ANGUILLA ELECTRICITY COMPANY LIMITED

Financial Statements

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

BDO

CONTENTS

CORPORATE INFORMATION

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REGISTERED OFFICE
Benjamine Company Services Limited
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Hannah-Waver House
The Valley,
Anguilla, B.W. I.

DIRECTORS
Harold Ruan, Chairman
Shinnette Connor, Vice Chairman
Kent Webster
Gareth Hodge
Dawnette Gumbs
Erville Hughes
Linette Sasso-Connor
Wilfred Richardson
Claude Smith

SECRETARY
Jeri Richardson

BANKERS
National Commercial Bank of Anguilla Limited
P.O. Box 44
The Valley
Anguilla, B.W.I.

Scotiabank (Anguilla) Limited
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Anguilla, B.W.I.

SOLICITOR
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AUDITORS
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Anguilla Electricity Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Anguilla Electricity Company Limited (the "Company"), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive loss, statement of changes in shareholders' equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Anguilla, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 32 of the financial statements which shows the details of Hurricane Irma related transactions which includes total purchases and expenses, total purchases capitalized and expensed, total amount of losses including impairment losses, details of grants and donations as well as hurricane insurance recovery to date. These transactions affected the Company's results of operations during the year which recorded a total net comprehensive loss of EC$9.16 million (2017 EC$8.12 million).

Also, Note 32 states that the Company had filed a business interruption claim based on their insurance policies coverage. However as at today, it is still unclear whether the remaining unpaid claims made on business interruption are still covered by the insurance policies, thus, significant uncertainty still exists as to whether or not any compensation will be forthcoming on the unpaid claims. Until such uncertainties are adequately resolved, the Company only recognized as insurance recovery income the actual amount of proceeds received as at audit report date.

INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Shareholders of Anguilla Electricity Company Limited *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Emphasis of Matters *(continued)*

Moreover, we draw attention to Note 8 and Note 31 of the financial statements, which shows that the Company's total fixed deposits which include the self-insurance reserve were fully exhausted to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma. As such, as at December 31, 2018, the Company is fully exposed on liquidity requirements in case another severe natural disaster will impact the Company in the near future.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Shareholders of Anguilla Electricity Company Limited *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

BDO LLC

Chartered Accountants
The Valley, Anguilla
29th of October 2019

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Financial Position
As at December 31, 2018

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment - net	7	74,988,116	71,551,786
Current assets			
Prepayments and other current assets	11	1,481,443	384,421
Inventories - net	9	12,363,899	11,934,258
Trade and other receivables - net	10	15,362,866	28,628,344
Cash and cash equivalents	12	7,084,986	2,855,055
Total current assets		36,293,194	43,802,078
Total Assets		111,281,310	115,353,864
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	13	14,536,147	14,536,147
Retained earnings		57,525,371	70,403,127
Total shareholders' equity		72,061,518	84,939,274
Non-current liabilities			
Borrowings - net of current portion	14	15,087,346	6,398,438
Contributions in aid of construction	15	3,396,204	3,545,853
Deferred income - grant	32	7,628,530	3,324,408
Trade and other payables	16	1,828,219	1,862,208
Total non-current liabilities		27,940,299	15,130,907
Current liabilities			
Borrowings - current portion	14	3,508,064	5,726,682
Customers' deposits		975,553	998,173
Trade and other payables	16	6,795,876	8,558,828
Total current liabilities		11,279,493	15,283,683
Total Shareholders' Equity and Liabilities		111,281,310	115,353,864

These financial statements were approved on behalf of the Board of Directors on 29th of October 2019 by the following:

Mr. Harold Ruan
Chairman

Ms. Shinnette Connor
Vice Chairman

The accompanying notes from pages 9 to 63 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Comprehensive Loss
For the Year Ended December 31, 2018

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2018	2017
Revenues			
Energy sales	*17*	**44,899,182**	42,358,774
Fuel surcharge recovered	*17*	**14,959,745**	8,746,726
		59,858,927	51,105,500
Cost of operations			
Generation			
Fuel		**(16,414,221)**	(15,478,092)
Fuel surcharge	*17*	**(17,609,983)**	(10,483,453)
		(34,024,204)	(25,961,545)
Generation - other expenses	*18*	**(13,287,278)**	(12,748,431)
		(47,311,481)	(38,709,976)
Transmission and distribution expenses	*19*	**(10,807,227)**	(9,215,831)
Hurricane expenses and other losses	*32*	**(1,835,028)**	(19,996,175)
		(59,953,736)	(67,921,982)
Gross operating loss		**(94,809)**	(16,816,482)
Other income			
Insurance recovered	*32*	**-**	20,665,193
Grant income	*32*	**1,003,941**	328,081
Other income	*20*	**2,088,013**	1,588,405
		3,091,954	22,581,679
Gross income		**2,997,145**	5,765,197
Operating expenses			
Administrative expenses	*21*	**(10,576,755)**	(11,850,943)
Consumer services	*22*	**(647,155)**	(589,000)
		(11,223,910)	(12,439,943)
Loss from operations		**(8,226,765)**	(6,674,746)
Other expenses			
Finance cost	*25*	**(937,407)**	(625,074)
Net loss		**(9,164,172)**	(7,299,820)
Other comprehensive loss			
Re-measurement of net pension asset	*24*	**-**	(819,487)
Total comprehensive loss		**(9,164,172)**	(8,119,307)
Additional disclosures:			
Loss per share	*26*	**(0.79)**	(0.63)
Dividends per share	*27*	**0.04**	-

The accompanying notes from pages 9 to 63 are an integral part of these financial statements.

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

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	Share capital	Retained earnings	Total
Balance as at 31 December 2016		14,536,147	78,522,434	93,058,581
Net loss for the year		-	(7,299,820)	(7,299,820)
Other comprehensive loss	*24*	-	(819,487)	(819,487)
Dividends paid	*27*	-	-	-
Balance as at 31 December 2017		**14,536,147**	**70,403,127**	**84,939,274**
Effect of change in accounting policy for IFRS 9	*2(e)*	-	**(3,131,776)**	**(3,131,776)**
Balance at 1 January 2018		**14,536,147**	**67,271,351**	**81,807,498**
Net loss for the year		-	**(9,164,172)**	**(9,164,172)**
Other comprehensive loss	*24*	-	**-**	**-**
Dividends paid	*27*	-	**(581,808)**	**(581,808)**
Balance as at 31 December 2018		**14,536,147**	**57,525,371**	**72,061,518**

The accompanying notes from pages 9 to 63 are an integral part of these financial statements.

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

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2018	2017
Cash flows from operating activities			
Net loss		**(9,164,172)**	(7,299,820)
Adjustments for:			
Depreciation	*7*	**7,488,205**	6,577,765
Recovery of impairment loss	*7*	**(1,323,326)**	-
Impairment losses	*10*	**1,459,192**	4,506,927
Grant received	*32*	**5,308,063**	3,652,489
Grant income	*32*	**(1,003,941)**	(328,081)
Revenue from contributions in aid of construction	*15*	**(441,090)**	(498,799)
Increase in contributions in aid of construction	*15*	**291,441**	194,751
Interest expense - borrowings	*14*	**646,361**	289,920
Interest expense – finance lease	*25*	**4,291**	3,842
Interest income		**(7,105)**	(215,655)
Impairment for slow moving/obsolete inventories	*9*	**1,118,108**	1,740,958
Inventory written-off	*9*	**(111,911)**	(60,101)
Receivable written-off	*10*	**(87,449)**	(59,708)
Re-measurement of net pension asset	*24*	**-**	(819,487)
Loss on disposal of property, plant and equipment	*7, 32*	**1,509,958**	12,787,902
Operating income before working capital changes		**5,686,625**	20,472,903
(Increase)/decrease in:			
Net pension asset		**-**	243,575
Other assets		**-**	11,492
Inventories		**(1,435,839)**	(6,422,435)
Trade and other receivables		**8,761,959**	(18,291,735)
Prepayments and other current assets		**(1,097,022)**	436,564
Increase/(decrease) in:			
Customers' deposits		**(22,620)**	(12,032)
Trade and other payables		**(2,165,752)**	2,497,813
Net cash provided by/(used in) operating activities		**9,727,352**	(1,063,855)
Cash flows from investing activities			
Addition in property, plant and equipment	*7*	**(11,111,167)**	(22,522,134)
Disposal of investment securities		**-**	17,241,540
Proceeds from disposal of property, plant and equipment		**-**	-
Interest received		**7,105**	262,214
Net cash used in investing activities		**(11,104,062)**	(5,018,380)

Forward

The accompanying notes from pages 9 to 63 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Cash Flows *(continued)*
For the Year Ended December 31, 2018

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2018	2017
Cash flows from financing activities			
Repayment of borrowings	14	**(1,678,698)**	(1,364,044)
Interest paid		**(281,842)**	(278,258)
Dividends paid		**(581,808)**	-
Proceeds from borrowings	14	**10,367,539**	-
Net cash provided by/(used in) financing activities		**7,825,191**	(1,642,302)
Net increase/(decrease) in cash and cash equivalents		**6,448,481**	(7,724,537)
Cash and cash equivalents net of bank overdraft at 1 January		**(248,967)**	7,475,570
Cash and cash equivalents net of bank overdraft at 31 December	12	**6,199,514**	(248,967)

The accompanying notes from pages 9 to 63 are an integral part of these financial statements.

