531) | (814,531) |
| Balance as at 31 December 2015 | 36 | 14,536,147 | 76,153,020 | 90,689,167 |
| Net income for the year | | - | 3,365,737 | 3,365,737 |
| Other comprehensive loss | 24 | - | (65,431) | (65,431) |
| Dividends paid | 27 | - | (930,892) | (930,892) |
| Balance as at 31 December 2016 | | 14,536,147 | 78,522,434 | 93,058,581 |





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Cash Flows For the Year Ended December 31, 2016

(Expressed in Eastern Caribbean Dollars (EC\$))

| | 2016 | 2015 |
|---|--------------|-------------|
| Cash flows from operating activities | | |
| Net income | 3,365,737 | 3,687,511 |
| Adjustments for: | | |
| Depreciation | 6,367,272 | 5,982,422 |
| Impairment losses | 2,794,019 | 585,801 |
| Revenue from contributions in aid of construction | (545,004) | (524,512) |
| Increase in contributions in aid of construction | 900,611 | 379,468 |
| Interest expense - borrowings | 223,308 | 344,933 |
| Interest expense – finance lease | 3,351 | 2,947 |
| Interest income | (125,191) | (236,208) |
| Provision for slow moving/obsolete inventories | 285,940 | 119,046 |
| Inventory written-off | (27,433) | - |
| Receivable written-off | (75,938) | (2,231,171) |
| Re-measurement of net pension asset | (65,431) | (233,769) |
| Gain on sale of property, plant and equipment | (11,115) | (7,906 |
| Operating income before working capital changes | 13,090,126 | 7,868,562 |
| (Increase)/decrease in: | | |
| Net pension asset | 57,915 | 208,166 |
| Other assets | - | (142,172) |
| Inventories | (229,299) | (1,327,696) |
| Trade and other receivables | (2,874,097) | 6,432,913 |
| Prepayments and other current assets | 307,787 | (743,647) |
| Increase/(decrease) in: | | |
| Customers' deposits | (274,657) | (85,472) |
| Trade and other payables | (1,287,443) | 3,171,831 |
| Net cash provided by operating activities | 8,649,537 | 15,382,485 |
| | | |
| Cash flows from investing activities | | (4,000,440) |
| Acquisition of property, plant and equipment | (10,920,825) | (4,289,413) |
| Acquisition)/disposal of investment securities | (13,034,898) | 3,867,982 |
| Proceeds from disposal of property, plant and equipment | 12,053 | 238,347 |
| Interest received | 163,251 | 332,046 |
| Net cash (used in)/provided by investing activities | (23,780,419) | 148,962 |

Forward





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Cash Flows (continued For the Year Ended December 31, 2016

(Expressed in Eastern Caribbean Dollars (EC\$))

| | 2016 | 2015 |
|---|--------------|--------------|
| Cash flows from financing activities | | |
| Repayment of borrowings | (1,364,043) | (9,122,130) |
| Finance lease payments | (140,794) | - |
| Interest paid | (207,972) | (379,049) |
| Dividends paid | (930,892) | (814,531) |
| Proceeds from borrowings | 6,293,076 | - |
| Net cash provided by/(used in) financing activities | 3,649,375 | (10,315,710) |
| Net (decrease)/increase in cash and cash | | |
| equivalents | (11,340,712) | 5,215,737 |
| Cash and cash equivalents net of bank overdraft at | | |
| 1 January | 18,816,282 | 13,600,545 |
| Cash and cash equivalents net of bank overdraft at | | |
| 31 December | 7,475,570 | 18,816,282 |

AUDITOR'S CONSENT STATEMENT

BDO LLC, Chartered Accountants, have given and not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their name and reports on historical information in the manner and form in which they are included. BDO LLC accept responsibility for this audited report, and have not become aware, since the date of any report, of any matter affecting the validity of these reports as at the date of publication of this Prospectus.





To the Shareholders and the Board of Directors Anguilla Electricity Company Limited P. O. Box 400 The Valley, Anguilla

Reference: MG/PP/67.199.0/43694

Report of Independent Auditor on the Summary Financial Statements 2015

Opinion

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2015, the summary statement of comprehensive income, summary statement of changes in shareholders' equity and summary statement of cash flows for the year then ended are derived from the audited financial statements 2015 of Anguilla Electricity Company Limited. We expressed an unmodified audit opinion on those financial statements in our report dated September 20, 2016. In our opinion, the accompanying summary financial statements derived from the audited financial statements of Anguilla Electricity Company Limited for the year ended December 31, 2015 are consistent, in all material respects, with the audited financial statements prepared in accordance with International Financial Reporting Standards.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, which is the framework applied in the preparation of the audited financial statements of Anguilla Electricity Company Limited. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of Anguilla Electricity Company Limited.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated September 20, 2016.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary of the audited financial statements on the basis on accounting policies applied in the preparation of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

St. Maarten, 20 September 2016 PricewaterhouseCoopers St. Maarten

Petra Pupping

PricewaterhouseCoopers St. Maarten, Emmaplein Building, P.O. Box 195, Philipsburg, St. Maarten T: +(1-721) 542 2379, F: +(1-721) 542 4788, www.pwc.com/dutch-caribbean

"PwC" is the brand under which PricewaterhouseCoopers St. Maarten (Chamber of Commerce 9376.1) operates and provides services. PricewaterhouseCoopers refers to the St. Maarten Office of PricewaterhouseCoopers Dutch Caribbean or, as the context requires, the PricewaterhouseCoopers global network or other member Firms of the network, each member firm of which is a separate legal entity. These services are governed by General Terms and Conditions ("Algemene Voorwaarden en Condities"), which include provisions regarding our liability. At www.pwc.com/dutch-caribbean further information on the Firm may be found, including the General Terms & Conditions, which are also filed with the Court of First Instance, St. Maarten.

Reference: The full set of the 2015 and 2014 audited financial statements can be accessed from this link http://www.anglec.com/reports.php





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Financial Position As at December 31, 2015 and 2014

