Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

Report of Independent Auditors and Consolidated Financial Statements
December 31, 2010 and 2009

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
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Report of Independent Auditors

To the Board of Directors and
Shareholders of
Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

We have audited the accompanying consolidated balance sheets of Empresa Generadora de Electricidad Haina, S. A. and its subsidiary (collectively "the Company") at December 31, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, expressed in United States Dollars (U.S. Dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in U.S. Dollars, present fairly, in all material respects, the financial position of Empresa Generadora de Electricidad Haina, S. A. and its subsidiary at December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The electricity sector in the Dominican Republic continues to be affected by the financial difficulties experienced by the local distribution companies. The Dominican government owns a controlling interest in the three major energy distributors and, as mentioned in Note 3, 88% of the Company's revenues correspond to generation sold to distribution companies associated with the Dominican government.

PricewaterhouseCoopers

March 8, 2011

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 4)	US$110,923,941	US$ 39,547,781
Short-term investment (Notes 3 and 9)	11,479,445	12,328,168
Accounts receivable (Note 5)	110,230,190	163,498,250
Inventories (Notes 3 and 6)	31,642,453	30,450,552
Prepaid expenses (Note 7)	18,650,737	19,432,080
Deferred income tax (Notes 3 and 18)	539,857	3,032,592
Total current assets	283,466,623	268,289,423
Deposits in banks, restricted (Notes 3 and 14)	7,831,183	7,831,183
Long-term investment (Notes 3 and 9)	-	10,480,335
Property, plant and equipment, net (Notes 3 and 10)	276,659,590	251,702,540
Deferred charges (Notes 3 and 11)	7,511,501	9,130,288
Other assets (Note 12)	7,916,192	6,873,922
Total assets	US$583,385,089	US$554,307,691
Liabilities and Shareholders' Equity		
Current liabilities		
Line of credit (Note 13)	US$ 5,000,000	US$ -
Current portion of long-term debt (Note 14)	14,600,000	6,000,000
Accounts payable (Note 15)	23,350,592	34,078,295
Payable to related parties (Note 24)	1,149,974	1,008,966
Derivative financial liability (Notes 3, 8 and 9)	-	358,862
Income tax payable (Notes 3 and 18)	5,700,765	-
Other current liabilities (Note 16)	6,912,380	8,554,418
Total current liabilities	56,713,711	50,000,541
Long-term debt (Note 14)	186,967,000	196,367,000
Deferred income tax (Notes 3 and 18)	15,504,685	16,123,285
Other non-current liabilities	19,104	13,000
	259,204,500	262,503,826
Shareholders' equity (Note 17)		
Common stock, RD$100 par value (US$6.29)		
Class A – 22,975,500 shares authorized, issued and outstanding	144,500,000	144,500,000
Class B – 22,975,500 shares authorized, issued and outstanding	144,500,000	144,500,000
	289,000,000	289,000,000
Legal reserve	13,463,603	11,364,940
Retained earnings	52,258,394	22,383,794
Accumulated other comprehensive loss	(30,541,408)	(30,944,869)
Total shareholders' equity	324,180,589	291,803,865
Total liabilities and shareholders' equity	US$583,385,089	US$554,307,691

The accompanying notes are an integral part of these consolidated financial statements

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2010 and 2009

	2010	2009
Revenues		
Energy (Note 19)	US$373,912,220	US$262,786,739
Capacity (Note 19)	46,949,316	42,634,966
Others	1,647,801	1,776,116
	422,509,337	307,197,821
Operating costs		
Fuel (Note 20)	(166,849,523)	(124,367,666)
Transmission	(10,840,198)	(10,531,154)
Purchased power (Note 20)	(92,774,899)	(66,034,729)
Compensation for frequency regulation	(5,366,523)	(2,799,338)
Operating and maintenance (Note 21)	(34,602,942)	(31,180,881)
Administrative and general expenses (Note 22)	(33,404,143)	(27,728,765)
Depreciation (Note 10)	(16,082,375)	(15,540,338)
	(359,920,603)	(278,182,871)
Operating income	62,588,734	29,014,950
Financial expenses, net (Note 23)	(10,397,441)	(10,590,844)
Foreign exchange loss	(1,407,161)	(196,581)
Other (expense) income, net (Note 25)	(1,235,969)	2,570,865
Loss on sale of available for sale securities (Note 3)	-	(63,362)
Income before income tax	49,548,163	20,735,028
Income tax (Note 18)		
Current	(5,700,765)	-
Deferred	(1,874,135)	(6,332,548)
Net income	US$ 41,973,263	US$ 14,402,480

The accompanying notes are an integral part of these consolidated financial statements

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2010 and 2009

	Common Stock US$	Legal Reserve US$	Retained Earnings US$	Accumulated Other Comprehensive Loss US$	Total US$	Comprehensive Income US$
Balance at December 31, 2008	289,000,000	10,644,816	48,074,480	(31,031,995)	316,687,301	38,932,761
Net income	-	-	14,402,480	-	14,402,480	14,402,480
Dividends (Note 17)	-	-	(39,373,042)	-	(39,373,042)	-
Transfer to legal reserve	-	720,124	(720,124)	-	-	-
Change in unrealized gain on available-for-sale investments	-	-	-	87,126	87,126	87,126
Balance at December 31, 2009	289,000,000	11,364,940	22,383,794	(30,944,869)	291,803,865	14,489,606
Net income	-	-	41,973,263	-	41,973,263	41,973,263
Dividends (Note 17)	-	-	(10,000,000)	-	(10,000,000)	-
Transfer to legal reserve	-	2,098,663	(2,098,663)	-	-	-
Change in unrealized gain on available-for-sale investments	-	-	-	403,461	403,461	403,461
Balance at December 31, 2010	289,000,000	13,463,603	52,258,394	(30,541,408)	324,180,589	42,376,724

The accompanying notes are an integral part of these consolidated financial statements

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net income	US$ 41,973,263	US$14,402,480
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss on asset disposal	31,710	167,060
Gain on sale of fixed asset	-	(664,914)
Gain on early liability extinguishment, net	-	(1,850,712)
Deferred income tax	1,874,135	6,332,548
Depreciation	16,082,375	15,540,338
Provision for doubtful accounts	509,172	290,375
Gain on liability extinguishment	-	(300,000)
Loss on sale of available-for-sale financial assets	-	63,362
Financial expenses	3,850,412	4,505,911
Loss on forward contract	507,461	358,862
Net foreign exchange gain	538,052	-
Changes in assets and liabilities:		
Accounts receivable	29,278,397	(80,234,640)
Inventories	(4,412,857)	(7,273,288)
Prepaid expenses	781,343	(9,829,557)
Other assets	(1,042,270)	(423,471)
Accounts payable	9,686,657	52,362,339
Income tax payable	5,700,765	-
Payable to related parties	141,008	(1,177,423)
Derivative financial liability	(866,323)	-
Other liabilities	(4,822,072)	(9,533,469)
Other non-current liabilities	6,105	(37,850)
Net cash provided by (used in) operating activities	99,817,333	(17,302,049)
Cash flows from investing activities		
Net changes in restricted cash	-	3,495,317
Sale of property, plant and equipment	-	2,892,879
Additions to property, plant and equipment	(37,099,052)	(5,881,121)
Collection of other related party receivables	3,293,545	-
Payments received on long-term investments	-	27,595,103
Purchases of investment securities	(2,165,254)	(1,005,168)
Sales of investment securities	13,359,722	-
Purchases of restricted investments	(19,043,470)	-
Sales of restricted investments	19,043,470	-
Net cash (used in) provided by investing activities	(22,611,039)	27,097,010
Cash flows from financing activities		
Proceeds from line of credit	5,000,000	17,015,179
Repayment of short-term debt	-	(18,723,492)
Repayment of long-term debt	(13,800,000)	(8,054,375)
Proceeds from long-term debt	13,000,000	37,500,000
Dividends paid	(10,000,000)	(20,002,600)
Debt issuance costs paid	(30,134)	(321,666)
Net cash (used in) provided by financing activities	(5,830,134)	7,413,046
Net increase in cash and cash equivalents	71,376,160	17,208,007
Cash and cash equivalents at beginning of year	39,547,781	22,339,774
Cash and cash equivalents at end of year	US$110,923,941	US$39,547,781