1. Reporting entity

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 has an exclusive public supplier's license to generate, transmit and distribute electricity on the island of Anguilla for a period of fifty years from 1 April 1991.

The Government of Anguilla controls 63% of the Company's shares directly through its 40% shareholding and indirectly through the 23% shareholding in the Company by the Government-owned National Commercial Bank of Anguilla Limited.

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

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements as at and for the year ended December 31, 2018 were authorized for issue by the Board of Directors on 29th of October, 2019.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 6 to the financial statements.

2. Basis of preparation *(continued)*

e. Changes in accounting policies and disclosures

(i) New standards, interpretations and amendments effective from 1 January 2018

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of January 1, 2018:

- ***Amendment to IFRS 7, 'Financial Instruments: Disclosures'***
  The amendment requires that additional disclosures are needed when an entity first applies IFRS 9, Financial Instruments, which include the changes in the categories and carrying amounts of financial instruments before and after the application of the new standard. This reconciliation has been disclosed below.

- ***IFRS 9, 'Financial Instruments'***
  IFRS 9 replaces IAS 39 as at January 01, 2018. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as at January 01, 2018 and are disclosed below.

  Changes to classification and measurement
  To determine classification and measurement categories, IFRS 9 requires all financial assets, except derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets of fair value through profit or loss ("FVTPL"), available for sale ("AFS"), held-to-maturity and loans and receivables have been replaced by:

  - Debt securities at amortised cost;
  - Debt securities at fair value through other comprehensive loss ("FVTOCI"), with gains or losses recycled to profit or loss on derecognition;
  - Equity securities at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition; and
  - Financial assets at fair value through profit or loss ("FVTPL")

  As at January 1, 2018, the Company does not have investments portfolio and treasury bill, thus reclassification is not required.

  The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the profit or loss.

2. Basis of preparation *(continued)*

e. Changes in accounting policies and disclosures *(continued)*

(ii) New standards, interpretations and amendments effective from 1 January 2018 *(continued)*

Transitional disclosures
There were no financial assets or financial liabilities which the Company had previously designated as FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as FVTPL at the date of initial application of IFRS 9.

Changes to the impairment calculation
The adoption of IFRS 9 has changed the Company's accounting for financial assets' impairments by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Company to record an allowance for all financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case a lifetime ECL is determined. Details of the impairment method are described in Note 3(f) above.

Transitional disclosures
The information below sets out the impact of adopting IFRS 9 on the statement of financial position and retained earnings due to the effect of replacing IAS 39's incurred credit loss approach with IFRS 9's ECLs. A reconciliation between the carrying amounts of trade and other receivables under IAS 39 to balances reported under IFRS 9 as at January 01, 2018 is as follows:

	IAS 39 carrying amount as at December 31, 2017	Recognition of IFRS 9 ECL's *Note 10*	IFRS 9 carrying amount as at January 1, 2018
Financial asset			
Trade and other receivables	**28,628,344**	**(3,131,776)**	**25,496,568**

The impact of transition to IFRS 9 on retained earnings is as follows:

	IAS 39 carrying amount as at December 31, 2017	Recognition of IFRS 9 ECL's *Note 10*	IFRS 9 carrying amount as at January 1, 2018
Retained earnings	**70,403,127**	**(3,131,776)**	**67,271,351**

2. Basis of preparation *(continued)*

(e) New standards, interpretations and amendments effective from January 1, 2018 *(continued)*

IFRS 15, Revenue from Contracts with Customers – The new standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

Amendments to IFRS 15, Revenue from Contract with Customers - Clarification to IFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly interest income from borrowings. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes interest income as they accrue, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. Accordingly, the adoption of IFRS 15 has no impact in the timing of the Company's revenue recognition.

(f) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at December 31, 2018 or not relevant to the Company's operations. These are as follows:

- *IFRS 16 Leases (effective January 1, 2019)*
  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payment resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

2. Basis of preparation *(continued)*

(f) New standards, amendments to standards and interpretations not yet adopted *(continued)*

- *IFRS 16 Leases (effective January 1, 2019) (continued)*
  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all lease using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  The Company does not anticipate significant impact on the adoption of this new standard as most of its leases are already accounted as a finance lease. However, the Company will still evaluate the impact of this new standard on the other lease accounted as operating lease.

- *Amendments to IFRS 9, Financial Instruments - Prepayment Features with Negative Compensation*
  The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive loss (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

  Under prevailing circumstances, the adoption of this is not expected to have any material effect on the financial statements of the Company.

- *Amendments to IAS 28, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using IFRS 9, Financial Instruments.

  Under prevailing circumstances, the adoption of this is not expected to have any material effect on the financial statements of the Company.

- *IFRIC 23, 'Uncertainty over Income Tax Treatments'*
  This interpretation was issued to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, 'Income Taxes'. This interpretation is applicable for annual periods beginning on or after January 1, 2019. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Company's financial statements.

- *IAS 12 Income Taxes*
  The standard was amended to clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. This amendment is applicable for annual periods beginning on or after January 1, 2019. The application of this amendment will not have a material impact on amounts reported in respect to the Company's financial Statements.

2. Basis of preparation *(continued)*

(f) New standards, amendments to standards and interpretations not yet adopted *(continued)*

- *IAS 19 'Employee Benefits'*
  The standard was amended to clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive loss. This amendment is applicable for annual periods beginning on or after January 1, 2019.

  It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Company's financial statements.

- *IAS 23, 'Borrowing Costs'*
  The standard was amended clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. This amendment is applicable for annual periods beginning on or after January 1, 2019. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Company's financial statements.

3. Significant accounting policies

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

(a) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities

Date of Recognition
The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference
Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification
The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive loss (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL
Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Financial Assets and Liabilities at FVPL *(continued)*
This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive loss (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive loss are not subsequently transferred to profit or loss.

As at December 31, 2018, the Company does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost
Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As at December 31, 2018, the Company's cash in bank and receivables are included under this category *(see Notes 8 and 10)*.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Financial Assets at FVOCI
For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

Financial Liabilities at Amortized Cost
Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018 the Company's liabilities arising from its borrowings, trade and other payable and customer deposits are included under this category (see Notes 14, and 16).

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI. For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive loss is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI
The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)*
For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
Financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive loss.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Derivative Financial Instruments and Hedging

Freestanding Derivatives
For the purpose of hedge accounting, hedges are classified as either:

(i) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);

(ii) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or

(iii) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge
Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the separate statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the separate statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Company discontinues fair value hedge accounting if:

i. the hedging instrument expires, is sold, is terminated or is exercised;
ii. the hedge no longer meets the criteria for hedge accounting; or
iii. the Company revokes the designation.

The Company has no outstanding derivatives accounted for as a fair value hedge as at December 31, 2018.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Derivative Financial Instruments and Hedging *(continued)*

Cash Flow Hedge
Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive loss and presented in the separate statements of changes in equity. The ineffective portion is immediately recognized in the separate statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the separate statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the separate statements of changes in equity are transferred to the separate statements of income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the separate statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the separate statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the separate statements of changes in equity is recognized in the separate statements of income.

The Company has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2018.

Net Investment Hedge
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive loss while any gain or loss relating to the ineffective portion is recognized in the separate statements of income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the separate statements of changes in equity is transferred to and recognized in the separate statements of income.

The Company has no hedge of a net investment in a foreign operation as at December 31, 2018.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the separate statements of income.

3. Significant accounting policies *(continued)*

(b) Financial Assets and Financial Liabilities *(continued)*

Derivative Financial Instruments and Hedging *(continued)*

Embedded Derivatives
The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Company has not bifurcated any embedded derivatives as at December 31, 2018.

(c) Property, plant and equipment

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

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

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net in the statement of comprehensive loss.

