



DIRECTORS REPORT TO THE SHAREHOLDERS FOR THE PERIOD ENDED SEPTEMBER 30, 2010

The Directors are pleased to report on the unaudited results for the Company for the period ended September 30, 2010.

Amidst the continuing economic challenges being experienced, the Company has continued to operate in a manner that provides high levels of confidence in the sector.

With the price of fuel gradually increasing from 2009, the year to date average fuel price was EC\$7.36 per gallon, 24.2% higher than the 2009 average of EC\$5.93.

Results of Operations

Unit sales growth registered an increase of 8.0% over the same period last year with continued growth in the Domestic Sector (8.5%), the Commercial Sector (7.6%) and the Hotel Sector (11.3%). These increases primarily reflect customer base growth, increased customer consumption because of high ambient temperatures for a significant part of the year requiring the sustained use of cooling equipment and the positive impacts of the growth in the tourism sector.

As a result, total revenues to date were EC\$210.1M compared to EC\$173.2M for the same period last year, an improvement of 21.3%.

Gross profit of EC\$58.6M, recorded an increase of 4.3% over last year's achievement of EC\$56.2M. Profit before tax was EC\$32.8M, an increase of 1.5% over the corresponding period last year of EC\$32.3M, all as a direct result of the increased sales.

Profit after tax was slightly lower by 2.5% (EC\$0.6M) as a result of a higher tax charge for the year to date.

The Earnings per Share was EC\$1.96 compared to EC\$2.01 for the same period last year.

Overall, results are slightly ahead of expectations and the Company anticipates a continuation of this trend through to year end.

Technical Operations

System reliability performance for the year to date of 5.03 hours is slightly higher than the 4.55 hours recorded for same period in 2009. The deployment of the additional distribution automation equipment is ongoing and is expected to improve this measure.

No new all time peak demand was recorded during the quarter. The maximum demand for the period under review was 58.1 MW and occurred in September. This was lower than the peak recorded in the last period and is consistent with weather patterns, as temperatures have very recently been cooler due to the increased levels of rainfall.

Year to date fuel efficiency was 4.29 kWh per litre, a lower performance than the 4.35 kWh per litre achieved over the same period last year. This decrease was due primarily to forced outages on the generation systems resulting in the Company having to run lesser efficient generating units in an effort to meet the demand for power.

System losses were recorded at 9.51% at the end of the period, up from the 9.31% recorded in the same period last year. The Company intends on undertaking various initiatives to return the loss levels to an acceptable level by the end of year.

Strategic Initiatives

The Company's Fuel Price Hedging programme continued and an education and publicity campaign has commenced.

Work has continued on the various aspects of the generation expansion programme, the Wind Power initiative and the new Customer Information System. Developments related to geothermal power continue to be monitored.

Potential regulatory reform remains a key item on the Company's agenda and plans are in progress to implement strategies that will enable it to continue to succeed irrespective of the final regime that is eventually implemented. This also includes information sharing and providing technical and other industry knowledge and support that will ensure an effective and efficient system.

Outlook

The Company remains optimistic that it will meet most of its major strategic objectives; it appears however that some of the Corporate targets set for this year may not be achieved.

Dr. Trevor A. Byer
CHAIRMAN