	2010	2009
Supplemental cash flow information		
Interest paid during the year	US$18,568,510	US$18,339,550
Income tax paid	1,510,922	18,324,962
Non-cash activities of:		
Operating activities		
Decrease in accounts receivable through the offset with accounts payable	US$20,414,360	US$73,732,061
Reclassification of accounts receivable from non-current to current	-	32,473,301
Decrease in accounts receivable in exchange for investment securities	-	74,300,000
Transfer from inventories to property, plant and equipment	3,220,954	-
Investing activities		
Decrease in accounts payable settled by exchanging financial securities	-	6,232,676
Unpaid additions (including capitalized interest) of property, plant and equipment	751,129	230,235
Financing activities		
Dividends paid with investment securities	-	19,370,442

The accompanying notes are an integral part of these consolidated financial statements

1. Description of the Entity and Nature of Operations

Empresa Generadora de Electricidad Haina, S. A. ("EGE Haina") was established on August 17, 1999 and incorporated on October 28, 1999 pursuant to the laws of the Dominican Republic, as part of the capitalization process of the Dominican electricity sector undertaken in 1999. EGE Haina is the largest generator of electricity in the country, when measured by installed capacity, currently operating 11 electric power generator units at six plants, consisting of San Pedro, Sultana del Este – barge, Haina and Barahona in the southern part of the country, Puerto Plata in the northern part of the country and Pedernales in the western part of the country. EGE Haina had contracted approximately 86% (2009: 81%) of its power generation with three State owned distributors within the SENI ("the distribution companies"), Empresa Distribuidora del Norte, S. A. (“Edenorte”), Empresa Distribuidora del Sur, S. A. (“Edesur”) and Empresa Distribuidora del Este, S. A. (“Edeeste”) , and approximately 14% with a related operating company, Consorcio Energético Punta Cana-Macao, S. A. (2009: 16%).

EGE Haina equity interest holders include Haina Investment Co., Ltd (50%), Fondo Patrimonial de las Empresas Reformadas, a Dominican state-owned entity (49.994%) and other minority shareholders (0.006%).

2. Basis of Presentation and Foreign Currency Financial Statements

The present consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). These consolidated financial statements include the accounts of EGE Haina and those of its wholly owned subsidiary EGE Haina Finance Company (collectively the “Company”). This subsidiary was formed in 2007 under the laws of the Cayman Islands, for the purpose of issuing a fixed rate bond which is described further in Note 14. All intercompany items have been eliminated in consolidation.

Foreign Currency Transactions and Translation
The Company’s operations are conducted primarily in U.S. dollars which is its functional currency. Foreign exchange gains and losses arising from transactions denominated in a currency other than the U.S. dollar are included in net income. Assets and liabilities denominated in currencies other than U.S. dollar are translated at year end exchange rates. At December 31, 2010 and 2009, exchanges rates were Dominican Peso RD$37.63:US$1.00 and RD$36.16:US$1.00, respectively.

3. Significant Accounting Policies

A summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements are as follows:

Use of Estimates
The preparation of consolidated financial statements and related disclosures requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the provision for bad debts or bad debt expense, depreciation and impairment of long-lived assets, income taxes and contingencies. Actual results could differ from those estimates.

Cash and Cash Equivalents
For cash flow purposes, the Company considers cash and cash at banks, as well as certificates of deposits and other highly liquid temporary investments with original maturities of three months or less, to be cash equivalents.

Deposits in Banks, Restricted
These amounts correspond to deposits in an Interest Reserve Account equal to the interest payable on the Notes described in the Note 14. These deposits are restricted and are classified as non-current assets.

Inventories
Inventories consist of bulk fuel and spare parts. Bulk fuel is recorded at weighted average cost, which does not exceed market since fuel generally has a very short turnover period. Spare parts are recorded at historical cost and written down when it is determined that spare parts have become obsolete. These spare parts are comprised of a large number of individual items of small value each. Management believes book values do not exceed market.

Revenue Recognition and Concentration of Credit Risk
Revenues from energy sales, both contracted and spot, are recognized based on the energy produced and energy demanded from clients during each calendar month. Each company in the Dominican Republic Interconnected System reports the end of month metering reading to the Organismo Coordinador ("OC"), the entity in charge of reporting the system transactions. The OC determines the amounts of energy sales made by contract and the amounts of energy sales made in the spot market. The energy sales made under contract are priced according to the respective contract and those sales made in the spot market are priced according to the market price.

The electricity sector in the Dominican Republic continues to be affected by the financial difficulties experienced by the local distribution companies and the increase in oil prices. Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of accounts receivable and deposits in banks. At December 31, 2010 three customers accounted for 93% (2009: 92%) of gross accounts receivable and 88% of total revenues (2009: 85%).

In July 2009, EGE Haina declared Edeeste in default under the rescheduling agreement signed in August 2006 (Note 19) and temporarily suspended the 100MW PPA between them. In January 2010 the Company fully collected the outstanding receivable from Edeeste, and in July 2010, the Company re-implemented the PPA with Edeeste for 50MW, with the remaining 50MW suspended until June 2012.

Property, Plant and Equipment, Net
Property, plant and equipment are recorded at cost. Depreciation expense has been determined using the straight-line method over the estimated useful lives of the related assets as specified below:

Asset	Estimated Useful Life (Years)
Buildings	50
Generation plants, including exchange parts	25
Transportation equipment	5
Furniture and office equipment	4-5
Other equipment	4-5
Leasehold improvements	5

Exchange parts are items that can be repaired and reused. Therefore, their expected useful life does not exceed that of the generation plants they support.

The cost of routine maintenance, repairs and replacements is charged to expense as incurred. The cost of significant overhauls, renewals and improvements, that increase the plants' capacity and/or increase efficiency and/or extend their useful lives, are added to the carrying amount of the respective assets.

For qualifying constructed assets, interest costs are capitalized as part of the overall cost when the construction occurs over extended periods of time.

When assets are withdrawn or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results of the period in which the retirement occurs.

Impairment of Long-Lived Assets
The Company evaluates the carrying value of its long-lived assets for impairment when events or circumstances indicate that the Company may not recover the carrying amounts of the assets. The carrying value of a long-lived asset, or group of assets, is considered impaired when the expected undiscounted cash flows from the use and eventual disposition of such asset, or group of assets is less than its carrying value. In that event, an impairment loss would be recognized generally based on the amount by which the carrying value of the asset or group of assets exceeds its fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Deferred Charges, Net
Deferred charges correspond to:

(a) Costs in connection with the renegotiation of power contracts. These amounts are amortized on a straight-line basis over the term of the corresponding contracts.