(Expressed in Eastern Caribbean Dollars (EC\$))

| | 2015 | 2014 |
|---|---|---|
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment - net | 63,878,993 | 65,769,531 |
| Investment in certificates of deposit maturing beyond one year | | 2,033,953 |
| Net pension asset | 301,490 | 509,656 |
| Other assets | 11,492 | 11,492 |
| | 64,191,975 | 68,324,632 |
| Current Assets | New Association | |
| Investment in certificates of deposit maturing within one year | 4,206,642 | 5,898,499 |
| Inventories - net | 7,221,888 | 6,013,238 |
| Trade and other receivables - net | 12,586,176 | 17,469,557 |
| Prepayments and other current assets | 1,195,952 | 452,305 |
| Cash | 18,816,282 | 13,600,545 |
| | 44,026,940 | 43,434,144 |
| | 108,218,915 | 111,758,776 |
| STOCKHOLDERS'EQUITY AND LIABILITIES | | |
| | | A 4 5 3 4 4 4 5 |
| Share capital | 14,536,147 | 14,536,147 |
| Share capital Retained earnings | 76,448,323 | 73,773,253 |
| Retained earnings | | |
| Retained earnings Long-term Liabilities | 76,448,323 90,984,470 | 73,773,253 88,309,400 |
| Retained earnings | 76,448,323 | 73,773,253 |
| Retained earnings Long-term Liabilities Borrowings – net of current portion | 76,448,323 90,984,470 4,428,114 | 73,773,253 88,309,400 5,455,195 3,639,338 |
| Retained earnings Long-term Liabilities Borrowings – net of current portion Contributions in aid of construction | 76,448,323 90,984,470 4,428,114 3,494,294 | 73,773,253 88,309,400 5,455,195 |
| Retained earnings Long-term Liabilities Borrowings – net of current portion Contributions in aid of construction | 76,448,323 90,984,470 4,428,114 3,494,294 | 73,773,253 88,309,400 5,455,195 3,639,338 |
| Retained earnings Long-term Liabilities Borrowings – net of current portion Contributions in aid of construction Current Liabilities | 76,448,323 90,984,470 4,428,114 3,494,294 7,922,408 | 73,773,253 88,309,400 5,455,195 3,639,338 9,094,533 9,123,043 |
| Retained earnings Long-term Liabilities Borrowings – net of current portion Contributions in aid of construction Current Liabilities Borrowings – current portion | 76,448,323 90,984,470 4,428,114 3,494,294 7,922,408 1,027,994 | 73,773,253 88,309,400 5,455,195 3,639,338 9,094,533 |
| Retained earnings Long-term Liabilities Borrowings – net of current portion Contributions in aid of construction Current Liabilities Borrowings – current portion Customer deposits | 76,448,323 90,984,470 4,428,114 3,494,294 7,922,408 1,027,994 1,284,862 | 73,773,253 88,309,400 5,455,195 3,639,338 9,094,533 9,123,043 1,370,334 |

These financial statements were approved on behalf of the Board of Directors on 14 September, 2016 by the following:

Mr. Harold Ruan, Chairman

Mr. James Richardson, Vice Chairman





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Comprehensive Income For the Year Ended December 31, 2015 and 2014

(Expressed in Eastern Caribbean Dollars (EC\$))

| | 2015 | 2014 |
|--|--------------|--------------|
| Revenue | | |
| Energy sales | 48,232,282 | 46,550,564 |
| Fuel surcharge recovered | 17,179,407 | 34,080,953 |
| | 65,411,689 | 80,631,517 |
| Cost of Operations | | |
| Generation | | |
| Fuel | (18,419,587) | (17,569,647) |
| Fuel surcharge | (14,549,004) | (31,974,982) |
| | (32,968,591) | (49,544,629) |
| Other expenses | (9,816,254) | (9,239,917) |
| Transmission and distribution expenses | (7,976,285) | (8,368,931) |
| | (50,761,130) | (67,153,477) |
| Gross Operating Income | 14,650,559 | 13,478,040 |
| Other income | 2,395,901 | 4,063,299 |
| Gross Income | 17,046,460 | 17,541,339 |
| Operating Expenses | | |
| Administrative expenses | (11,988,802) | (9,430,147) |
| Customer services | (760,847) | (912,035) |
| Income from Operations | 4,296,811 | 7,199,157 |
| Other Expenses | | |
| Finance cost | (573,411) | (853,889) |
| NET INCOME | 3,723,370 | 6,345,268 |
| Other comprehensive income | | |
| Additional gain/(loss)_ net | (233,769) | 301,947 |
| TOTAL COMPREHENSIVE INCOME | 3,489,601 | 6,647,215 |
| Additional disclosures: | | |
| Earnings per share | 0.32 | 0.55 |
| Dividends per share | 0.08 | 0.07 |





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Changes in Shareholders' Equity For the Year Ended December 31, 2015 and 2014

(Expressed in Eastern Caribbean Dollars (EC\$))

| | Share Capital | Retained Earnings | Total |
|---|---------------|----------------------|------------|
| Balance as at 31 December 2013 | 14,536,147 | 67,940,569 | 82,476,716 |
| Net income for the year | | 6,345,268 | 6,345,268 |
| Other comprehensive income – actuarial gain | - | 301,947 | 301,947 |
| Dividends paid | | (814,531) | (814,531) |
| Balance as at 31 December 2014 | 14,536,147 | 73,773,253 | 88,309,400 |
| Net income for the year | Ę | 3,723,370 | 3,723,370 |
| Other comprehensive income – actuarial gain | - | (233,769) | (233,769) |
| Dividends paid | - | (814,531) | (814,531) |
| Balance as at 31 December 2015 | 14,536,147 | 76,448,323 | 90,984,470 |

AUDITOR'S CONSENT STATEMENT

PricewaterhouseCoopers, St. Maarten, has given and not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their name and auditor's report on summary financial statements in accordance with ISA 810. The auditor accepts the responsibility for this summary financial statements as presented in the manner and form on pages 79-82 of this Prospectus up to the date of their auditor's report on the summary financial statements which is also the date of the auditor's report on the summary financial statements which is also the date of the auditor's report on the auditor's report on the summary financial statements.

Since the date of their last audit report, they have not been engaged by the Company to perform any audit or review procedures on the Company's financial information.





ANGUILLA ELECTRICITY COMPANY LIMITED Summary Statement of Cash Flows For the Year Ended December 31, 2015 and 2014

(Expressed in Eastern Caribbean Dollars (EC\$))

| | | 2015 | 2014 |
|---|---------|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | | 3,273,370 | 6,345,268 |
| Adjustments for: | | | |
| Depreciation | | 5,949,510 | 5,796,211 |
| Interest expense | | 344,933 | 896,355 |
| Impairment losses | | 585,801 | 1,627,357 |
| Interest income | | (236,208) | (422,535) |
| Gain on sale of property, plant and equipment | | (7,906) | (38,810) |
| Provision for (reversal of) slow moving/obsolete inventories | | 119,046 | (97,158) |
| Operating income before working capital changes | | 10,478,546 | 14,106,688 |
| (Increase)/decrease in assets: | | | |
| Inventories | | (1,327,696) | 1,102,412 |
| Trade and other receivables | | (4,297,580) | 471,627 |
| Prepayments and other current assets | | (743,647) | (232,192) |
| Net pension asset | | (25,602) | (17,317) |
| Increase/(decrease) in liabilities: | | | |
| Customer deposits | | (85,472) | (56,021) |
| Trade and other payables | | 3,137,714 | (2,590,257) |
| Net cash provided by operating activities | 3 | 15,731,423 | 12,784,940 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisitions of property, plant and equipment | | (4,289,413) | (1,344,481) |
| Proceeds from disposal of property, plant, equipment | | 238,347 | 38,810 |
| Decrease/ (increase) in investment in certificates of deposit | | 3,725,810 | 1,106,495 |
| Interest received | | 236,208 | 422,534 |
| Net cash provided by / (used in) investing activities | | (89,048) | 223,358 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | 13 | (9,122,130) | (6,156,393) |
| Interest paid | | (344,933) | (896,355) |
| Dividends paid | 25 | (814,531) | (814,631) |
| Revenues from contributions in aid of construction | 14 | (524,512) | (541,529) |
| Increase in contributions in aid of construction | 14 | 379,468 | 444,371 |
| Net cash used in financing activities | -230 33 | (10,426,638) | (7,964,437) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 10 | 5,215,737 | 5,043,861 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 11 | 13,600,545 | 8,556,684 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 11 | 18,816,282 | 13,600,545 |