3. Significant accounting policies *(continued)*

(c) Property, plant and equipment *(continued)*

ii. Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

iii. Depreciation and amortization

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased buildings and improvements including leasehold lands are amortized over the shorter of the lease term and their estimated useful lives. The estimated useful lives for the current and comparative years are as follows:

Leasehold lands	50 – 99 years
Buildings and improvements	40 years
Plant and machinery	10 - 20 years
Furniture, fittings and equipment	5 years
Motor vehicle	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

iv. Capital work in progress

Capital work in progress, which represents property and equipment under construction, is stated at cost and depreciated only when the relevant assets are completed and put into operational use. Upon completion, these properties are reclassified to their relevant property, plant and equipment account.

v. Spare parts and servicing equipment

Minor spare parts and servicing equipment are typically carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment are carried as PPE when the entity expects to use them during more than one period or when they can be used only in connection with an item of PPE.

(d) Inventories

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

3. Significant accounting policies *(continued)*

(e) Non-financial assets impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Contributions in aid of construction

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

(g) Share capital

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

Treasury shares
When share capital recognized as equity is repurchased by the Company, the amount of the consideration paid, including directly attributable cost is recognized as a deduction from equity.

Repurchased shares are classified as treasury shares and presented as a deduction from total shareholders' equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings

3. Significant accounting policies *(continued)*

(h) Revenue

i. Sale of energy
Revenue from the sale of electricity is recognized in profit or loss based on consumption recorded by monthly meter readings, with due adjustment made for unread consumption at year-end by apportioning the consumption of the following month.

In addition to the normal tariff rates charged for energy sales, a surcharge is calculated which is based on the difference between the fuel price at the base period and the average cost of fuel for the preceding 3 months. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month for material changes in the surcharge rate.

ii. Revenue from government grants
Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased or shall be recognized in profit or loss on a systematic basis over the periods in which the entity recognized as expense the related costs for which the grants are intended to compensate.

Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive loss or netted against the asset purchased.

iii. Revenue from other grants
Grants that compensate the Company for expenses incurred are recognized as revenue in the statement of revenues and expenses on a systematic basis in the same periods in which the expenses were incurred. Grants collected in advance with no expenses being incurred are shown as other assets and deferred income in the statement of financial position, respectively.

iv. Late charges
A 2% late fee is charged on all customer trade receivable balances not paid after 15 days past the due date. The Company recognizes income from late charges when billed. Late charges are reported as other income (see Note 20).

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

vi. Connection upgrades and other services
Revenue from connection upgrades and other services is recognized in the statement of comprehensive loss when the service is rendered.

3. Significant accounting policies *(continued)*

(i) Employee benefits

i. Defined contribution plan
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. This plan is for all non-management employees and all management employees hired after 2005.

ii. Defined benefit plan
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates a defined benefit pension plan for senior management hired before 2005. The plan is a multi-employer scheme with five contributing employers. The other participating companies are Montserrat Electricity Services Ltd., St. Lucia Mortgage Finance Company Ltd., St. Lucia Electricity Services Limited and St. Vincent Electricity Services Ltd.

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive loss in the period in which they arise.

When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

3. Significant accounting policies *(continued)*

(j) Finance cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalized by applying a capitalization rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred using the effective interest method.

(k) Earnings per share

Earnings per share have been calculated by dividing the net profit for the year by the weighted average number of issued ordinary shares.

(l) Dividends

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

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Leases

The Company leases lands, building and office spaces from related and non-related parties under finance and operating leases.

Finance lease
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee.

Assets held under finance leases are capitalized as property, plant and equipment of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

3. Significant accounting policies *(continued)*

(n) Leases *(continued)*

Operating lease
Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognized in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognized as an expense in profit or loss when incurred.

(o) Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

(p) Subsequent events

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Determination of fair values

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

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

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

(c) Cash and cash equivalents
The fair value of cash and cash equivalents approximates carrying value due to its short-term nature.

(d) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Current liabilities are not discounted, since the present value of future cash flows is equal to its carrying amount.

4. Determination of fair values *(continued)*

(d) Non-derivative financial liabilities *(continued)*
When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Management believes that the effect of discounting those short-term financial assets and liabilities at market rate is immaterial as at year-end.

5. Financial risk management

(a) Overview
The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

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

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(b) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investments in certificates of deposit and trade and other receivables.

5. Financial risk management *(continued)*

(a) Credit risk *(continued)*

Investment securities
The Company limits its exposure to credit risk by only investing in fixed deposits with local banks. Management does not expect the related counterparty to fail to meet its obligations.

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

(b) Liquidity risk

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

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains a line of credit with a limit of EC$3.2 million with the National Commercial Bank of Anguilla Limited with an interest rate of 9.20% per annum.

(c) Market risk

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

Interest rate risk
Differences in contractual re-pricing or maturity dates and changes in interest rates may expose the Company to interest rate risk. The Company's exposure and the interest rates on its financial liabilities are disclosed in Note 28 to the financial statements.

5. Financial risk management *(continued)*

(d) Fair value

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads used in estimating discount rates, bond and equity prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The Company's financial assets measured at fair value are disclosed in note 4.

(e) Capital management

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

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

5. Financial risk management *(continued)*

(f) Capital management

The Company monitors capital on the basis of the following ratios:

	2018	2017
Total debt	**39,219,792**	30,414,590
Shareholders' equity	**72,061,518**	84,939,274
Debt-to-equity ratio (total debt/total equity)	**54%**	36%

	2018	2017
Total debt	**39,219,792**	30,414,590
Total assets	**111,281,310**	115,353,864
Debt ratio (total debt/total assets)	**35%**	26%

	2018	2017
Shareholders' equity	**72,061,518**	84,939,274
Total assets	**111,281,310**	115,353,864
Equity ratio (total shareholders' equity/total assets)	**65%**	74%

6. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the critical estimates and judgments used in applying accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year and/or in future periods:

a. **Valuation of financial instruments**
Financial instruments are valued on a basis described in note 3 (b) to the financial statements.

b. **Impairment of assets**
Financial and non-financial assets are evaluated for impairment on a basis described in note 3(b) and 3(e) to the financial statements. See note 28 for the detailed breakdown of allowance for impairment losses on various financial and non-financial assets.

c. **Estimation of unbilled sales and fuel charges**
Unbilled sales and fuel charges are estimated using the actual meter reading in the following month as described in note 3 (h) (i) to the financial statements.

6. Critical accounting estimates and judgments *(continued)*

d. Measurement of defined benefit obligation

The Company's defined benefit obligation is measured and calculated by a qualified actuary using the project unit credit method as described in note 3(i) (II) to the financial statements.

e. Determination of fair values

The fair values of financial and non-financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the methods described in note 5 to the financial statements. The carrying and fair values of financial assets and liabilities are presented in note 28 to the financial statements.

7. Property, plant and equipment - net

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Capital work in progress	Total
Cost								
31 December 2016	240,000	2,979,000	14,745,916	121,369,926	4,252,962	5,318,516	1,142,058	150,048,378
Additions	-	-	73,305	20,013,407	136,804	1,259,152	1,039,466	22,522,134
Transfer	-	-	-	1,106,856	-	-	(1,106,856)	-
Write-off/disposal	-	-	(1,618,349)	(24,498,257)	(1,299,952)	-	-	(27,416,558)
31 December 2017	240,000	2,979,000	13,200,872	117,991,932	3,089,814	6,577,668	1,074,668	145,153,954
Additions	-	-	535,176	9,606,775	562,460	194,481	212,275	11,111,167
Write-off/disposal	-	-	-	(3,386,238)	-	(239,989)	-	(3,626,227)
31 December 2018	**240,000**	**2,979,000**	**13,736,048**	**124,212,469**	**3,652,274**	**6,532,160**	**1,286,943**	**152,638,894**
Accumulated depreciation								
31 December 2016	-	314,388	5,469,554	66,762,760	3,322,463	3,724,820	-	79,593,985
Depreciation	-	32,912	356,603	5,649,700	199,295	339,255	-	6,577,765
Write-off/disposal	-	-	(796,344)	(12,990,181)	(842,131)	-	-	(14,628,656)
31 December 2017	-	347,300	5,029,813	59,422,279	2,679,627	4,064,075	-	71,543,094
Depreciation	-	32,912	359,073	6,433,523	160,416	502,281	-	7,488,205
Write-off/disposal	-	-	-	(1,876,280)	-	(239,989)	-	(2,116,269)
31 December 2018	**-**	**380,212**	**5,388,886**	**63,979,522**	**2,840,043**	**4,326,367**	**-**	**76,915,030**
Allowance for impairment								
31 December 2017	-	-	123,491	1,199,835	-	-	735,748	2,059,074
Impairment *(Note 10)*	-	-	(123,491)	(1,199,835)	-	-	-	(1,323,326)
31 December 2018	**-**	**-**	**-**	**-**	**-**	**-**	**735,748**	**735,748**
Net book values								
31 December 2017	240,000	2,631,700	8,047,568	57,369,818	410,187	2,513,593	339,920	71,551,786
31 December 2018	**240,000**	**2,598,788**	**8,347,162**	**60,232,947**	**812,231**	**2,205,793**	**551,195**	**74,988,116**

Certain items of Property, plant and equipment were used to secure the loan from Caribbean Development Bank (See Note 14.1, 14.2 and 14.3).