(b) Debt issuance costs related to the issuance of debt described in Note 14. These deferred costs are amortized under the effective interest method over the term of the related financings.

Investments
Investments consist of Dominican Sovereign Bonds. The Company classifies investments as trading, held-to-maturity, or available-for-sale at the time of purchase. Investments held by the Company that are categorized as available-for-sale are reported at fair value with any related unrealized gains and losses reported net of tax, as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheet. Investments held by the Company that are categorized as trading securities are reported at estimated fair value with any unrealized gains and losses included in other investment income on the Consolidated Statement of Operations. Investments that are categorized as held to maturity are recorded at amortized cost, which is adjusted for amortization. All of the Company's investments in marketable securities were reported at fair value at December 31, 2010 and 2009. Fair value is determined based on observable market quotes or valuation models using assessments of counterparty credit worthiness, credit default risk of underlying security and overall capital market liquidity. Declines in fair value that are considered other than temporary are charged to earnings and those that are considered temporary are reported as a component of accumulated other comprehensive income (OCI) in stockholders' equity. Premiums and discounts are amortized or accreted into earnings over the life of the available-for-sale security. As of December 31, 2010 and 2009, the Company had US$11.0 million and US$21.8 million, respectively, of Dominican Sovereign Bonds (Note 9), including US$11.0 million and US$11.3 million, respectively, that are presented as short-term; and US$10.5 million as long-term investment in 2009 which were pledged as collateral under the loans payable to Banco de Reservas de la República Dominicana and Banco BHD.

Deferred Income Taxes
Deferred income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company adjusts the valuation allowance when changes in circumstances cause a change in judgment about the future realization of the related deferred tax assets.

Provision for Doubtful Accounts and Contingencies
The Company establishes a provision for doubtful accounts to provide for accounts receivable where, in management's judgment, it is not probable that such receivable will be fully collected. The level of the provision for doubtful accounts is based on management's evaluation of various factors, including the credit risk of customers, historical trends, and other information. While management uses the information available to make evaluations, adjustments to the allowance may be necessary should future economic conditions differ substantially from the assumptions used in making the evaluations.

Fair Value of Financial Instruments
The fair value of the current financial assets and current financial liabilities are estimated to be equal to their reported carrying amounts due to the short-term maturities of these instruments. The fair value of affiliate receivables and payables is estimated based on interest rate and repayments terms.

The financial debt is primarily arranged at fixed interest rates and exposes the Company to fair value interest rate risk. Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rate (Note 14).

Fair Value Measurement
The Company utilizes the methods of fair value as described in ASC 820 to value its financial assets and liabilities. As defined in ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Derivative Financial Instruments
The Company records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. The accounting for changes in fair value of the derivative financial instruments varies, depending on whether the derivative is considered to be a hedge for accounting purposes, and whether the hedging instrument is a fair value or a cash flow hedge.

The Company has used forward exchange contracts and put option contracts to manage some of its exposure to fluctuations in foreign currency exchange rates. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various derivative transactions. It is the Company's policy not to enter into derivative financial instruments for speculative purposes. The Company's forward and put option contracts were not documented as hedges for accounting purposes and therefore, the changes in the fair values of derivatives were recognized in the consolidated statement of operations and classified in other income (expenses).

Pension Information
The Company does not maintain any pension plans. Dominican laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed funds plans to which employers and employees make contributions.

Dismissal Indemnity
Dismissal indemnity, which must be paid under certain circumstances as required by the Dominican labor code, is charged to expense when employees are dismissed without cause.

Comprehensive Income
SFAS No. 130, "Reporting Comprehensive Income," requires a full set of general purpose financial statements to be expanded to include the reporting of "comprehensive income". Comprehensive income is comprised of two components, net income and other comprehensive income. At December 31, 2010 and 2009, the balance in "Accumulated Other Comprehensive Loss" of US$30,541,408 and US$30,944,869, respectively, corresponds to accumulated foreign currency translation adjustments carried forward from when the Company's functional currency was the Dominican Republic Peso of US$31,031,995, and unrealized gains on investments held as available for sale of US$87,126 and US$490,587 at December 31, 2010 and 2009, respectively.

New Accounting Standards

In June 2009, the Financial Accounting Standard Board ("FASB") issued "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles," which establishes the FASB Accounting Standards Codification ('ASC') as the source of authoritative US GAAP recognized by the FASB to be applied to nongovernmental entities. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the Consolidated Financial Statements.

Update 2010-01, Equity (Topic 505), Issued in January, 2010. Accounting for Distributions to Shareholders with Components of Stock and Cash

The amendments in this Update are effective for interim and annual periods ending on or after December 15, 2009. The amendments in this update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in Earnings per Share (EPS) prospectively and is not a stock dividend for purposes of applying topics 505 and 260 (Equity and Earnings Per Share). Those distributions should be accounted for and included in EPS calculations in accordance with paragraphs 480-10-25-14 and 260-10-45-45 through 45-47 of the FASB Accounting Standards Codification. The adoption of this standard did not have a significant impact on the Company's financial condition and results of operations.

Update 2010-02, Consolidation (Topic 810), Issued in January, 2010. Accounting and Reporting for Decreases in Ownership of a Subsidiary

An entity will be required to follow the amended guidance beginning in the period that it first adopts FAS 160 (now included in Subtopic 810-10). For those entities that have already adopted FAS 160, the amendments are effective at the beginning of the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted FAS 160. This update provides amendments to Subtopic 810-10 and related guidance within USGAAP to clarify that the scope of the decrease in ownership provisions of the Subtopic and related guidance applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity.
2. A subsidiary that is a business or non-profit activity that is transferred to an equity method investee or joint venture
3. An exchange of a group of assets that constitutes a business or nonprofit activity for nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture).

If a decrease in ownership occurs in a subsidiary that is not a business or nonprofit activity, an entity first needs to consider whether the substance of the transaction causing the decrease in ownership is addressed in other U.S. GAAP, such as transfers of financial assets, revenue recognition, exchanges of nonmonetary assets, sales of in substance real state, or conveyances of oil and gas mineral rights, and apply that guidance as applicable. The adoption of this standard did not have a significant impact on the Company's financial condition and results of operations.

Update 2010-06, Fair Value Measurements and Disclosures (Topic 820), Issued in January, 2010. Improving Disclosures about Fair Value Measurements

Effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. This update provides amendments to Subtopic 820-10 that requires new disclosures as follows:

1. Transfers in and out of levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers.
2. Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements(that is, on a gross basis rather than as one net number).

This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows:

1. Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities.
2. Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3.

The adoption of this standard did not have a significant impact on the Company's financial condition and results of operations.

Update 2010-11, Derivatives and Hedges (Topic 815), Issued in March, 2010. Scope Exception Related to Embedded Credit Derivatives

An entity must apply the amended guidance as of the beginning of its first fiscal quarter beginning after June 15, 2010. This update provides amendments to Subtopic 815-15, Derivatives and Hedging –Embedded Derivatives, as follows:

This Update provides amendments to Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives, as follows:

1. Subtopic 815-15 is amended to clarify the scope exception under paragraphs 815-15-15-8 through 15-9 for embedded credit derivative features related to the transfer of credit risk in the form of subordination of one financial instrument to another. The amendments address how to determine which embedded credit derivative features, including those in collateralized debt obligations and synthetic collateralized debt obligations, are considered to be embedded derivatives that should not be analyzed under Section 815-15-25 for potential bifurcation and separate accounting.