FORECASTED FINANCIAL STATEMENTS

ANGUILLA ELECTRICITY

Forecasted Financial Statements (Expressed in Eastern Caribbean Dollars

December 31, 2017, December 31, 2018 and December 2019

...transitioning to renewable energy





ANGUILLA ELECTRICITY COMPANY LIMITED Forecasted Statement of Financial Position As at December 31, 2017, 2018 and 2019

| | 2017 | 2018 | 2019 |
|---------------------------------------|------------------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment – net | 89,483 | 121,716 | 121,898 |
| Total non-current assets | 89,483 | 121,716 | 121,898 |
| Current assets | | | |
| Self-insurance fund | 8,829 | 9,514 | 9,699 |
| Prepayments and other current assets | 813 | 813 | 813 |
| Inventories – net | 6,275 | 5,815 | 5,908 |
| Trade and other receivables – net | 11,164 | 11,208 | 12,132 |
| Investments | 9,098 | 8,598 | 8,598 |
| Cash and cash equivalents | 2,563 | (3,415) | (1,217) |
| Total current assets | 38,742 | 32,533 | 35,933 |
| Total Assets | 128,225 | 154,249 | 157,831 |
| Share capital Retained earnings | 14,536 79,705 | 14,536 81,797 | 14,536 84,514 |
| Shareholders' equity Share capital | 14,536 | 14,536 | 14,536 |
| Total shareholders' equity | 94,241 | 96,333 | 99,050 |
| Total shareholders equity | 94,241 | 90,333 | 99,030 |
| Non-current liabilities | | | |
| Borrowings – net of current portion | 18,012 | 40,622 | 42,035 |
| Contributions in aid of construction | 4,028 | 4,206 | 4,383 |
| Trade and other payables | 1,856 | 1,834 | 1,813 |
| Total non-current liabilities | 23,896 | 46,662 | 48,231 |
| Current liabilities | | | |
| Borrowings – current portion | 2,673 | 4,751 | 4,587 |
| Don on mgo our one por non | | | |
| Customers' deposits | 999 | 999 | 999 |
| | 999 6,416 | 999 5,504 | 999 4,964 |
| Customers' deposits | | | |





ANGUILLA ELECTRICITY COMPANY LIMITED Forecasted Statement of Profit or loss For the Year Ended December 31, 2017, 2018 and 2019

| | 2017 | 2018 | 2019 |
|--|----------|----------|---------|
| Revenues | | | |
| Energy sales | 54,258 | 54,509 | 57,485 |
| Surcharge | 12,250 | 15,378 | 17,997 |
| | 66,508 | 69,887 | 75,482 |
| Cost of operations | | , | |
| Generation | | | |
| Fuel | (19,482) | (19,530) | (20,025 |
| Fuel surcharge | (11,985) | (15,169) | (17,329 |
| | (31,467) | (34,699) | (37,354 |
| Generation - other expenses | (11,370) | (11,194) | (12,159 |
| | (42,837) | (45,893) | (49,513 |
| Transmission and distribution expenses | (8,235) | (8,435) | (9,386 |
| | (51,072) | (54,328) | (58,899 |
| | | | |
| Gross operating income | 15,436 | 15,559 | 16,583 |
| Other income | 1,433 | 1,490 | 1,548 |
| Gross income | 16,869 | 17,049 | 18,131 |
| Operating expenses | | | |
| Administrative expenses | (13,383) | (11,731) | (11,264 |
| Consumer services | (952) | (978) | (1,006 |
| | (14,335) | (12,709) | (12,269 |
| Income from operations | 2,534 | 4,340 | 5,862 |
| Other expenses | | | |
| Finance cost | (420) | (852) | (1,750 |
| Net income | 2,114 | 3,488 | 4,112 |
| | | , | , |
| Additional disclosures: | | | |
| Earnings per share | 0.18 | 0.30 | 0.35 |
| Dividends per share | 0.08 | 0.12 | 0.12 |





ANGUILLA ELECTRICITY COMPANY LIMITED Forecasted Statement of Changes in Shareholders' Equity For the Year Ended December 31, 2017, 2018 and 2019

| | Notes | Share capital | Retained earnings | Total |
|--------------------------------|-------|---------------|----------------------|---------|
| Balance as at 31 December 2016 | | 14,536 | 78,522 | 93,058 |
| Net income for the year | | - | 2,114 | 2,114 |
| Dividends paid | | - | (931) | (931) |
| Balance as at 31 December 2017 | | 14,536 | 79,705 | 94,241 |
| Net income for the year | | - | 3,488 | 3,488 |
| Dividends paid | | - | (1,396) | (1,396) |
| Balance as at 31 December 2018 | | 14,536 | 81,797 | 96,333 |
| Net income for the year | | - | 4,112 | 4,112 |
| Dividends paid | | - | (1,396) | (1,396) |
| Balance as at 31 December 2019 | | 14,536 | 84,514 | 99,050 |





ANGUILLA ELECTRICITY COMPANY LIMITED Forecasted Statement of Cash Flows For the Year Ended December 31, 2017, 2018 and 2019

| | 2017 | 2018 | 2019 |
|--|----------|----------|---------|
| Cash flows from operating activities | | | |
| Net income | 2,114 | 3,488 | 4,112 |
| Adjustments for: | | | |
| Depreciation | 6,483 | 6,846 | 9,397 |
| Impairment losses | 2,136 | 706 | 76 |
| Revenue from contributions in aid of construction | (545) | (545) | (545) |
| Increase in contributions in aid of construction | 723 | 723 | 723 |
| Interest expense - borrowings | 690 | 852 | 1,750 |
| Operating income before working capital changes | 11,601 | 12,070 | 15,513 |
| (Increase)/decrease in: | | | |
| Inventories | 917 | 459 | (92) |
| Trade and other receivables | (596) | (749) | (1,000) |
| Prepayments and other current assets | 330 | - | - |
| Increase/(decrease) in: | | | |
| Customers' deposits | (11) | - | - |
| Trade and other payables | 365 | (933) | (562) |
| Net cash provided by operating activities | 12,606 | 10,847 | 13,859 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | (25,513) | (39,078) | (9,579) |
| Acquisition of investment securities | (685) | (185) | (185) |
| Net cash used in investing activities | (26,198) | (39,263) | (9,764) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | (2,623) | (2,673) | (4,750) |
| Interest paid | (690) | (852) | (1,750) |
| Dividends paid | (931) | (1,396) | (1,396) |
| Proceeds from borrowings | 12,923 | 27,359 | 6,000 |
| Net cash provided by/(used in) financing activities | 8,679 | 22,438 | (1,896) |
| Net (decrease)/increase in cash and cash equivalents | (4,911) | (5,980) | 2,200 |
| Cash and cash equivalents at 1 January | 7,475 | 2,564 | (3,416) |
| Cash and cash equivalents at 31 December | 2,564 | (3,416) | 1,216 |