7. Property, plant and equipment - net *(continued)*

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" (see Note 31). In 2017, the company used all their self-insurance fund to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma.

Depreciation expense charged for the years ended is broken down as follows:

	Notes	**2018**	2017
Generation	*18*	**3,315,258**	3,565,771
Transmission and distribution	*19*	**3,620,547**	2,423,184
Administrative	*21*	**552,400**	588,810
		7,488,205	6,577,765

Details of the impairment losses as at December 31, 2018 per expense follows:

	Note	**2018**	2017
Administrative expense	*21*	**1,459,192**	3,183,601
Hurricane expense and losses	*7*	**(1,323,326)**	1,323,326
		135,866	4,506,927

8. Investments

In 2017, the Company used the reserves and other investments to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma. Please see Note 32.

9. Inventories - net

	2018	2017
Generation parts and fuel	**4,131,725**	4,156,439
Transmission and distribution parts	**11,375,444**	9,938,896
Administration supplies	**216,732**	192,728
	15,723,901	14,288,063
Less allowance for slow moving and obsolete inventories	**(3,360,002)**	(2,353,805)
	12,363,899	11,934,258

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

	2018	2017
Balance, 1 January	**2,353,805**	672,948
Impairment for the year	**1,118,108**	1,740,958
Written off	**(111,911)**	(60,101)
Balance, 31 December	**3,360,002**	2,353,805

10. Trade and other receivables - net

	Note	**2018**	2017
Trade		**19,167,797**	16,398,742
Insurance Claim Receivable	32	**8,113,807**	17,976,993
Customer receivables under deferred payment plan		**173,942**	1,626,491
Other		**231,634**	446,913
		27,687,180	36,449,139
Less allowance for credit losses		**(12,324,314)**	(7,820,795)
		15,362,866	28,628,344

The Company has a significant trade receivables balance that is required to be subject to specific and/or collective impairment testing whenever there is objective evidence of impairment (see Note 28). The Company also offers deferred payment plans to customers with financial difficulties in settling their outstanding obligations.

The plan is offered to customers interest free or with a low penalty rate and normally lasts for a maximum of twelve months except for Government of Anguilla. Details of receivables under the payment plans follow:

	2018			2017		
	GOA	**Others**	**Total**	GOA	Others	Total
Due within one year	**-**	**173,942**	**173,942**	1,304,143	46,951	1,351,094
Due more than one year	**-**	**-**	**-**	-	275,397	275,397
	-	**173,942**	**173,942**	1,304,143	322,348	1,626,491

As at year-end, the Government of Anguilla and its various statutory bodies owed the Company an amount of EC$8,130,647 (2017: EC$7,442,688) including the receivables under the payment plan is detailed in the previous table. The settlement agreement for the payment plan, in place since 24 June 2014, with the approval of the Executive Council of Anguilla was paid and the others were charged back to the trade receivables.

The movements of allowance for credit losses are as follows:

	Note	Amount
Balance, 1 January 2017		5,499,831
Impairment loss recognized per IAS 39	*21*	2,380,672
Amounts written off		(59,708)
Balance, 31 December 2017		7,820,795
Effect of change in accounting policy for IFRS 9	*2(e)*	**3,131,776**
Balance, 1 January 2018		**10,952,571**
Impairment loss recognized per IFRS 9	*21*	**1,459,192**
Amounts written off		**(87,449)**
Balance, 31 December		**12,324,314**

10. Trade and other receivables - net *(continued)*

Details of the impairment losses as at December 31, 2018 as shown in the statement of cash flows follow:

	Note	**2018**	2017
Accounts receivable	*10*	**1,459,192**	2,380,672
Property, plant and equipment	*7*	**(1,323,326)**	2,059,074
Prepayments and other asset	*11*	**-**	67,181
		3,267,642	4,506,927

11. Prepayments and other current assets

		2018	2017
Advance deposits		**1,029,830**	177,890
Prepaid insurance		**213,657**	175,553
Other		**305,137**	98,159
		1,548,624	451,602
Allowance for impairment	*11*	**(67,181)**	(67,181)
		1,481,443	384,421

12. Cash and cash equivalents

	2018	2017
Cash in banks	**7,081,686**	2,851,755
Petty cash	**3,300**	3,300
	7,084,986	2,855,055

Cash in banks earn interest at the respective bank deposit rates ranging from nil to 1% (2017: nil to 1%). For the purpose of reporting cash flows, cash and cash equivalents are unrestricted and available for use in the operations.

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	Note	**2018**	2017
Cash		**7,084,986**	2,855,055
Bank overdraft	*14*	**(885,472)**	(3,104,022)
		6,199,514	(248,967)

13. Share capital

	2018	2017
Authorized:	**30,000,000**	30,000,000
Issued and fully paid:		
17,036,147 ordinary shares at XCD $1.00 per share	**17,036,147**	17,036,147
Less: Treasury shares		
5,400,000 ordinary shares at no par value	**(5,400,000)**	(5,400,000)
	11,636,147	11,636,147
Add: Discount on treasury stock	**2,900,000**	2,900,000
	14,536,147	14,536,147

The current percentage of ownership is as follows:

	2018	2017
Government of Anguilla	**40%**	40%
Anguilla Social Security Board	**16%**	16%
*National Commercial Bank of Anguilla Limited	**23%**	23%
General Public	**21%**	21%
	100%	100%

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

All classes of shares have been converted to one class of ordinary shares effective 3 June 2003. All shares are voting shares and carry equal rights. To date, the shares of the Company are not listed on any stock exchange.

*The National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited (CCB) were dissolved on April 25, 2017. A single Government-owned National Commercial Bank of Anguilla (NCBA) was established on April 25, 2017 and assumed full interest in all shares held by the dissolved institutions. As of this date, the current percentage of ownership of National Commercial Bank of Anguilla Limited in the Company is 23%.

14. Borrowings

	Notes	**2018**	2017
Caribbean Development Bank – 8OR/ANL	*14.1*	**10,367,539**	-
Caribbean Development Bank – 6OR/ANG	*14.2*	**5,978,422**	6,293,077
Caribbean Development Bank – 3OR/ANL	*14.3*	**1,363,977**	2,728,021
National Commercial Bank of Anguilla Ltd. – bank overdraft	*14.4*	**885,472**	3,104,022
		18,595,410	12,125,120

14. Borrowings *(continued)*

14.1 This loan was made to the Company by Caribbean Development Bank to assist the Company in financing the recovery of electricity transmission and distribution system and improvement for climate resilience on December 20th, 2017 amounting to US$5,313,000 or EC$14,282,407. The loan is payable in fifty-six (56) equal or approximately equal and consecutive quarterly instalments on each due date, commencing on the first date after the expiry of three (3) years after the date of the loan agreement, or on such later due date as the Bank may specify in writing. The loan carries an interest rate of 3.80% per annum on the amount withdrawn and outstanding from time to time and payable quarterly.

Details of the cumulative withdrawn amount as at December 31, 2018 follow:

	2018
Principal	**10,348,183**
Commitment charge	**19,356**
	10,367,539
Interest payable	**234,262**
	10,601,801

14.2 This loan was made to the Company by Caribbean Development Bank to finance the Company's 1 MV solar farm. The loan is payable in twenty (20) equal and consecutive quarterly principal instalments of US$117,050, commencing on January 2017 and will mature in October 2022 with variable interest rate at 2.97% per annum. This loan is secured by a pari passu legal charge along with Scotia Bank Anguilla Limited over the Company's plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla.

14.3 This loan (3OR/ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US$6,089,000. This loan is payable in forty-eight (48) equal and consecutive quarterly principal instalments of US$126,855 with a variable interest rate at 2.97% (2017: 3.43%) per annum that commenced in January 2008. This loan will mature in October 2019. This loan is secured by a pari passu legal charge along with Scotia Bank Anguilla Limited over the Company's plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla.

14.4 The Company maintains an overdraft facility with a limit of EC$3.2 million with the National Commercial Bank of Anguilla Ltd. The facility carries an interest rate of 9.2% per annum.