2. The embedded credit derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another is not subject to the application of Section 815-15-25. Thus, only the embedded credit derivative feature between the financial instruments created by subordination is not subject to the application of Section 815-15-25 and should not be analyzed under that Section for potential bifurcation from the host contract and separate accounting as a derivative. Consequently, the following circumstances (among others) do not qualify for the scope exception and are subject to the application of paragraph 815-10-15-11 and Section 815-15-25 for potential bifurcation:

    a. An embedded derivative feature relating to another type of risk (including another type of credit risk) is present in the securitized financial instruments.

    b. The holder of an interest in a tranche of securitized financial instruments is exposed to the possibility (however remote) of being required to make potential future payments (not merely receive reduced cash inflows) because the possibility of those future payments is not created by subordination.

    c. The holder owns an interest in a single-tranche securitization vehicle; therefore, the subordination of one tranche to another is not relevant.

3. Other embedded credit derivative features, including those in some collateralized debt obligations and synthetic collateralized debt obligations, are considered embedded derivatives subject to the application of Section 815-15-25 (which involves an analysis of whether the economic characteristics and risks of the embedded credit derivative features are clearly and closely related to the economic characteristics and risks of the host contract), provided that the overall contract is not a derivative in its entirety under Section 815-10-15.

4. The economic characteristics and risks of an embedded credit derivative feature that is in a beneficial interest in a securitized financial asset and that exposes the holder of an interest in a tranche of that securitized financial instrument to the possibility (however remote) of being required to make potential future payments (not merely receive reduced cash inflows) should be considered to be not clearly and closely related to the economic characteristics and risks of the host contract and thus to meet the criterion in paragraph 815-15-25-1(a).

5. In initially adopting the amendments in this Update, an entity may elect the fair value option for any investment in a beneficial interest in a securitized financial asset; that is, the entity may irrevocably elect to measure that investment in its entirety at fair value (with changes in fair value recognized in earnings). The election of the fair value option should be determined on an instrument-by-instrument basis at the beginning of the fiscal quarter of initial adoption. An entity must ensure that an impairment analysis of the investment has been performed before the initial adoption of the amendments in this Update.

Others Amendments
There are a number of amendments to the following topics that are unlikely to have a significant impact on the Company's financial condition and results of operations.

Update No. 2010-03 - Extractive Activities - Oil and Gas (Topic 932)
Update No. 2010-05 - Compensations - Stock Compensation (Topic 718)
Update No. 2010-08 - Technical Corrections to Various Topics, Embedded derivatives (Subtopic 815-15)
Update No. 2010-09 - Subsequent Events (Topic 855)
Update No. 2010-10 - Consolidation (Topic 810)
Update No. 2010-12 - Income Taxes (Topic 740)
Update No. 2010-13 - Compensations - Stock Compensation (Topic 718)
Update No. 2010-17 - Revenue Recognition - Milestone Method (Topic 605)
Update No. 2010-18 - Receivables (Topic 310)
Update No. 2010-19 - Foreign Currency (Topic 830)
Update No. 2010-20 - Receivables (Topic 310)
Update No. 2010-27 - Other Expenses (Topic 720)
Update No. 2010-28 - Intangibles - Goodwill and Other (Topic 350)
Update No. 2010-29 - Business Combinations (Topic 805)
Update No. 2011-01 - Receivables (Topic 310)

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2010	2009
Cash and cash at banks	US$ 13,928,749	US$24,547,781
Cash equivalents- certificate of deposit:		
At 3.35% annual interest rate	-	15,000,000
At annual rates ranging from 1.15% to 3.25%	96,995,192	-
	US$110,923,941	US$39,547,781

5. Accounts Receivable

Accounts receivable consist of:

	2010	2009
Related parties - Trade, including current portion of long-term receivable from Edeeste of US$684,903 at December 31, 2009 (Note 24)	US$106,637,782	US$154,784,921
Other related parties (Note 24)	2,127,525	5,620,992
Other, including trade	2,174,055	3,292,337
	110,939,362	163,698,250
Provision for doubtful accounts	(709,172)	(200,000)
Total current accounts receivable	US$110,230,190	US$163,498,250

Offsetting Agreements – Corporación Dominicana de Empresas Eléctricas Estatales ("CDEEE")

Agreements dated February and March 2010
During 2010, CDEEE and the Company agreed to offset US$18.3 million of the Company's accounts payable to Empresa de Generación Hidroeléctrica Dominicana ("HIDRO") and CDEEE against the same amount of accounts receivable from Edesur and Edenorte. The Company also agreed to offset US$2.1 million of the Company's accounts payable to other generation companies against the same amount of accounts receivable from these companies.

Agreements dated February, March, October, November and December 2009
During 2009, CDEEE and the Company agreed to offset US$73.7 million of the Company's accounts payable to CDEEE, Empresa de Transmisión Eléctrica Dominicana ("ETED") and HIDRO against the same amount of accounts receivable from Edenorte, Edesur and Edeeste.

Sovereign Bonds
On February 9, 2009, the Company entered into an Agreement with CDEEE in which the latter offered to exchange US$77.0 million of Edenorte and Edesur accounts receivable generated during 2008 as a result of energy and power sales with Dominican Sovereign bonds maturing in June 2010, 2011 and 2012 with a face value of US$77.0 million; with interest at 8.0% fixed rate tax free and interest payable in semi-annual installments. The issuance of such bonds was approved by Law No. 490-08 of the National Congress of the Dominican Republic. The Company estimated the fair value of the bonds received to be approximately US$74.3 million at the time of initial recognition.

6. Inventories

Inventories consist of:

	2010	2009
Fuel	US$13,123,961	US$11,452,709
Parts	18,337,590	16,957,603
Inventories in transit	180,902	2,040,240
	US$31,642,453	US$30,450,552

At December 31, 2010 and 2009, the Company has third party fuel oil inventory in custody amounting to US$1.3 million and US$0.3 million, respectively. Such amounts are not included in the Company's consolidated balance sheets.

7. Prepaid Expenses

Prepaid expenses consist of:

	2010	2009
Prepaid taxes and tax advances, net	US$17,076,240	US$17,605,661
Insurance	1,514,497	1,812,683
Other	60,000	13,736
	US$18,650,737	US$19,432,080

8. Derivative Financial Instruments

The following summarizes the Company's derivative financial instrument contracts at December 31, 2010 and 2009:

Foreign exchange risk management – The Company has used foreign currency forward exchange contracts ("Forward contracts") and non-deliverable currency option ("Put Option contracts") to reduce its cash flow volatility associated with foreign exchange rate changes. The Forward contracts and Put option contracts provide for the purchase or sale of foreign currencies at specified future dates at specified exchange rates.

Changes in the fair value of the Forward contracts not documented as cash flow hedges for accounting purposes resulted in a charge of US$507,461 (2009: US$358,862) recorded in the consolidated statements of operations as a component of other (expense) income, net (Note 25).