ANGUILLA ELECTRICITY COMPANY LIMITED Notes to the Forecasted Financial Statements For the Year Ended December 31, 2017, 2018 and 2019

(Expressed in Eastern Caribbean Dollars (EC\$))

1. Basis of Preparation

These financial Projections have been prepared by management for inclusion in a Prospectus relating to the offer to the public by the GOA of its shares in Anguilla Electricity Company Limited ("the Company"). The financial projections may not be appropriate for any other purpose. These assumptions reflect the Company's intensions for the years covered and are based on management's judgment as to the most probable set of expected future economic conditions. In view of uncertainties inherent in predicting future conditions and actions, actual results achieved during the projected period may vary from the forecasted results and differences may be material.

2. Significant Accounting Policies

The accounting policies prescribed in Note 3 of the notes to the financial statements as at December 31, 2016 have been followed in the preparation of these projections. The accounting policies are expected to be consistent in the next three years except for the effects of future changes in the accounting standards and the mandatory adoption of IFRS 15 Revenues (1 January 2018) from Contracts with Customers and IFRS 9 Financial Instruments (1 January 2018). These new standards are currently being assessed by the Company and might have significant effect on the Company's future financial statements.

3. Key Assumptions in the Financial Projections

a. Regulatory Environment

It is assumed that the existing regulatory environment will continue to be unchanged without introduction of any legislation that may materially change the business of the company. However, if the Government of Anguilla will revise the legislation with regards to the imposition of surcharges as specified in the Electricity (Rates and Charges) Regulations and Electricity Supply Regulations of the Electricity Act by limiting the surcharge to only fuel surcharge without adjustment of the current tariff rates, the forecasted revenue and net income will be reduced by EC\$265,000, EC\$208,000 and EC\$668,000 as at and for the year ended December 31, 2017, 2018 and 2019, respectively. The related forecasted ratio as included in the key ratios of this prospectus should be adjusted accordingly.

b. Socio-Economic Environment

It is assumed that the Eastern Caribbean Dollar remains pegged at 2.6882 to the United States Dollar for the period of the forecast.

Hurricane damages, if any, are expected to be covered through adequate insurance coverage and the annual amount deducted from the self-insurance fund. However, the self-insurance might not be enough to cover significant damage on the Company's transmission and distribution line that may arise from major hurricanes. The Company's current risk exposure on its transmission and distribution line is currently EC\$24,000,000. This amount is not considered in the forecasted period.

There will be no significant changes to the existing key personnel of the Company however a cost of living allowance is expected to be given to the employee at a rate of 1% in 2017 and 2% for years 2018 and 2019.

c. Revenue

The number of units has been forecasted considering experience and future economic forecast as indicated in the Government of Anguilla's GDP forecast. The Company's expected change in the forecasted KWH sales are .62%, .46% and 5.46% for the years 2017, 2018 and 2019.





ANGUILLA ELECTRICITY COMPANY LIMITED Notes to the Forecasted Financial Statements For the Year Ended December 31, 2017, 2018 and 2019

(Expressed in Eastern Caribbean Dollars (EC\$))

3. Key Assumptions in the Financial Projections (continued)

c. Revenue (continued)

There are no significant projects anticipated and considered throughout the forecast periods that may lead to significant increase in the Company's KWH sales except for the renovation of Cap Juluca in 2018. The significant change between the years 2018 and 2019 is the result of the 9 month closure of Cap Juluca in 2018 and re-opening in 2019. It is assumed that there will be no change to the tariff rate of (EC\$.63) during the forecast period except the possible effect of surcharges as discussed in Note A, if any.

d. Government Receivables

Government receivables for both the deferred payment plan and current charges will continuously be paid thus, significant additional impairment for these receivables is not included in this forecast. Additional impairment however is projected for the year 2018 on one of the Government statutory bodies.

e. Impairment of fixed assets

The forecast financial projections do not include any possible impairment on the Company's fixed asset that may result from the following factors:

- significant adverse changes in the physical condition of assets;
- reduction in demand for the services of the client;
- changes to the depreciable lives or depreciation policies for fixed assets;
- damage due to a climatic event or fire;
- adverse change in legal factors;
- adverse change in the business climate that could affect the value of assets;
- long-term labour relations disputes that result in idle assets.

The Company believes that the above factors are remotely to happen during the forecasted period.

d. Line Losses

Line losses are assumed at 10.40% in 2017 and subsequently reduced to 10.25% and 10.00% in 2018 and 2019 as a result of the full implementation of the AMI meters.

e. Fuel Cost

It is assumed that one imperial gallon of diesel will generate 18.73 KWH. Cost per gallon is assumed to be at EC\$5.88, EC\$6.47 and EC\$6.79 for the years 2017, 2018 and 2019, respectively. No further adjustments are required as tariffs are subject to a surcharge of 1 cent per unit for every 10 cents per gallon increase in the price of fuel oil over EC\$3.64 per gallon except if legislation will change with regards to the computation of the surcharge.

Government duty on fuel is assumed to remain unchanged at EC\$.50 per imperial gallon.





ANGUILLA ELECTRICITY COMPANY LIMITED Notes to the Forecasted Financial Statements For the Year Ended December 31, 2017, 2018 and 2019

(Expressed in Eastern Caribbean Dollars (EC\$))

4. Key Assumptions in the Financial Projections (continued)

f. Other Cost of Operating Revenue and Operating Expenses

Other generation expenses, transmission and distribution, administration and consumer service expenses are based on the 2017-2019 departmental level operational budget. Any changes in year to year operational budget is based on the indicative of the costs matched with projected revenues based on Management's expectations.

g. Loans and Interest Expenses

It is assumed that loans repayments and interest will be paid off per existing repayment schedules. An additional EC\$46 million is expected to be borrowed from 2017 – 2019 to fund ANGLEC's capital expansion:

h. Property Plant and Equipment

Additions to the property plant and equipment are based on management's best estimate considering future expansions. The Company anticipates adding another 5 MW high speed generating plant and other generation equipment in 2017 and 2018 at a total cost of EC\$24.915 million. ANGLEC is also planning to expand its renewable by constructing a 2 MW Wind Farm in 2018 and 2019 at a cost of EC\$12 million. Transmission and distribution expansions which includes upgrades of the Island into AMI metres and network automation are expected from 2017-2019 at a total cost of EC\$13.71 million. Likewise, ANGLEC is planning on constructing an Administrative Building at an estimated cost of EC\$14 million on Crown Land of approximately 1.5 acres leased for a period of 99 years from GOA. Total expected capital expenditures for the next five years is estimated at EC\$74.6 million.