14. Borrowings *(continued)*

The current and non-current portions of the borrowings are as follow:

	2018	2017
Current		
National Commercial Bank of Anguilla Ltd. – bank overdraft	**885,472**	3,104,023
Caribbean Development Bank – 6OR/ANG	**1,258,615**	1,258,615
Caribbean Development Bank – 3OR/ANL	**1,363,977**	1,364,044
	3,508,064	5,726,682
Noncurrent		
Caribbean Development Bank – 8OR/ANL	**10,367,539**	-
Caribbean Development Bank – 6OR/ANG	**4,719,807**	5,034,462
Caribbean Development Bank – 3OR/ANL	**-**	1,363,976
	15,087,346	6,398,438
	18,595,410	12,125,120

The total interest expense incurred on the aforementioned borrowings included in "Finance Cost" in the profit or loss is as follows:

		2018	2017
Caribbean Development Bank – 3OR/ANG		**77,665**	114,126
Caribbean Development Bank – 6OR/ANG		**207,212**	175,794
Caribbean Development Bank – 8OR/ANG		**361,484**	-
	25	**646,361**	289,920

Movements in the Caribbean Development Bank loans during the year are as follow:

	2018	2017
Balance, 1 January	**9,021,097**	10,385,141
Additions	**10,367,539**	-
Repayments	**(1,678,698)**	(1,364,044)
Balance, 31 December	**17,709,938**	9,021,097

As of the year ended, the Company was not in default nor did it commit a breach of any terms or conditions of its loan accounts at any time during the year.

(Expressed in Eastern Caribbean Dollars (EC$))

15. Contribution in aid of construction

	Note	**2018**	2017
Balance, 1 January		**3,545,853**	3,849,901
Contributions received during the year		**291,441**	194,751
Amount charged to profit or loss	*20*	**(441,090)**	(498,799)
Balance, 31 December		**3,396,204**	3,545,853

16. Trade and other payable

	Notes	**2018**	2017
Trade payables		**3,604,438**	5,686,012
Lease payable	*33*	**2,188,777**	2,184,486
Accrued expenses		**1,736,874**	2,092,822
Accrued interest payable		**438,304**	73,785
Environmental levy payable		**407,743**	87,577
Other payables		**247,959**	296,354
		8,624,095	10,421,036

The current and non-current portions of the trade and other payables are as follow:

	2018	2017
Current	**6,795,876**	8,558,828
Non-current	**1,828,219**	1,862,208
	8,624,095	10,421,036

17. Energy sales

	2018	2017
Amounts billed during the year	**44,296,044**	42,566,021
Less: Unbilled revenue at beginning of the year	**(2,173,280)**	(2,380,527)
	42,122,764	40,185,494
Add: Unbilled revenue at the end of the year	**2,776,418**	2,173,280
	44,899,182	42,358,774

Pursuant to the Electricity (Rates and Charges) Regulations, the Company's electricity tariff is subject to a surcharge of 1c per kWh for every 10c per gallon increase in the price of fuel oil over $3.64 per gallon.

The Company utilizes the prescribed surcharge formula in establishing a ceiling for surcharge rates, whilst endeavouring to adhere to a policy of maintaining relatively stable surcharge rates during periods of fuel price volatility.

17. Energy sales

For the year ended December 31, 2018, the Company recovered a total surcharge of EC$14,959,745 (2017: EC$8,746,726) from its customers, of which the Company incurred fuel surcharge costs of EC$17,609,983 (2017: EC$10,483,453).

In addition to the surcharge as specified above, the Electricity (Rates and Charges) Regulations and Electricity Supply Regulations of the Electricity Act also state the following:

"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—

a. to meet all expenses reasonably incurred in the production of such revenues, including (without limitation) depreciation of assets, provision for bad debts and interest on indebtedness; and

b. to repay its indebtedness; and

c. to provide for the cost of replacement of its capital assets; and

d. to provide a reasonable proportion of the capital costs of expanding its undertaking to meet any demand for an increased service to the public; and

e. to 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 per cent: PROVIDED THAT such return shall be at a rate not less than twelve percent per annum.

However, no such application to vary the tariff of rate charges was made to or approved by the Minister pertaining to the financial year.

18. Generation – other expenses

	Notes	**2018**	2017
Repairs and maintenance		**4,946,492**	4,040,880
Staff costs	*23*	**3,364,938**	3,027,936
Depreciation	*7*	**3,315,258**	3,565,771
Insurance		**1,099,800**	982,762
Supplies and other expenses		**560,790**	1,131,082
		13,287,278	12,748,431

19. Transmission and distribution expenses

	Notes	**2018**	2017
Staff costs	*23*	**4,347,957**	3,969,096
Depreciation	*7*	**3,620,547**	2,423,184
Repairs and maintenance		**898,413**	1,159,634
Supplies and other expenses		**563,821**	421,342
Security expense		**460,784**	218,258
Insurance		**333,139**	297,687
Inventory obsolescence		**582,566**	726,630
		10,807,227	9,215,831

20. Other income

	Notes	**2018**	2017
Late charges		**1,081,248**	518,657
Connection upgrades and other services		**393,687**	225,225
Revenue from contribution in aid of construction	*15*	**441,090**	498,799
Interest income	*12*	**7,105**	215,655
Reconnection fees		**51,990**	74,400
Rental and relocation of poles		**83,897**	55,669
Gain on sale of assets	*7*	**28,996**	-
		2,088,013	1,588,405

21. Administrative expenses

	Notes	**2018**	2017
Staff costs	*23*	**3,821,766**	3,523,484
Credit loss	*10*	**1,459,192**	3,183,601
Office expenses		**1,590,447**	1,614,060
Business license fee	*29*	**750,000**	750,000
Depreciation	*7*	**552,400**	588,810
General		**424,295**	518,667
Gross revenue tax		**332,186**	427,700
Directors' fees and expenses		**444,802**	400,055
Leases	*33*	**431,970**	229,017
Insurance		**243,520**	217,605
Audit fees		**298,299**	202,287
Legal fees	*34*	**120,015**	97,178
Consultancy fees		**78,359**	69,352
Eastern Caribbean Securities Regulatory Commission		**29,504**	29,127
		10,576,755	11,850,943

22. Consumer services

	Note	**2018**	2017
Staff costs	*23*	**477,548**	417,293
Temporary and contract services		**104,454**	145,580
Vehicle repairs and maintenance		**10,800**	11,346
Other		**54,353**	14,781
		647,155	589,000

23. Staff costs

	Notes	**2018**	2017
Transmission and distribution	*19*	**4,347,957**	3,969,096
Administrative	*21*	**3,821,766**	3,523,484
Generation	*18*	**3,364,938**	3,027,936
Consumer services	*22*	**477,548**	417,293
Re-measurement of net pension asset	*24*	**-**	819,487
		12,012,209	11,757,296

Details of staff costs per nature of expenses are as follow:

	Notes	**2018**	2017
Salaries, wages and allowances		**9,134,767**	9,143,405
Overtime		**983,514**	540,401
Pension expense	*24*	**835,763**	1,138,499
Training		**428,705**	281,184
Social security		**358,320**	371,718
Interim stabilization levy		**271,140**	282,089
		12,012,209	11,757,296

24. Pension expenses

The Company has two pension plans for the employees as follows:

a. *Defined benefit plan*
For senior management hired before 2005, the Company has a defined benefit plan and contributes to the multiemployer plan named CDC Caribbean Pension Scheme which is administered by Sagicor Life Inc. This pension plan is closed to new participants. However, effective July 2018, this plan was closed and winded-up. As a result of the winding-up the Company was required to pay an additional EC$351,356 to ensure that the pension benefits for its members were secured in full. Employees under the plan were transferred to the Company's defined contribution retirement plan.