Changes in the fair value of the Put Option contracts not documented as cash flow hedges for accounting purposes resulted in a charge of US$648,600 in 2010 recorded in the consolidated statements of operations as a component of other (expense) income, net (Note 25).

As of December 31, 2010, the Company had no Forward or Put Option contracts. As of December 31, 2009, the Company's forward contracts were comprised as follows:

Commencement Date	Termination Date	Contract Currency	Notional Amount	Fair Value
Not classified as hedges:				
12-9-2009	2-16-2010	Euro	€10,000,000	US$358,862

9. Fair Value of Financial Instruments

The estimated fair value amounts presented below have been determined by the Company using available market information or other appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in an actual market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and current notes payable approximate fair value because they have relatively short-term maturities and bear interest at rates tied to market indicators, as appropriate. The Company's long-term debt consists of debt instruments that bear interest at fixed rates tied to market indicators.

The carrying amount and estimated fair values of the Company's financial instruments as of December 31, 2010 and 2009 are as follows:

	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	US$110,923,941	US$110,923,941	US$ 39,547,781	US$ 39,547,781
Investments (short and long-term)	11,479,445	11,479,445	22,808,503	22,808,503
Accounts receivable (including long-term)	110,230,190	110, 230,190	163,498,250	163,498,250
	US$232,633,576	US$232,633,576	US$225,854,534	US$ 225,854,534
Liabilities:				
Accounts payable, related parties and other current liabilities	US$ 31,413,274	US$ 31,413,274	US$ 43,641,679	US$ 43,641,679
Debt (short and long-term)	206,567,000	224,261,398	202,367,000	172,738,704
Forward contract	-	-	358,862	358,862
	US$237,980,274	US$255,674,672	US$246,367,541	US$216,739,245

Assets and liabilities that are measured at fair value on a recurring basis are as follows:

		Fair Value Measurements at Reporting Date Using		
Description	**12/31/2010**	**Quoted Prices in Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Available-for-sale securities	US$10,994,345	US$ -	US$10,994,345	US$ -

		Fair Value Measurements at Reporting Date Using		
Description	**12/31/2009**	**Quoted Prices in Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Available-for-sale securities	US$21,803,335	US$ -	US$21,803,335	US$ -
Liabilities:				
Derivatives	US$ 358,862	US$ -	US$ 358,862	US$ -

10. Property, Plant and Equipment, Net

Property, plant and equipment, net consist of:

	2010	**2009**
Land	US$ 5,059,923	US$ 5,059,923
Buildings	1,008,716	1,008,716
Generation plants	344,933,885	344,984,094
Transportation equipment	1,711,978	1,648,478
Furniture and office equipment	1,990,857	1,967,522
Other equipment	9,492,637	7,082,202
Leasehold improvements	929,493	929,493
Exchange parts	6,499,288	3,422,157
	366,566,854	361,042,662
Less: Accumulated depreciation	148,253,724	132,189,848
	218,313,130	228,852,814
Construction in progress (a)	53,286,537	17,789,803
	US$276,659,590	US$251,702,540

During 2010 and 2009, depreciation of property, plant and equipment was US$16,082,375 and US$15,540,338, respectively.

Property, plant and equipment include capitalized interests on borrowings attributed to the construction of assets. Interests capitalized amounted to US$2,127,096 in 2010.

a) Construction in progress consists primarily of the wind project known as "Los Cocos" located in Los Cocos, municipality of Oviedo. In 2009, the Company entered into a Supply and Installation Agreement and Service and Availability Agreement with Vestas Argentina, S. A. for the acquisition and installation of 14 V90 Wind Turbine Generators. The total contract value for the agreements amounted to EUR 32,026,000 (equivalent to US$42,439,254 at December 31, 2010).

   In March 2010, the Company assigned all rights, titles, interests and obligations of the abovementioned agreements to Urbaenergía, S. L. and Energía y Recursos Ambientales Internacional, S. L. - Unión Temporal de Empresas Ley 18/1982 (UTE Los Cocos) , a joint venture organized under the laws of Spain specialized in the development of wind farms, and also entered into a Turnkey Supply, Construction and Installation Agreement with Urbaenergía, S. L. and UTE Los Cocos for the design, construction and installation and commissioning of Los Cocos project. The commercial operation date is estimated to be in the third quarter of 2011.

11. Deferred Charges

Deferred charges consist of:

	2010	2009
Deferred costs	US$11,811,229	US$11,811,229
Debt issuance costs - US$175 million fixed rate bond	5,346,430	5,346,430
Debt issuance costs - US$30 million fixed rate bond	351,800	321,666
	17,509,459	17,479,325
Less: Accumulated amortization	9,997,958	8,349,037
	US$ 7,511,501	US$ 9,130,288

During 2010 and 2009, the amortization charges of the deferred charges amounted to US$1,648,921 and US$1,617,073, respectively. The estimated future amortization through the end of its useful life is expected to be:

Year	US$
2011	1,505,780
2012	1,282,527
2013	1,175,173
2014 - 2017	3,548,021
	7,511,501

As a result of the partial debt repurchases described in Note 14, the Company recorded a US$227,913 expense in 2009, related to the portion of costs of issuance applicable to the repurchases.

12. Other Assets

Other assets consist of:

	2010	2009
Transmission Line for Los Cocos project (a)	US$7,755,286	US$6,750,967
Deposits for local rent	30,899	21,811
Other deposits	130,007	101,144
	US$7,916,192	US$6,873,922

(a) In 2007 the Company signed a contract with Elecnor, S. A. (the constructor) for the construction of a transmission line that will interconnect the Los Cocos project to the interconnected electricity system. At December 31, 2010, the Company had made payments for US$7.7 million (2009: US$6.7 million). The total estimated cost of this project is approximately US$12.5 million. The Company expects that this transmission line will be transferred to the Dominican Republic government once completed in accordance with the electricity law.

In 2010, the Company signed a contract with ETED for the transfer of the abovementioned transmission line. According to the terms of the contract, risks and title of the transmission line will pass to ETED once the construction is completed and the facility is commercially operational. Upon the legal transfer of the aforementioned facilities, the Company's transmission line capitalized costs will be reimbursed by ETED. This reimbursement will be administered through the Company offsetting its future payables for transmission market tolls assessed by and due to ETED in accordance with the Electricity Law, until all capitalized costs are offset.

13. Line of Credit

The Company has a line of credit facility with total amount available for advance of US$5,000,000 with a local bank. As of December 31, 2010 the Company has advanced the available amount of US$5,000,000. This debt bears interest at an annual fixed rate of 5% and expires in June 2011.