5. Other Key Assumptions in the Financial Projections

The following other key assumptions were also used to develop the three year financial projections:

| ASSUMPTIONS USED IN THE 3 YEAR FINANCIAL PROJECTIONS | | | | |
|--|---|---------------|---------------|---------------|
| | | 2017 | 2018 | 2019 |
| 1 | Sales (kWh) | 91,565,259 | 91,989,550 | 97,012,403 |
| 2 | 1MW Solar Farm Generation | 1,920,000 | 1,980,000 | 1,980,000 |
| 3 | ANGLEC Diesel Generation | 100,267,667 | 100,515,321 | 105,811,559 |
| | Total kWh's Generated | 102,187,667 | 102,495,321 | 107,791,559 |
| 4 | Peak Demand (kW) | 15,540 | 15,851 | 16,168 |
| 5 | Fuel Efficiency/# of kWh's/Gallon | 18.73 | 18.73 | 19.23 |
| 6 | Price of Lube Oil (ECD/IG) | 46.41 | 58.56 | 51.05 |
| 7 | Surcharge | 0.13 | 0.17 | 0.19 |
| 8 | Dividend Payment | 0.08 cents/sh | 0.12 cents/sh | 0.12 cents/sh |
| 9 | Days sales outstanding (excludes current) | 72 | 71 | 68 |





DISTRIBUTION, SUBSCRIPTION & ALLOCATION PROCEDURES

AVAILABILITY OF THE OFFERING

The Offering targets primarily Anguillans/Belongers/Anguillan Nationals, and Residents as well as OECS Nationals and Residents as defined under the definitions and Abbreviations Section of this Prospectus. Initial priority will be given Anguillans/Belongers/Anguillan to Nationals, and Residents. If the sale is not fully subscribed exhausted or hv Anguillans/Belongers/Anguillan Nationals, and Residents, the remaining shares will be allocated to the following:

- a. Individuals outside the definition of Anguillans/Belongers/Anguillan Nationals, and Residents residing in the OECS.
- b. Corporate applicants Anguillans/Belongers/Anguillan Nationals, and Residents are incorporated and owned by individuals residing in the OECS.

For the Public Offering, proof of nationality, belonger and residence status will be required with the submission of the application form. The application form outlines the information required to provide proof of nationality, belonger and residence status.

The shares described in this Prospectus are being offered to Anguillans/Belongers/ Anguillan Nationals residing in Anguilla and abroad as well as to individuals and corporates residing in the OECS through the New Issue Applications Receiving Firms that also operate as licensed intermediaries on the ECSE. The shares are not being offered in any other jurisdictions including the United States of America, Canada or the United Kingdom and hence this Prospectus will not be filed with any securities regulatory authorities in any such jurisdictions. The shares are not listed on any securities exchanges including exchanges in such jurisdictions. Accordingly, shares may not be directly or indirectly offered, sold or delivered outside Anguilla and the OECS to any person who, it is believed at the time of closing, intends to reoffer, resell or deliver any shares without compliance with resale requirements that may exist outside such jurisdictions and the Government reserves the right to require a written representation to such effect from any subscriber. As a public company, ANGLEC will be subject to the requirements of the Securities Act as well as the rules and regulations of the ECSRC and the ECSE including ongoing reporting and disclosure requirements.

MINIMUM SUBSCRIPTION

The minimum subscription amount is EC\$586 or 100 shares. Thereafter, shares may be subscribed for in increments of 100. Subscriptions for less than 100 shares will not be accepted.

MAXIMUM OWNERSHIP

No maximum subscription by any one applicant or related group of applicants is specified.

SUBSCRIPTION PROCEDURES

The subscription period will begin at 8:00 am on August 25, 2017 and will close at 2:00 p.m. on September 25, 2017. The Prospectus will be distributed in Anguilla and available in countries of the OECS through the New Issue Application Receiving Firms as listed below. The Prospectus can also be downloaded from the websites of ECSE, ANGLEC, GOA and Bank of St. Lucia: www.ecseonline.com, www.anglec.com and www.gov.ai, www.bankofstlucia.com, respectively.





A detachable subscription form is included in this Prospectus and subscribers for shares should complete this form and forward it to one of the New Issue Application Receiving Firms along with payment as prescribed. For persons residing in Anguilla, all subscription forms and payments shall be processed by the Bank of St. Lucia Ltd., the Principal Broker and New Issue Application Receiving Firm located at the premises of the National Commercial Bank of Anguilla Ltd. Persons who qualify to participate in the issue and do not reside in Anguilla at the time of the Offering may contact any of the New Issue Application Receiving Firms. A full listing of these firms that are licensed and authorised to participate in this placement is listed below:

List of Licensed Intermediaries acting as New Issue Application Receiving Firms.

| Institution | Contact Addresses | Institution | Contact Addresses |
|---|--|---|--|
| <i>Anguilla</i> Bank of St. Lucia Ltd. | National Commercial Bank of Anguilla Limited Premises West End Service Centre P.O. Box 44, West End, Anguilla Tel: 264 772 1598 Fax: 758 456 6733 Email: boslinvestments@bankofsaintlucia. com | <i>St. Lucia</i> Bank of St Lucia Ltd. | 5th Floor, Financial Centre Building 1Bridge Street Castries, Saint Lucia Tel: 758 456 6826/457 7233 Fax: 758 456 6733 Email: boslinvestments@bankofsaintlucia. com |
| Grenada | | St. Lucia | |
| Grenada Co- operative Bank Limited | No. 8 Church Street St George's Grenada Tel: 473 440 2111 Fax: 473 440 6600 Email: <u>brokerage@grenadaco- opbank.com</u> | First Citizens Investment Services Limited | P.O. Box 1294 John Compton Highway Sans Souci, Castries, Saint Lucia Tel: 758 458 6375 Fax: 758 451 7984 Email: <u>invest@firstcitizensslu.com</u> |
| Nevis | | St. Kitts | |
| The Bank of Nevis Limited | P O Box 450 Charlestown,Nevis Tel: 869 469 5564/5796 Fax: 869 469 5798 Email: <u>info@thebankofnevis.com</u> | <i>and Nevis</i> St Kitts Nevis Anguilla National Bank Ltd | P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: <u>national_bank@sknanb.com</u> |
| St Vincent | | | |
| Bank of St Vincent and the Grenadines Ltd | P. O. Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 | | |

Before applying for shares in this issue, potential applicants are encouraged to consider whether the shares are suitable for their particular circumstances. If advice is needed, potential applicants should consult any of the above-mentioned firms, qualified licensed intermediaries or other qualified investment advisors.