24. Pension expenses *(continued)*

Details of pension before the winding-up follows:

	8	2017
Present value of obligations		(4,023,557)
Fair value of plan assets		4,930,556
Fund status		906,999
Restrictions on asset recognized		(906,999)
Net pension asset		-

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

	2017
Present value of obligations, 1 January	3,766,280
Interest cost	290,976
Current service cost	132,448
Benefits paid	(38,129)
Actuarial gain on obligation	(128,018)
Present value of obligations, 31 December	4,023,557

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

	2017
Fair value of plan assets, 1 January	4,009,855
Expected return on plan assets	284,105
Contributions	674,725
Benefits paid	(38,129)
Actuarial loss on plan assets	-
Fair value of plan assets, 31 December	4,930,556

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

	2017
Equities	30%
Other – Bonds and fixed income securities	70%

Pension expense recognized in profit or loss is shown below:

	2017
Current service cost	132,448
Interest cost	290,976
Expected return on plan assets	(324,611)
Pension expense defined benefit plan	98,813

24. Pension expenses *(continued)*

The principal actuarial assumptions used were as follows:

	2017
Discount rate	7.50%
Expected return on plan assets	7.50%
Salary increase rates	6.50%

The sensitivity of the defined benefit obligation to changes in the principal assumption is:

	2017
Discount rate – 1%	761,100
Discount rate + 1%	(582,017)
Salary increase – 0.5%	(67,885)
Salary increase + 0.5%	76,941

The historical information of the amount as at reporting date is as follows:

	2017
Present value of obligation	4,023,557
Fair value of plan assets	(4,930,556)
Surplus	(906,999)
Experience adjustments arising from plan liabilities	128,018
Experience adjustments arising from plan assets	(40,506)

The actuarial loss recognized in the other comprehensive loss is as follows:

	2017
Gain from experience	(128,018)
Expected return on plan assets	324,611
Actual return on plan assets	(284,105)
Effect of asset ceiling	906,999
Loss from experience	819,487

b. *Defined contribution plan*
The Company uses a defined contribution plan for its non-management employees and all management employees hired after 2005. However, effective July 2018 management employees under the defined benefit plan were transferred to this defined contribution plan as a result of the winding-up.

This plan is handled and administered by Zurich International. Total contributions made by the Company amounted to EC$484,407 and EC$316,717 in 2018 and 2017, respectively.

25. Finance costs

	Notes	2018	2017
Interest expense - borrowings	14	**646,361**	289,920
Charges and commissions		**366,215**	359,240
Gain on foreign exchange		**(79,460)**	(27,928)
Interest expense - finance lease		**4,291**	3,842
		937,407	625,074

26. Earnings per share

The calculations of basic loss per share as at 31 December 2018 and 2017 were based on the net loss for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	2018	2017
Loss for the year	**(9,164,172)**	(7,299,820)
Total number of shares issued as at 31 December	**11,636,147**	11,636,147
Loss per share	**(0.79)**	(0.63)

27. Dividends

Dividend of EC$.04 (2017: nil) per share was declared by the Board of Directors and sanctioned by the shareholders during the last annual general meeting.

28. Financial instruments

i. Credit risk

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Notes	2018	2017
Trade and other receivables - net	10	**15,362,866**	28,628,344
Cash in bank – net of bank overdraft		**6,199,514**	(252,267)
		21,562,380	28,376,077

28. Financial instruments *(continued)*

i. Credit risk *(continued)*

Exposure to credit risk *(continued)*

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

	2018	2017
Government	**8,130,647**	7,442,688
Hospitality	**3,400,120**	3,088,763
Residential	**5,255,642**	3,241,508
Commercial	**10,663,605**	22,229,268
Other	**237,166**	446,912
	27,687,180	36,449,139

Impairment losses
The Company has a significant trade receivables balance that is required to be subject to impairment testing. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Based on the aging report as of 31 December, the past due trade and other receivables were provided for as follows:

	2018		2017	
	Gross	**Impairment**	Gross	Impairment
Current	**18,715,261**	**3,417,851**	23,971,895	646,189
Past due 31-60	**687,407**	**624,298**	2,111,401	594,955
Past due 61-90	**533,578**	**531,231**	3,201,463	1,586,888
Over 90	**7,750,934**	**7,750,934**	7,164,380	4,992,763
Total	**27,687,180**	**12,324,314**	36,449,139	7,820,795

The movement in allowance for doubtful accounts in respect of trade receivables during the year is shown in Note 10.

28. Financial instruments *(continued)*

ii. Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments:

	Carrying amount	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
31 December 2018						
Bank overdraft	**885,472**	**885,472**	**885,472**	**-**	**-**	**-**
Borrowings	**17,709,938**	**25,836,128**	**3,836,581**	**4,462,287**	**6,966,229**	**10,571,031**
Customers deposits	**975,553**	**975,553**	**975,553**	**-**	**-**	**-**
Trade and other payables	**8,624,095**	**10,356,886**	**6,795,875**	**35,382**	**106,147**	**3,419,481**
	28,195,058	**38,054,039**	**12,493,481**	**4,497,669**	**7,072,376**	**13,990,512**
31 December 2017						
Bank overdraft	3,104,022	3,104,022	3,104,022	-	-	-
Borrowings	9,021,098	9,269,193	2,875,564	3,792,292	2,601,337	-
Customers deposits	998,173	998,173	998,173	-	-	-
Trade and other payables	10,421,036	11,753,216	8,171,758	35,382	106,147	3,439,931
	23,544,328	25,124,604	15,149,517	3,827,674	2,707,484	3,439,931

iii. Market risk

Interest rate risk

			2018		2017
	Interest	**Interest rate**	**Carrying amount**	Interest rate	Carrying amount
Cash in bank	**Fixed**	0%-1.0%	**7,081,686**	0%-1.0%	2,851,755
Overdraft	**Fixed**	9.20%	**(885,572)**	9.20%	(3,104,022)
Leases	**Fixed**	0.74% - 2.29%	**(2,188,777)**	0.74% - 2.29%	(2,184,486)
Borrowings	**Variable**	2.97%-3.43%	**(18,595,410)**	2.97%-3.43%	(9,021,098)

Cash flow and fair value interest rate risk

Cash flow interest rate risk arises from borrowings with variable interest rate. The Company has borrowings carrying interest rates based on LIBOR. The cash flow interest rate risk sensitivity which is consistent with prior year is shown below in case there is a 10% increase/decrease in interest rate.

		2018			2017	
	At required rate	**+10% increase**	**-10% decrease**	At required rate	+10% increase	-10% decrease
CDB – 8OR/ANG	**361,484**	**397,632**	**325,336**	-	-	-
CDB – 6OR/ANG	**207,212**	**227,933**	**186,491**	175,794	193,373	158,215
CDB – 3OR/ANG	**77,665**	**85,432**	**69,899**	114,126	125,539	102,713
	646,361	**710,997**	**581,726**	289,920	318,912	260,928

Price risk

Price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments. The Company is not exposed to price risk as it does not have equity investments as at the reporting date.

28. Financial instruments *(continued)*

iv. Fair value

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

	2018		2017	
	Carrying amount	**Fair values**	Carrying amount	Fair values
Trade and other receivables	**15,362,866**	**15,362,866**	28,628,344	28,628,344
Cash	**7,081,686**	**7,081,686**	2,851,755	2,851,755
	22,444,552	**22,444,552**	31,480,099	31,480,099
Overdraft	**885,472**	**885,472**	3,104,022	3,104,022
Borrowings	**17,709,938**	**16,946,285**	9,021,098	9,112,913
Consumers' deposits	**975,553**	**975,553**	998,173	998,173
Trade and other payables	**8,624,095**	**7,174,020**	10,421,036	8,970,961
	28,195,058	**25,981,330**	23,544,329	22,186,069

The basis for the determination of the fair values is discussed in detail in Note 5 to the financial statements.

29. Related party transactions

Identification of related party

A party is related to the Company if:

(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Company;
- Has 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. These include the Chief Executive Officer, the Chief Financial Officer, the Systems Control Engineer, the Network Operations Engineer, the Information Technology Manager, the Human Resource Manager, the Transmission and Distribution Superintendent, the Accountant and the Corporate Secretary.

(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.

29. Related party transactions *(continued)*

Related party transactions and balances

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2018 and 2017. These transactions were conducted at market rates, or commercial terms and conditions. Details are as follows:

i. Key management personnel and directors

	2018	2017
Short-term benefits to executive officers	**2,485,265**	2,647,068
Director fees and related activities	**444,802**	400,055
Hurricane expenses	**-**	95,950

ii. Government of Anguilla (GOA) – significant shareholder

Balance sheet		**2018**	2017
Accounts receivable		**7,788,898**	7,442,688
Allowance for credit losses		**(7,510,334)**	(4,179,892)
Lease payable	*33*	**(2,188,777)**	(2,184,846)
Environmental levy payable		**(407,743)**	(87,577)
Gross revenue tax payable		**(332,186)**	-
Interim stabilization levy payable		**(43,237)**	(69,636)

Income statement	**2018**	2017
Revenues from GOA	**8,248,000**	7,867,000
Credit loss for the year	**3,330,442**	2,003,369
License fee	**750,000**	750,000
Import duties and other fees and services	**6,347,350**	5,124,855
Gross revenue tax	**332,186**	427,700

Others	**2018**	2017
Environmental levy	**3,630,745**	3,186,250
Dividends paid	**232,723**	-

a. The Government of Anguilla imposed an environmental levy of 7% of revenues, excluding Government's usage, on the Company effective 15 April 2010. This is being passed on directly to the customer.

b. License fee during the year is EC$750,000 (2017: EC$750,000).

c. In accordance with the Electricity Supply (Amendment) Regulations, 2018, the Company shall pay to the Government a gross revenue tax which is equivalent to a variable portion in the amount of .65% of the audited gross revenue of the Company from the previous year's audited financial statements and payable in the last quarter in the year in which it is due.