14. Long-Term Debt

Long-term debt consists of:

	2010	2009
9.5% Senior Notes (fixed rate bond maturing in April 2017 with balloon payment). Interest is payable in 20 semi-annual installments (a)	US$164,867,000	US$164,867,000
US$30 million local bond, five tranches of US$6 million each. Interest is payable on a monthly basis at annual interest rates which range from 7.75% to 8.75% (b)	24,000,000	30,000,000
Loan payable to Banco BHD at 7.5% annual rate. Maturity, June 2011 (c)	-	5,000,000
Loan payable to Banco de Reservas de la República Dominicana at 8.5% annual rate. Maturity, June 2011 (d)	-	2,500,000

	2010	2009
Loan payable to Banco Popular Dominicano at 5.75% annual rate. Maturity, November 2015 (e)	4,833,333	-
Loan payable to Banco Popular Dominicano at 5.75% annual rate. Maturity, December 2015 (f)	7,866,667	-
	201,567,000	202,367,000
Less: Current portion	(14,600,000)	(6,000,000)
	US$186,967,000	US$196,367,000

Management estimates the fair value of the Company's Senior Notes and corporate bonds, by discounting their future cash flows at the market rate, to be as follows:

	2010	2009
Senior Notes	US$182,437,500	US$135,604,769
Corporate Bonds	24,123,898	29,633,935
	US$ 206,561,398	US$165,238,704

a. The US$175 million fixed rate bond was issued by Haina Finance, the wholly owned subsidiary of EGE Haina and a tax-exempted Cayman Island company formed solely to issue this bond. Under the term of the issuance, Haina Finance must not engage in any business activity other than complying with its obligations under the bond. EGE Haina unconditionally and irrevocably guarantees the bond. Pursuant to a Participation Agreement between Haina Finance and Barclays Bank PLC, the gross proceeds from the bond were used by Haina Finance to purchase a participation in a loan made by Barclays Bank PLC to EGE Haina for US$175 million under a term loan agreement entered by EGE Haina and Barclays Bank PLC. Pursuant to the loan agreement EGE Haina is required to make payments on the same terms and conditions and at the same rate of interest as the payments required to be made by Haina Finance under the bond.

The bond is secured by a first priority security interest on 100% of the outstanding capital of Haina Finance, all rights, title and interest in the Participation Agreement entered into by Haina Finance and Barclays Bank PLC. In addition, there are restrictive covenants that are in effect whenever an event of default occurs or is continuing. Such covenants include limitations on: indebtedness, restricted payments, sale of assets, liens, affiliate transactions, mergers, dividends and other payment restrictions affecting subsidiaries, among others. According to the terms of the bond, Haina Finance established an Interest Reserve Account at Deutsche Bank Trust Company Americas, the bond's trustee, as a security for the bond. Haina Finance is required to maintain at all times an amount on deposit in this interest reserve account (or letters of credit or certain temporary cash investments having an aggregate face amount) equal to the interest payable on the bond on the immediately following interest payment date. This interest reserve account balance amounted to US$7.8 million at December 31, 2010 and 2009.

During 2009, Haina Finance repurchased US$10.1 million of the Senior Notes at an average price of US$0.7949/US$1.00. As a result, the Company recorded a gain from extinguishment of debt of US$2,078,625, which is presented net of US$227,913 of costs of issuance applicable to the repurchase and included in the consolidated statement of operations within the other income (expenses), net caption (see Note 25).

b. In March 2009, the Company obtained the approval of the Dominican Security Exchange Commission (Superintendencia de Valores) for the issuance of an unsecured local bond amounting up to US$30 million. This bond was fully placed in five tranches of US$6 million each, as follows:

Tranche	Size (US$)	Rate	Issuance Date	Maturity	Repayment Schedule	Comment
1	6,000,000	8.00%	4-22-2009	10-22-2010	Balloon payment	Repaid at maturity
2	6,000,000	8.50%	5-26-2009	5-26-2011	Balloon payment	-
3	6,000,000	8.50%	7-22-2009	7-22-2011	Balloon payment	-
4	6,000,000	8.75%	10-22-2009	4-10-2012	Balloon payment	-
5	6,000,000	7.75%	12-18-2009	12-18-2012	Balloon payment	-
	30,000,000					

c. On June 19, 2009, the Company entered into a US$5 million loan with Banco BHD at a variable interest rate[1], with interest payable on a monthly basis. The loan was guaranteed by US$7.2 million in Dominican Sovereign Bonds and had a two-year term.

In June 2010, the Company prepaid this loan with the proceeds of a line of credit with the same bank (see Note 13), that required no collateral and the same conditions as the aforementioned loan. No penalties for early termination were paid in this transaction.

d. On June 4, 2009, the Company entered into a US$10 million loan with Banco de Reservas de la República Dominicana at a variable interest rate[1], with interest payable on a monthly basis. The loan was guaranteed by US$3.3 million in Dominican Sovereign Bonds. In November 2009, the Company made a US$7.5 million payment. The outstanding US$2.5 million were paid in July 2010 and the guarantee was released.

e. In November 2010, the Company entered into a US$5.0 million unsecured loan with Banco Popular Dominicano at a variable interest rate[1], payable in 60 monthly installments of principal and interest totaling US$83,333 each. This loan matures in November 2015.

f. In December 2010, the Company entered into a US$8.0 million unsecured loan with Banco Popular Dominicano at a variable interest rate[1], payable in 60 monthly installments of principal and interest totaling US$133,333 each. This loan matures in December 2015.

[1] The banks have the right, under contract, to change the interest rates from time to time in accordance with local market conditions.

15. Accounts Payable

Accounts payable consist of:

	2010	2009
Power vendors	US$15,679,005	US$30,738,833
International vendors	5,870,127	1,478,507
Local vendors	1,801,460	1,860,955
	US$23,350,592	US$34,078,295

16. Other Current Liabilities

Other current liabilities consist of:

	2010	2009
Withholdings taxes and other	US$ 524,827	US$ 621,717
Assets tax payable (Note 18)	1,138,959	1,373,558
Accrued interest	2,833,489	2,888,837
Personnel performance compensation accrual	1,454,104	2,383,699
Other	961,001	1,286,607
	US$6,912,380	US$8,554,418

17. Shareholders' Equity

Common Stock
At December 31, 2010 and 2009, common stock consisted of 45,951,000 common shares issued and outstanding with par value of US$6.29. The following is a detail of the Company's shares:

	Common Stock	
	Shares Issued	Par Value
FONPER	22,972,500	US$144,481,132
HIC		
Shares issued for cash	22,975,500	144,500,000
Other shareholders	3,000	18,868
Balance at December 31, 2010 and 2009	45,951,000	US$289,000,000

Legal Reserve
The Dominican Commercial Code establishes that at least 5% of the annual net earnings be appropriated as a legal reserve of the Company until such appropriation equals 10% of the outstanding capital. This reserve may not be capitalized, returned to inappropriate retained earnings or used for payment of dividends.

Remittance of Profits
The Dominican Foreign Investment Law allows the repatriation of capital and remittance of profits in freely convertible currency. Dividends may be declared during each fiscal period up to the total amount of net profits, subject to a withholding tax of 25%, which can be offset with the income tax due by the Company.

Dividends
On May 18, 2010, a dividend payment amounting to US$10 million was approved in the General Shareholders' Meeting of the Company and was paid in June 2010.

On February 24, 2009, the Board of Directors of the Company approved a dividend payment amounting to US$40 million. The portion of dividends that corresponded to HIC was paid in cash in March 2009, while the portion of dividends that belonged to FONPER was made by transferring US$20 million in Dominican Sovereign Bonds under Law 490 with a market fair value of US$19.4 million.

18. Income Tax

Dominican Republic Tax Law (the Tax Law) establishes a corporate income tax at a rate of 25% on the net taxable income; and a 1% tax on assets (Asset Tax) as an alternative minimum tax. The taxable base of the Asset Tax in case of power generation, transmission and distribution companies defined in the General Electric Law 125-01, dated July 26, 2001, is the total fixed assets, net of depreciation, as they are shown in the balance sheet at year end.