Fax: 784 456 2612/451 2589 Email:info@bosvg.com





SUBSCRIPTION TERMS AND CONDITIONS

A detachable subscription form for shares can be found at the end of this Prospectus. Additional copies of the Prospectus and subscription forms may be obtained from any of the following locations:

Anguilla Electricity Company Limited

Main Office The Valley Anguilla, W. I.

Ministry of Finance

Government of Anguilla P.O. Box 60, The Valley, Anguilla, B.W.I. Phone: (264) 497 2547

National Commercial Bank of Anguilla Limited The Valley/West End, Anguilla, BW.I.

The Eastern Caribbean Securities Exchange (ECSE) Bird Rock St. Kitts Also available on website:www.ecseonline.com

Bank of St. Lucia Ltd.

CastriesSt. Lucia

Only licensed individuals are authorised to participate in the placement of this issue by accepting your subscriptions and placing your bid for this issue.

Subscriptions are subject to the following terms and conditions:

- The Government reserves the right to reject, in whole or in part, any subscription. Consequently, the payment may be returned in whole or in part, respectively;
- Subscriptions may only be made by eligible investors as described in this Prospectus;
- Subscription forms must be completed in every respect and must be for a minimum of 100 shares and in multiples of 100 thereafter;
- The number of shares applied for must be accompanied by the required remittance when the subscription is made.

Incomplete subscription forms will not be accepted.

PAYMENT FOR SHARES

Payment must be made in Eastern Caribbean Dollars. Completed subscription forms must be accompanied by payment in the form of:

- Bank Draft/Money Order
- Manager's/Cashier's Cheque or
- Postal Order
- Wire Transfer

Each should be crossed "Non-negotiable" and made payable to **ANGLEC Share Issue: Escrow and Subscription and Trust Account**. All cheques are liable to be presented for payment upon receipt. (CASH AND PERSONAL CHEQUES WILL NOT BE ACCEPTED).

You can also have your bank wire funds to:

St. Kitts-Nevis-Anguilla National Bank Basseterre, St. Kitts, W.I. (SWIFT: KNANKNSK)

For credit to the account of **National Commercial Bank of Anguilla Ltd. Account Number 24011.**

For further credit to **ANGLEC Share Issue: Escrow and Subscription and Trust Account,** XCD checking account number **2053577 at:**

National Commercial Bank of Anguilla Ltd. P.O. Box 44, The Valley, Anguilla, B.W.I Swift: ANGUAIAI

Subscriptions may be hand delivered between 8:00 am and 2:00 pm from Monday to Thursday and between 8:00 am to 4:00 pm every Friday:

Bank of St. Lucia Ltd. At the National Commercial Bank of Anguilla Ltd.'s Premises

West End Service Centre P.O. Box 44, West End, Anguilla, B.W. I. Attn. ANGLEC Share Subscription Processing

or within specified working hours to the premises of any of the New Issue Application Receiving Firms mentioned above and clearly noted: Attn. ANGLEC Share Subscription Processing.





Subscriptions may also be sent by **mail or courier to arrive by 2:00 pm on September 25, 2017** at the following location:

Bank of St. Lucia Ltd.

At the National Commercial Bank of Anguilla Limited Premises, West End Service Centre P.O. Box 44 West End, Anguilla, BW.I.

Attn. ANGLEC Share Subscription Processing

Subscriptions arriving after 2:00 pm on **September 25, 2017** will not be accepted by the above-mentioned firms.

OFFER OF SHARES

All bids (subscription forms accompanied by payments as prescribed) shall be collected at the offices of the New Issue Applications Receiving Firms. They shall be checked for accuracy and the date and time received will be stamped. The pricing methodology to be used for selling the securities will be a fixed-price auction.

JOINT OWNERSHIP

Individuals applying for joint ownership for ANGLEC shares are advised to indicate the name of the primary holder who will be responsible for receiving corporate communication and dividends with respect to the shares. Before submitting an application, applicants are advised to seek legal advice regarding the implications of joint ownership.

OWNERSHIP BY MINORS OR IN CONJUNCTION WITH MINORS

It should be noted that there are restrictions on transferability of shares for individuals who include names of minors individually or as joint owners or purchase shares in trust for minors. Individuals desirous of purchasing shares in conjunction with minors should seek legal advice prior to submitting an application.

ESCROW AND SUBSCRIPTION TRUST ACCOUNT

The Government will be holding all subscription proceeds in a separate account named ANGLEC Share Issue: Escrow and Subscription Trust Account, ("Trust Account") set up specifically for the offering. The funds in the Trust Account will be held in escrow and will not be transferred to GOA's Account until the close of the offering. This Trust Account will be governed by the Terms and Conditions contained in this Prospectus.

ALLOTMENT

Initially, up to 100% of the new share issue has been allocated for Anguillans/ Belongers/ Anguillan National and Residents (as said term is defined in the Prospectus) as well as Anguillan companies/corporate entities whose majority shareholders are Anguillans/ Belongers/Anguillan Nationals, Belongers and Residents (hereafter referred as "Anguillan Nationals/Residents").

In the event of an over-subscription, the following shall apply to ensure as wide an ownership as possible by Anguillan Nationals/Residents. The Company shall allot shares across all Anguillan National/Resident subscribers of the new issue in rounds of 100 shares after the initial purchase of 100 shares to each shareholder until all the shares are allotted.

The above method is used to ensure an equitable distribution to a wider cross-section of Anguillans. For example Subscriber "A" applies for 100 shares while Subscriber "B" applies for 400 shares of the new shares. In the first round Subscriber "A's" request will be fully allotted. Subscriber "B" will be allotted 100 shares in the first round. In the second round of the allotment of 100 shares. Subscriber "B" will be allotted another amount up to 100 shares. In the third round of allotment, Subscriber "B" will be allotted a further 100 shares. In the course of the third round if all of the shares on offer had been allotted then Subscriber B will have been allotted only 300 of his 400 shares requested. As demonstrated, this "Bottoms Up" approach gives preference to filling smaller subscriptions first.





ALLOTMENT (continued)

If the sale is not fully subscribed or exhausted by Anguillans/Belongers/Anguillan Nationals, and Residents, the remaining shares will be allocated to individuals and corporate applicants in the OECS (as said term is defined in the Prospectus) in the same manner of allocation as described above for Anguillans/Belongers/Anguillan National and Residents Anguillan as well as companies/corporate entities whose majority shareholders are Anguillans/Belongers/ Anguillan Nationals. Subscriptions must be paid in full at the time of submission of the completed subscription form.