29. Related party transactions *(continued)*

Related party transactions and balances *(continued)*

ii. Government of Anguilla (GOA) – significant shareholder *(continued)*

d. The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (see Note 14).

e. The Company leases various crown lands of the Government of Anguilla for terms ranging from 50 to 99 years. (see Note 33)

iii. Anguilla Social Security Board – significant shareholder

The Company pays social security contributions for its employees to Anguilla Social Security Board in compliance with the Anguilla Social Security Act. Total employer and employee contributions incurred during the year amounted to EC$722,971 (2017: EC$743,436) of which EC$68,489 (2017: EC$79,231) were outstanding at 31 December 2018.

iv. National Commercial Bank of Anguilla Limited – significant shareholder

The Company maintains a savings deposit and has an overdraft facility with a limit of EC$3.2 million with the National Commercial Bank of Anguilla Limited, with an interest rate of 9.2% per annum, which is currently in use. Details are as follow:

	2018	2017
Current account	**4,892,181**	-
Bank overdraft	**(885,472)**	(3,104,022)

30. Commitments

On 1 July 2016, the Company entered into a gas oil supply contract with Delta Petroleum Limited commencing on that day until 30 June 2019.

31. Self-insurance fund

The Company experienced difficulty in obtaining adequate and reasonably priced commercial insurance coverage primarily on the Transmission and Distribution assets in prior years. In line with this, the Board of Directors had therefore given approval in 2006 for the establishment of a Self-insurance fund to provide coverage for its assets in the event of natural disasters or similar catastrophic events. The relevant enabling legislative process was completed during 2006 and the Company set aside an amount of EC$685,714 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.

31. Self-insurance fund *(continued)*

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

	2018	2017
Balance at beginning of the year	**-**	8,143,725
Withdrawals for the year	**-**	(8,143,725)
Balance at end of the year	**-**	-

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. In 2017, the company used all their self-insurance fund to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma.

As at December 31, 2018, the Company is fully exposed on liquidity requirements in case another severe natural disaster will impact the Company in subsequent years. As per the Company's previous experience the funding requirement is in the range of EC$18 million to EC$24 million.

32. Hurricane related transactions

On the 6th of September 2017, Anguilla Electricity Company Limited (the "Company") endured one of the most catastrophic hurricanes to ever pass through the Caribbean region. The storm severely damaged all the Company's main office buildings, along with damage to the vehicle garage, stores building, Corito Power Station, the grid and the Company's 1-megawatt solar farm. The Company's IT department were also significantly damage. This resulted to significant interruption in the Company operations as electricity was cut-off for the whole island.

Despite the damage sustained, the team successfully restored 100% of the system within the month of December 2017. As part of the restoration, the Company engaged the teams of the Caribbean Electric Utility Services Corporation (CARILEC) and from countries as far north as Canada and as far south as Guyana. The Canadian support was provided through the auspices of the Governor's Office via the Government of the United Kingdom.

Details of the hurricane related purchases and expenses follows:

	2018	2017	**Remarks**
Material purchases	**2,115,138**	16,714,436	*Note 32 (I)*
Equipment purchases	**300,944**	405,341	*Capitalized - Note 7*
Vehicle purchases	**194,481**	1,156,537	*Capitalized - Note 7*
Furnitures and fixtures purchases	**261,516**	69,594	*Capitalized - Note 7*
Labour	**373,188**	3,251,704	*Note 32 (II)*
Overhead	**196,500**	1,860,466	*Note 32 (III)*
Others	**716,462**	3,846,602	*Note 32 (IV)*
	4,158,229	27,304,680	

Please see Note 32(X) for the details of insurance recovery.

32. Hurricane related transactions *(continued)*

I. Details and distribution of material purchases to the financial statements follows:

	Note	FS Classification	**2018**	2017
Unused inventories	*9*	Balance Sheet	**1,351,584**	5,315,677
Capitalized property, plant and equipment	*7*	Balance Sheet	**654,345**	11,036,817
Hurricane expenses	*32 (v)*	Income Statement	**109,209**	361,942
			2,115,138	16,714,436

II. Details and distribution of labour expenses to the financial statements follows:

	Note	FS Classification	**2018**	2017
Capitalized labour – employee overtime	*7*	Balance Sheet	**-**	1,028,169
Hurricane labour expenses	*32 (v)*	Income Statement	**242,117**	970,471
Capitalized labour – casual employees	*7*	Balance Sheet	**-**	582,526
Capitalized labour - contractual	*7*	Balance Sheet	**131,071**	670,538
			373,188	3,251,704

III. Details and distribution of overhead expenses to the financial statements follows:

	Note	FS Classification	**2018**	2017
Capitalized overhead – heavy equipment rental	*7*	Balance Sheet	**175,344**	1,465,210
Hurricane overhead expenses - others	*32 (v)*	Income Statement	**21,156**	395,256
			196,500	1,860,466

32. Hurricane related transactions *(continued)*

IV. Details and distribution of other expenses to the financial statements follows:

	Note	FS Classification	**2018**	2017
Food		Income Statement	**117,231**	1,227,790
Travel and per diem		Income Statement	**112,399**	546,222
Repair and maintenance		Income Statement	**42,901**	508,406
Accommodation		Income Statement	**22,158**	409,129
Supervisor and management ex-gratia		Income Statement	**-**	404,900
Vehicle rental		Income Statement	**75,448**	356,580
Professional and consultancy services		Income Statement	**224,599**	99,047
Shipping and brokerage		Income Statement	**30,645**	70,068
Supplies		Income Statement	**41,143**	53,893
IT Equipment		Income Statement	**8,761**	25,624
Insurance		Income Statement	**-**	18,101
Vehicle materials		Income Statement	**13,441**	12,389
Duties		Income Statement	**366**	10,467
Others		Income Statement	**27,370**	103,986
	32 (v)		**716,462**	3,846,602

V. In summary, the following are the breakdown of capitalizable and non-capitalizable hurricane related purchases and expenses:

2018	Balance sheet	Income statement	**Total**
Material purchases	**2,005,929**	**109,209**	**2,115,138**
Equipment purchases	**300,944**	**-**	**300,944**
Vehicle purchases	**194,481**	**-**	**194,481**
Furnitures and fixtures purchases	**261,516**	**-**	**261,516**
Labour	**131,071**	**242,117**	**373,188**
Overhead	**175,344**	**21,156**	**196,500**
Others	**-**	**716,462**	**716,462**
	3,069,285	**1,088,944**	**4,158,229**

2017	Balance sheet	Income statement	**Total**
Material purchases	16,352,494	361,942	16,714,436
Equipment purchases	405,341	-	405,341
Vehicle purchases	1,156,537	-	1,156,537
Furnitures and fixtures purchases	69,594	-	69,594
Labour	2,281,233	970,471	3,251,704
Overhead	1,465,210	395,256	1,860,466
Others	-	3,846,602	3,846,602
	21,730,409	5,574,271	27,304,680

32. Hurricane related transactions *(continued)*

VI. Details of the hurricane expenses and losses as reflected in the statement of income excluding business interruption losses follows:

	Note	**2018**	2017
Hurricane expenses	32 (v)	**1,088,944**	5,574,271
Losses on fully damaged property, plant and equipment	32 (vii)	**1,509,958**	12,787,902
Reversal of impairment on partially damaged property, plant and equipment	32 (viii)	**(1,323,326)**	1,323,326
Grant expenses	32 (ix)	**559,452**	310,676
		1,835,028	19,996,175

VII. Details of the losses on fully damaged property, plant and equipment follows:

2017	**Costs**	**Accumulated Depreciation**	**Loss**
Transmission and distribution	3,386,238	(1,876,280)	**1,509,958**
Vehicle	239,989	(239,989)	**-**
	3,626,227	(2,116,269)	**1,509,958**

2017	**Costs**	**Accumulated Depreciation**	**Loss**
Solar Farm	7,812,006	(386,002)	**7,426,004**
Transmission and distribution	15,758,909	(11,775,108)	**3,983,801**
Street lights and meters	706,815	(610,631)	**96,184**
Building improvements	1,618,349	(796,344)	**822,005**
Furniture and fixtures	276,449	(186,155)	**90,294**
Computer equipment	987,126	(634,501)	**352,625**
IT equipment	50,402	(39,010)	**11,392**
Garage	206,502	(200,905)	**5,597**
	27,416,558	(14,628,656)	**12,787,902**