The Tax Law requires tax payers to file the corporate income tax returns denominated in Dominican peso (local currency). Those who use a functional currency other than the Dominican peso are required to keep their tax accounting records and official filings in local currency. In addition, Article 293 of the Tax Law establishes the recognition of the foreign exchange difference as deductible expense/taxable income in the determination of taxable base. The Tax Authorities annually indicate the exchange rate to be used for the valuation of monetary items originated in foreign currencies.

For the purpose of determining the current income tax, the reconciliation of income before tax and the tax due, at the statutory rate, is:

	2010	2009
Tax effect of:		
Income before income tax	US$12,387,041	US$ 5,183,757
Permanent differences		
Nondeductible expenses	38,962	41,374
Inflation adjustment of nonmonetary assets	(2,766,822)	(2,685,889)
Taxes nondeductible	1,689,867	1,360,057
Nondeductible donations	121,736	20,582
Other nontaxable income	(349,508)	-
Exchange differences	2,566,891	2,323,597
Participation in subsidiary's loss	100,134	157,181
Other adjustments	(121,488)	-
	1,279,772	1,216,902
Temporary differences		
Depreciation	237,257	3,347
Income on sale of fixed assets	3,834	(319,167)
Exchange rate differences	5,168	14,308
Non-capitalized assets	18,065	19,941
Other	186,092	146,037
	450,416	(135,534)
Current tax expense before income tax loss carry forward	14,117,229	6,265,125
Utilization of tax loss carry forward	(7,277,505)	(5,012,100)
Current income tax before asset tax credit	US$ 6,839,724	US$ 1,253,025
Asset tax	US$ (1,138,959)	US$ (1,373,558)
Current income tax	US$ 5,700,765	US$ -

In 2010, the current income tax on the Company's taxable income exceeded the asset tax; therefore, the Company's obligation was to pay the tax based on taxable income, amounting to approximately US$6.8 million. The asset tax portion is reflected within the general and administrative expenses in the consolidated statements of operations.

The Company had income tax loss carry forwards of US$28.6 million (adjusted by inflation), which can be used to offset the current period's taxable income, subject to the limitations expressed below:

Period	Unadjusted Tax Loss Carry Forward	Inflation Adjustment	Total Adjusted Tax Loss Carry Forward
	(Expressed in US$ million)		
2010	28.0	0.6	28.6
	28.0	0.6	28.6
Less: Utilized in 2010	(28.0)	(0.6)	(28.6)
	-	-	-

The components of the deferred income tax asset / liability consist of the following:

	Balance at December 31, 2009 US$	Effect in Results for the Period US$	Balance at December 31, 2010 US$
Current deferred income tax			
Foreign currency	(6,196)	36,826	30,630
Bad debt reserve	46,447	121,091	167,538
Vacation accruals	-	137	137
Bonus for objective allowance	297,737	43,815	341,552
Tax loss carry forward	6,506,525	(6,506,525)	-
Valuation allowance	(3,811,921)	3,811,921	-
	3,032,592	(2,492,735)	539,857
Noncurrent deferred income tax			
Fixed assets	(16,123,285)	618,600	(15,504,685)
Deferred income tax - net	(13,090,693)	(1,874,135)	(14,964,828)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable earnings during the periods in which the temporary differences become deductible.

19. Sale of Energy to Distribution Companies and Other Customers

a. The Company invoices the distribution companies, Edenorte, Edesur and Edeeste, for the service of energy, capacity and transmission toll, according to the existing agreements renegotiated in August 2001 ("the Power Supply Contracts"). The terms and conditions for the sale of energy to distribution companies are as follows:

Edenorte	112MW
Edesur	138 MW
Edeeste	100 MW
Term of contracts	15 years
Indexation	30% per Consumer Index Price (CPI) –USA 70% for fuel #6

The prices are stated in U.S dollars but can be paid in Dominican Pesos at the current exchange rate. The exchange rate index utilized tracks the market rate for the U.S. dollar based on daily foreign exchange trading by commercial banks published by the Dominican Republic Central Bank.

b. On August 3, 2006, the Company and Edeeste signed a rescheduling agreement related to past-due accounts receivable. The main terms of this agreement stipulate for Edeeste the payment of the principal amount of US$41.9 million over a six-year term, with interest payable at an annual rate of 12%. The agreement provides for a two-year grace period for the principal repayment, 10% repayment in the third year and 30% repayments in the fourth, fifth and sixth year. In addition, the agreement grants the Company the direct monthly collections from Edeeste's main customers equal to a minimum amount of US$5.5 million per month. On October 29, 2008, Edeeste and EGE Haina entered into a contract suspension agreement for the PPA signed in 1999 between the parties under the terms and conditions of the rescheduling agreement. The suspension was effective November 1, 2008 and lasted until May, 2010. As per conditions of the agreement, EGE Haina continued to receive the payments of pledged customers and credit card collections until the full repayment of the account receivable.

   In July 2009, EGE Haina declared Edeeste in default under the rescheduling agreement signed in August 2006 (Note 19) and temporarily suspended the 100 MW PPA between them. In January 2010 the Company fully collected the outstanding receivable from Edeeste as of such date, and in July 2010, the Company re-implemented the PPA with Edeeste for 50MW, with the remaining 50MW suspended until June 2012.

c. The Company maintains a power purchase agreement (PPA) with Consorcio Energético Punta Cana-Macao, S. A. ("CEPM") (a related company), under which EGE Haina should supply a minimum of 48.1MW of capacity and associated energy to CEPM, through the CEPM's 138KV transmission line that connects its distribution system with one of EGE Haina's generation plants, La Sultana del Este. The PPA establishes a term of 18 years. The price for capacity is adjusted monthly by the U.S. CPI. The price for electricity delivered under the PPA is equal to the cost of the fuel used by EGE Haina to generate the electricity plus a variable operating and maintenance margin. The prices and the amounts due are stated in U.S. Dollars.

d. In July 2009, the Company and Centros del Caribe, S. A. ("Centros del Caribe"), by mutual agreement, decided to terminate the Power Sales Contract signed in April 2002. As a part of this agreement, EGE Haina sold Centros del Caribe's mall the generation engines located at the mall site at a sales price of approximately US$ 3.3 million. Additionally, Centros del Caribe paid to EGE Haina US$0.3 million as a fine for the anticipated termination of the contract.

20. Fuel Oil, Coal and Power Supply

- During the third quarter of 2010, EGE Haina reached an agreement with J.P. Morgan VEC for the delivery of 364,000 BBLS of fuel oil in that period. The fuel oil supply was also purchased in the spot market from diverse suppliers for years 2010 and 2009. During 2010 the Company purchased 2.0 million barrels at a cost of US$150.6 million (2009: 1.8 million barrels at a cost of US$108.4 million).

- During 2010, the Company had no coal supply agreement in force and, therefore, purchased coal on the spot market from diverse suppliers. In 2009, EGE Haina maintained an agreement with Glencore for the delivery of the following coal cargoes:
  - 2 cargoes in the first half of 2009 with a FOB spot price of US$94.00/MT
  - 2 cargoes in the third quarter of 2009 with FOB spot price of US$66.00/MT
  - 2 cargoes in the fourth quarter of 2009 with FOB price of US$72.00/MT.

- The Company participates in the Dominican electricity spot market, as a seller or buyer. During 2010, the Company purchased 560 GWH of electricity, equivalent to US$92.8 million (2009: 495 GWH equivalents to US$66.0 million).