ALLOTMENT AND NOTIFICATION

The allotment will take place no later than Monday, 27th of September 2017 at the ECSE offices in Basseterre, St. Kitts or other suitable place. Notification to subscribers will be made within ten (10) business days of the allotment. Likewise, the return of monies to subscribers arising from over subscription or any other purpose whatsoever in accordance with this Prospectus will be mailed within (10) business days of the allotment date.

SETTLEMENT AND REGISTRATION OF OWNERSHIP PROCEDURES

The ECSE and its subsidiaries, the Eastern Caribbean Central Securities Depository (ECCSD) and the Eastern Caribbean Central Securities Registry (ECCSR) shall be responsible for processing, allotting, clearing, settling and registering the securities issued. The ECCSR will mail to prospective shareholders who are successful in the offering, statement of proof of ownership of the allotted shares. All unsuccessful bids shall be mailed within 10 business days after the allotment along with a full refund of all monies paid in, but without any interest paid thereon.

MINIMUM TOTAL SUBSCRIPTION

If less than 2,000,000 (EC\$11,720,000) of the shares offered are subscribed for, all subscription monies will be remitted back in full, without interest, within ten (10) business days.

SHARE CERTIFICATES

No share certificates will be issued, but shareholders will receive a statement confirming

their shareholding from the ECCSR. This is in keeping with the provision of the new Securities Act and Uncertified Regulations of the ECSRC as well as the dematerialised environment under which the ECCSR operates. The ECCSR will serve as the registrar and transfer agent for the Company and will be responsible for maintaining and servicing shareholders' records.

ESCROW AND SUBSCRIPTION TRUST ACCOUNT

BOSL will be holding all subscription proceeds in a separate trust account "ANGLEC Share Issue: Escrow and Subscription Trust Account" set up specifically for the offering. The account will be governed by the Terms and Conditions contained in this Prospectus.

SECONDARY MARKET FOR SHARES

These shares have not been listed on any organised securities exchange. Since there is no established market for ANGLEC's shares, it may be difficult for the investor to sell the shares or for him to obtain reliable information about the value of the shares or the extent of the risks to which they are exposed.

ALIEN LAND HOLDING REQUIREMENTS

The Alien Land Holding Regulation Act, 2010 R.S.A. forbids an alien to hold land or any interest therein without an Alien Land Holding Licence except as otherwise provided. The term "alien" includes a company under alien control. Section 6 of the Ordinance deems a company to be under alien control *inter alia* if:

- Any of its directors is alien; or
- If more than one third of its issued shares are held by aliens.

With respect to these issues, a non-belonger would not be required to obtain an Alien Land Holding Licence unless he intends to become a director of ANGLEC or holds more than one third of ANGLEC's issued shares.





ANTI MONEY LAUNDERING PROVISIONS

The Anti-Money Laundering provisions of Anguilla will be applied to the transactions of investors. All monies or transfers over EC\$10,000 must be accompanied by a source of funds statement that is satisfactory to the depositing bank.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the corporate offices of the Company during normal business hours during the offering period:

- 1 Copies of the Articles of Continuance;
- 2 By-laws of ANGLEC;
- 3 The certificate of incorporation of ANGLEC;
- 4 Professional advisors' consent letters;
- 5 Executive council resolutions dated 23rd of March 2017, 29th of June 2017 and 3rd of August 2017 approving the share price, various share allocation terms, conditions related to this offering and consent to the Prospectus;
- 6 ANGLEC Board Resolution dated 18th of July 2017 approving and granting consent to the Prospectus;
- 7 The Licensed Intermediary agreement dated 1st of June 2017;
- 8 The Corporate Advisors Agreement dated 27th of February 2017;
- 9 Public Utilities Commission Act, 2014;
- 10 Companies Act R.S.A. c. C65, 2014;
- 11 Electricity Act and revised related regulations
- 12 Telecommunications Act, 2003
- **13** Audited Financial Statements
- 14 Annual Reports





ANGLEC DIRECTORS' AND GOVERNMENT OF ANGUILLA CONSENT & SIGNATURES

We, the undersigned Directors of the Anguilla Electricity Company Limited and the Permanent Secretary Finance, Ministry of Finance on behalf of the Government of Anguilla, collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable inquiries, that to the best of our knowledge and belief that there are no other facts, the omission of which would make any statement in this Prospectus misleading. This information contained in the Prospectus is provided on behalf of the Government of Anguilla, the principal shareholder of ANGLEC and the Offeror of the shares.

We declare that the accounts of the Company have been prepared in accordance with the Securities Act, 2006 and I/we accept responsibility for them.

Consent is given by Board Resolution dated 18th of July 2017.

GARETH HODGE (CHAIRMAN)

KENT WEBSTER (VICE CHAIRMAN)

HAROLD RUAN (DIRECTOR)

DAWNETTE GUMBS (DIRECTOR)

ERVILLE HUGHES (DIRECTOR)

SHINNETTE CONNOR (DIRECTOR)

LINETTE SASSO (DIRECTOR)

WILFRED RICHARDSON (DIRECTOR)

CLAUDE SMITH (DIRECTOR)

Consent is given by Executive Council Resolution dated 29th of June 2017

DR. AIDAN HARRIGAN (PERMANENT SECRETARY FINANCE)

CONTACT FOR INFORMATION DAVID GUMBS Chief Executive Officer Anguilla Electricity Company Limited P.O. Box 400 The Valley, Anguilla, B.W.I. Phone: (264) 497 5200 Fax: (264) 497 5440 Email: david@anglec.com E) Line Havigan CONTACT FOR INFORMATION

DR. AIDAN HARRIGAN Permanent Secretary Finance Ministry of Finance Government of Anguilla P.O. Box 60, The Valley, Anguilla, B.W.I. Phone: (264) 497 2547 Fax: (264) 497 3761 Email: <u>Aidan.Harrigan@gov.ai</u>





SUBSCRIPTION FORM

ANGUILLA ELECTRICITY COMPANY LIMITED

(Incorporated in Anguilla under the Companies Act, Chapter 335)

The public offering of 4,636,100 ordinary shares of GOA in Anguilla Electricity Company Limited will open at 8:00 am on the 25t^h of August 2017 and will close on 2:00 p.m. on the 25t^h of September 2017. All Bank Drafts/Manager's Cheques, Money Orders, Cashier's Cheques, Postal Orders crossed "Non-negotiable" and wire transfer must be made payable to **ANGLEC Share Issue: Escrow and Subscription Trust Account**". The aforementioned cheque or postal order must accompany each subscription form. Each will be liable for payment upon receipt. CASH AND PERSONAL CHEQUES WILL NOT BE ACCEPTED.

| Number of Shares Applied for | Amount Due on Application |
|------------------------------|---------------------------|
| | EC\$ |
| | |
| | |

*Applications may only be made for a minimum of 100 shares and in multiplies of 100 thereafter.

I/We enclose the sum of EC\$______ being the full amount payable on application for the above-stated number of shares.

PLEASE COMPLETE THE FOLLOWING INFORMATION USING BLOCK LETTERS:

| (1) | Company Name (If applicable) or Surname and Designation (Mr., Mrs., Miss or Title) | |
|-----|---|--------|
| | Christian Name(s) in full | |
| | Address in full (including P.O. Box Number) | |
| | Date of Birth: | |
| | Anguillan//Belonger/Anguillan National/Resident | YES/NO |
| | Citizenship/Occupation | |
| | Passport/National Identification Number | |
| | Email Address | |
| | (A corporation should complete this form under the hand of a Duly Authorized official who should state his capacity.) | |

The above individual will serve as the primary holder to receive corporate communication and dividends unless specified otherwise.

PLEASE REGISTER JOINT OWNER(S) AS FOLLOWS (TICK ONE):

() Joint Tenants with Rights of Survivorship () Tenants in Common (Joint Tenants with rights of survivorship will be used if no indication is made)





ANGUILLA ELECTRICITY COMPANY LIMITED

(Incorporated in Anguilla under the Companies Act, Chapter 335)

| JOINT APPLICANT(S) MUST SIGN BEL |
|----------------------------------|
|----------------------------------|

| (2) | (3) |
|--|--|
| Surname/Designation: | Surname/Designation: |
| Christian Name(s) in full: | Christian Name(s) in full: |
| Address in full: | Address in full: |
| Date of Birth: | Date of Birth: |
| Anguillan//Belonger/Anguillan National/Resident Yes/No | Anguillan//Belonger/Anguillan National/Resident Yes/No |
| Citizenship/Occupation: | Citizenship/Occupation: |
| Passport/National Identification Number: | Passport/National Identification Number: |
| Number of Shares Beneficially Held: | Number of Shares Beneficially Held: |
| Email Address | Email Address |
| Signature: | Signature: |

PLEASE NOTE THE FORM OF DIVIDEND PAYMENT PREFERRED:

| Dividend cheque to be mailed to the above address described at (1) above. Please note that all dividends will be paid in EC\$'s. | | EC\$ Cheque(s) deposited to my/our bank: Bank Name: EC\$ Account Number: Bank Address: (For deposit to Savings or Chequing Accounts only) |
|---|--|---|
|---|--|---|

DECLARATION:

The Subscriber, by signing this subscription form, acknowledges receipt of this Prospectus dated August 25, 2017 and makes the declarations as indicated in the subscription terms, representations & warranties which follow this subscription form. Further, the subscriber also acknowledges that he/she has read the Terms and Conditions of the ANGLEC Share Issue Subscription Escrow and Trust Account and agrees that by signing this subscription form he/she has agreed to those terms. The signature below is executed for and on behalf of all applicants on this Form.

SUBSCRIBER'S SIGNATURE: _____ DATE: _____ DATE: _____ (If a corporation, under seal and with title(s) of authorised signatory(ies))

The Government of Anguilla acknowledges receipt of the subscription form and agrees to the sale of the shares subject to the eligibility criteria detailed in this Prospectus. The Government also agrees to the Terms and Conditions of the ANGLEC Share Issue Subscription Escrow and Trust account included in this Prospectus.

Signed: On behalf of the Government of Anguilla

SIGNATURE:

DATE: 25^{th} of August 2017





TERMS, REPRESENTATIONS & WARRANTIES OF ISSUE SUBSCRIPTION

THE SUBSCRIBER BY SIGNING THE SUBSCRIPTION FORM UNDERTAKES, REPRESENTS AND WARRANTS TO THE GOA AS FOLLOWS:

- (i) The information on the Subscription Form is full, true and complete;
- (ii) The subscriber has the legal capacity and authority and is permitted by applicable law to execute and deliver this Subscription Form. In the case of a joint subscription, at least one of the subscribers has the legal capacity and authority and is permitted by applicable law to execute and deliver this Subscription Form;
- (iii) I/we understand that the offer is only being made in the OECS countries as defined in this prospectus: Anguilla, Antigua and Barbuda, Dominica, Grenada, Monserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines and is being conducted in compliance with the applicable laws of Anguilla and that I/we represent that the shares are not being purchased directly or indirectly for the account of a resident of any other jurisdiction outside of the OECS and I/we submit exclusively to Anguillan law and the jurisdiction of Anguilla including any rights or remedies that may be available therein:
- (iv) The Subscriber understands that the subscriber's capital contribution cannot be withdrawn from the Company except by way of transfer of the shares in accordance with the terms outlined in the Prospectus;
- (v) I/we acknowledge that this is an irrevocable offer to subscribe for shares which may be accepted or rejected, in part or in whole, by the Company at its sole discretion;

- (vi) If the Subscriber has not reached the age of majority, an authorised representative of such Subscriber will hold in trust the shares so subscribed and accepted for the subscriber and that the authorised representative agrees and confirms that he/she has read the subscription terms, representations and warranties and agrees to abide and be governed by the same;
- (vii) I/we have read the Prospectus and the Escrow and Trust declaration and understand that the terms and conditions expressed therein are incorporated into this Subscription Form.

Please send completed subscription and remittance to any of the New Issue Application Receiving Firms included in this Prospectus.

Please note that Information required to provide proof of Nationality, Belonger or Resident Status in Anguilla and in the OECS and otherwise if not in previously mentioned category may include but are not limited to any of the following as applicable:

- Passport
- Birth Paper
- Visa Stamps w/ Passport
- Resident Book
- Work Permit





TERMS & CONDITIONS OF ANGLEC'S SHARE ISSUE: ESCROW AND SUBSCRIPTION TRUST ACCOUNT

- (i) The Subscriber shall be bound by these terms & conditions upon receipt by BOSL or any of the New Issue Application Receiving Firms of the Subscription Form;
- (ii) The Subscriber understands and acknowledges that in the event of an over-subscription of the share issue, BOSL reserves the right in its sole discretion to return the application for allotment of shares along with the attached funds or to allot an amount less than the amount of shares applied for;
- (iii) This Escrow and Subscription Trust Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and assigns;
- (iv) Neither Party to this Agreement shall transfer or assign any of its rights or obligations under this Agreement without the prior written consent of the other Party;
- (v) This Escrow and Subscription Trust Agreement shall be governed by the Laws of Anguilla;
- (vi) Should any part of any provisions contained in this Escrow and Subscription Trust Agreement be deemed unenforceable by a Court of competent jurisdiction, then such part shall be deemed deleted or amended in order to render the remainder of any such provisions enforceable;
- (vii) This Escrow and Subscription Trust Agreement may only be amended or modified in writing executed by all Parties hereto;





COMMITTEE TO SERVE YOU BETTER WWW.ANGLEC.COM 1497-5201