21. Operating and Maintenance Expenses

Operating and maintenance expenses consist of:

	2010	2009
Maintenance expenses (a)	US$13,518,754	US$10,127,709
Labor costs	9,830,591	8,685,764
Technical advisory fees	2,653,395	5,132,571
Lubricants	3,478,732	3,508,283
Professional services	2,708,236	1,622,559
Security services	653,530	566,596
Other	1,759,704	1,537,399
	US$34,602,942	US$31,180,881

(a) Sultana Operation and Maintenance Contracts

On April 27, 2007 the Company signed a maintenance contract with ABB S. A. ("ABB"), by which this supplier will manage and execute the maintenance, including service and installation of delivered spare parts of all turbochargers, and the daily inspections at La Sultana del Este Plant.

In consideration of the management and execution of the maintenance agreement, the Company will pay ABB a fixed hourly rate calculated on the basis of the agreed hours and number/type of turbochargers of CHF 8.80 (Swiss franc).

This contract came into force on November 11, 2006 and will end automatically once the last turbocharger has reached the agreed upon hours (total of 844,200 hours, distributed by 46,900 per 18 turbochargers), but not later than December 31, 2013. The Company has the option to unilaterally extend the hours by another 50,000 running hours (from 50,000 to 100,000 running hours). This option can only be exercised together with the option of the respective operating performance package agreed for the delivery of spare parts between customer and ABB Turbo Systems Ltd, Switzerland.

The party which terminates this operating performance package before the end of the contract term for other reasons than communication of failure, bankruptcy, force majeure or change in law, shall pay the following amounts to the other party:

	US$
Within the first contractual year	1,000,000
Within the second contractual year	800,000
Within the third contractual year	600,000
Within the fourth contractual year	400,000
Within the fifth contractual year	200,000

The Company's contract with ABB continued in full force and effect throughout 2010 and 2009. As of December 31, 2010 and 2009, none of the eighteen (18) turbochargers exceeded the contractually agreed hours of 46,900. During 2010 and 2009, payments under the aforementioned contract amounted to US$1.5 million and US$1.3 million, respectively.

22. Administrative and General Expenses

Administrative and general expenses consist of:

	2010	2009
Labor costs and office operation costs	US$9,328,658	US$ 7,726,673
Management fees (Note 24)	12,463,613	9,062,612
Withholding taxes on management fees	3,115,903	2,451,845
Insurance	3,242,338	3,279,364
Regulatory payments	1,841,282	1,414,404
Technical advisory fees and other	2,273,390	2,420,309
Asset tax	1,138,959	1,373,558
	US$33,404,143	US$27,728,765

23. Financial Expenses, Net

Financial expenses, net consist of:

	2010	2009
Financial expenses:		
Interest on Senior Notes	US$(13,491,763)	US$(16,815,437)
Interest on local bond	(2,439,495)	(901,614)
Interest on short-term debt	(454,808)	(923,578)
Interest on payables to power vendors	(543,850)	(3,685,680)
Withholding taxes on interest	(1,566,236)	(1,783,034)
Amortization of deferred charges (Note 11)	(1,648,921)	(1,617,073)
Other financial expenses	(159,467)	(111,035)
	(20,304,540)	(25,837,451)

	2010	2009
Financial income:		
Interest on trade accounts receivable	US$ 6,484,440	US$ 10,986,243
Interest on sovereign bonds	1,402,387	4,172,924
Interest from related parties (Note 24)	1,269,024	-
Interest on short-term investments	715,627	41,196
Other financial income	35,621	46,244
	9,907,099	15,246,607
Total financial expenses, net	US$(10,397,441)	US$(10,590,844)

24. Related Parties Transactions and Balances

The Company had transactions and maintained balances with unconsolidated related companies, as described below:

	2010	2009
Balances		
Accounts receivable (Trade) (Note 5):		
Edesur	US$ 50,649,165	US$ 82,434,688
Edenorte	35,708,168	67,216,728
Edeeste	15,625,347	1,018,141
CEPM	4,655,102	4,115,364
	US$106,637,782	US$154,784,921
Other accounts receivable - current (Note 5):		
HIC	US$ 1,746	US$ -
CEPM	10,869	212,490
CEPM Energy, Ltd. (d)	1,241,188	4,534,732
FONPER	398,844	398,844
Energía del Sur, S. A.	474,878	474,926
	US$ 2,127,525	US$ 5,620,992
Accounts payable:		
HIC	US$ 1,118,959	US$ 962,191
CEPM	31,015	46,775
	US$ 1,149,974	US$ 1,008,966
Transactions		
HIC – management fee (a)	US$ 12,463,613	US$ 9,062,612
Sales of energy and interest charges (b)		
Edenorte	141,728,080	105,968,279
Edesur	203,660,214	147,742,349
Edeeste	27,227,018	7,808,385
CEPM – PPA sales, fees for storage of fuel and other transactions (c)	50,181,103	39,140,183
Pedregal Power Company S. de R.L.	-	13,479
Jamaica Power Energy	-	3,887

	2010	2009
CEPM Energy, Ltd. (d)		
Repayments received on related party loan balance	3,293,545	-
Interest collected on related party loan balance	1,269,024	-

a) Management Fee - HIC

As part of the capitalization process, HIC maintains an administration contract with the Company, expiring in 2020, with respect to its day-to-day operations under the direction of the Company' Board of Directors. HIC charges the Company 2.95% of annual net sales that represented US$12.5 million and US$9.1 million for 2010 and 2009, respectively. At December 31, 2010 and 2009, the Company had accounts payable balances to HIC of US$1.1 million and US$1.0 million, respectively.

b) Sales Agreements with Distribution Companies

The distribution companies Edesur, Edenorte and Edeeste are related parties. FONPER is one of the shareholders of such companies. Sales made by the Company to these distribution companies are based primarily on existing agreements which are more detailed in Note 19 (a) and (b).

c) Sales Agreement with CEPM

In August 2008, the Company entered into an 18 year agreement with CEPM under which EGE Haina would supply a minimum of 48MW capacity and related energy to CEPM. See Note 19 (c) for further detail.

d) Other Related Party Transactions

In 2010, CEPM Energy, Ltd. agreed to pay a 10% interest rate per annum on the debt it has with EGE Haina since inception. During 2010, CEPM Energy made payments of US$4.6 million, of which US$1.3 million corresponds to accrued interest through December 31, 2010. The Company expects to fully recover such outstanding amount in 2011.

25. Other (Expense) Income, Net

Other (expense) income, net consists of:

	2010	2009
Gain from early extinguishment of debt	US$ -	US$1,850,712
Gain on sale of fixed assets (Note 19 d)	-	664,914
Loss on asset disposal	(31,710)	(167,060)
Gain on liability extinguishment (Note 19 d)	-	300,000
Loss on put option contract (Note 8)	(648,600)	-
Fair value loss on forward contract (Note 8)	(507,461)	(358,862)
Other	(48,198)	281,161
	US$(1,235,969)	US$2,570,865

26. Contingencies

The Company is involved in certain legal proceedings from time to time that are incidental to the normal conduct of its business. Although the final outcomes cannot be predicted with certainty, the Company, based upon a thorough review of the facts and advice of counsels, believes that the ultimate disposition of these issues will not have a materially adverse effect on the Company's financial position or result of operations.