VIII. Details of impairment on partially damaged property, plant and equipment follows:

	Note	**2018**	**2017**
Generation equipment	*7*	**(1,199,835)**	1,199,835
Building – power station and stores	*7*	**(123,491)**	123,491
		(1,323,326)	1,323,326

32. Hurricane related transactions *(continued)*

IX. Details of government grants and donations received by the Company during the restoration for the year ended follows:

	Type	**Capitalized**	**Expense**	**Total**
United Kingdom Government	Labour	3,549,849	-	**3,549,849**
United Kingdom Government	Overhead	1,198,762	-	**1,198,762**
United Kingdom Government	Other	-	559,452	**559,452**
		4,748,611	559,452	**5,308,063**

2017	**Type**	**Capitalized**	**Expense**	**Total**
United Kingdom Government	Labour	1,870,866	-	**1,870,866**
United Kingdom Government	Overhead	631,780	-	**631,780**
United Kingdom Government	Other	-	310,676	**310,676**
CARILEC	Labour	839,167	-	**839,167**
		3,341,813	310,676	**3,652,489**

The Company policy is to recognized government grants received in the profit or loss on a systematic basis over the periods in which they recognized as expense the related costs for which the grants are intended to compensate. Thus, the grants received that were capitalized are recorded as deferred income upon receipt and record the related grant income based on the amount of depreciation recorded during the year. As at December 31, 2018, the following are the details of the deferred and grant income:

Movement of deferred income follows:

	2018	2017
Beginning balance	**3,324,408**	-
Grant received during the year	**5,308,063**	3,652,489
Grant charged to income during the year - other	**(559,452)**	(310,676)
Grant charged to income during the year - depreciation	**(444,489)**	(17,405)
	7,628,530	3,324,408

32. Hurricane related transactions *(continued)*

X. Insurance claims and recoveries

The Company's property and business interruption insurance coverage are as follows:

TYPE	INSURANCE COMPANY	SUM INSURED	DEDUCTIBLE
Business Interruption	NAGICO	EC$25,000,000	(a)
Building & Contents	NAGICO	EC$85,801,000	(a)
Solar Power Plant	NAGICO	EC$7,526,960	(b)
Comprehensive General Liability			
Employers liability	ALESCO	EC$5,000,000	(c)
Public, Products & Pollution	ALESCO	EC$5,000,000	(c)
Transmission & Distribution	Self-insurance		Note 31

(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.

The Company had made filing for damages and business interruption claims based on the above coverage of their insurance policies. However as at today, it is still unclear whether the remaining unpaid claims amounting to EC$3.3 million made on business interruption are still covered by the insurance policies, thus, significant uncertainty still exist as to whether or not any compensation will be available on the unpaid claims. Until such uncertainties are adequately resolved, the Company only recognized as insurance recovery income the amount of proceeds received as at audit report date. Details of these insurance proceeds to date are as follows:

2018	Received as at audit report date	Received as at December 31, 2018	**Receivable as at December 31, 2018**
Solar Power Plant claim	5,630,991	4,569,940	**1,061,051**
Asset damages claim	9,658,660	2,605,904	**7,052,756**
Total damage claims	15,289,651	7,175,844	**8,113,807**
Business Interruption	5,375,542	5,375,542	**-**
Total	20,665,193	12,551,386	**8,113,807**

32. Hurricane related transactions *(continued)*

XI. Insurance claims and recoveries *(continued)*

2017	Received as at audit report date	Received as at December 31, 2017	Receivable as at December 31, 2017
Solar Power Plant	5,630,991	2,688,200	1,881,740
Business Interruption	5,375,542	-	5,375,542
Damages	9,658,660	-	9,658,660
	20,665,193	2,688,200	17,976,993

33. Leases

Operating lease

a. Main Building

On 6 November 2009, the Company renewed its lease with the lessee for another two years with an option to renew for another year. Monthly rent is EC$8,500 commencing November 2009. The lease contract had not been renewed since. However, the Company is paying based on the old terms of the contract. Total rent expense in 2018 included in "administrative expenses" in the statement of comprehensive loss is EC$102,000 (2017: EC$102,000). The lease agreement does not provide for any escalation of rent during the lease term.

b. Additional Office Space

On 11th of December 2017, the Company entered into a two-year lease agreement for additional office space. Monthly rent is EC$13,441 commencing 15th of December 2017. The lease agreement does not provide for any escalation of rent during the lease term.

Also, the Company also entered on a temporary lease for an additional office space for three (3) months. The lease ended as at 23rd of May 2018.

Total rent expense in 2018 included in "administrative expenses" in the statement of comprehensive loss is EC$191,720 (2017: EC$61,191).

c. Garage

On 30th of July 2018, the Company entered into a two-year lease agreement for a temporary Garage. Monthly rent is EC$13,441 commencing 1st of August 2018. The lease agreement does not provide for any escalation of rent during the lease term.

Total rent expense in 2018 included in "administrative expenses" in the statement of comprehensive loss is EC$67,205 (2017:nil).

33. Leases *(continued)*

Finance lease

a. Crown Land

i. Solar power plant

On 19 of February 2016, the Company signed a ninety-nine-year crown land lease agreement with the Government of Anguilla for the solar energy farm commencing on the 1st day of July 2013 and expiring on the 30th day of June 2112.

The annual sum of EC$13,441 will be paid to the lessor for the first 5 years, Thereafter, for the following five years of the lease, the rent will increase annually by five percent (5%). Total expected lease payments including the initial direct cost amounted to EC$2,221,499. The total expected payment as mentioned in the preceding paragraph approximates the fair value of the land subject to lease. Also, the rent shall be continually reviewed at the end of every fifth year of the lease. In no event shall the reviewed rent be less than the rent payable prior to the review.

ii. Administration Building

On 19 April 2017 the Company signed a ninety-nine-year crown land lease agreement with the Government of Anguilla for the purpose of the constructing the Company's administrative building. The lease has an effective commencement date of June 6, 2002 and will expire on June 5, 2102.

The Company agreed to pay the total sum of EC$715,062 which is equivalent to the total fair value of the land plus incremental stamp duty taxes at the beginning of the lease plus an annual peppercorn rent of EC$100.00 for ninety-nine (99) years.

iii. Corito Power Plant

The Company occupies several parcels of Crown land as part of the Corito Power Plant and Corito Substation with proposed lease terms from the Government of Anguilla. Despite various attempt to secure a lease for the occupied parcels over several years, the Company was unsuccessful in doing so. The proposed annual cash payment for these leases is expected to be EC$13,090 and EC$1,271,496 over the lease term of 99 years including initial direct costs. The total expected payment as mentioned in the preceding paragraph approximates the fair value of the land subject to lease.

iv. West End Transmission

The Company occupies Crown land housing its West End Substation with proposed lease terms from the Government of Anguilla. Despite various attempts to secure a lease for the occupied parcels over the years, the Company was not successful in doing so. The annual sum of EC$8,000 is expected to be paid to the lessor for the first 5 years, thereafter, for the following five years of the lease, the rent will increase annually by five percent (5%). Total expected lease payments including the initial direct cost amounted to EC$519,245. The total expected payment as mentioned in the preceding paragraph approximates the fair value of the land subject to lease.

33. Leases *(continued)*

Finance lease *(continued)*

Details of the recognized finance lease assets and liabilities based on the present value of the minimum lease payment using the interest rate implicit in the lease follow:

		2018		
	Total land value	Paid to date	Finance charge to date	Lease payable balance
Solar power plant	1,108,546	(100,471)	**3,594**	**1,011,669**
Administration building	721,539	(715,061)	**116**	**6,594**
Corito power plant	863,966	-	**8,033**	**871,999**
West end transmission	284,949	-	**13,566**	**298,515**
	2,979,000	(815,532)	**25,309**	**2,188,777**

		2017		
	Total land value	Paid to date	Finance charge to date	Lease payable balance
Solar power plant	1,108,546	(100,471)	2,542	1,010,617
Administration building	721,539	(715,061)	103	6,581
Corito power plant	863,966	-	6,902	870,868
West end transmission	284,949	-	11,471	296,420
	2,979,000	(815,532)	21,018	2,184,486

Details of future minimum lease payments follows:

	2018	2017
Past due	**325,175**	304,726
Less than one year	**35,382**	35,382
Between one and five years	**141,530**	141,530
More than five years	**3,419,482**	3,439,931
	3,921,569	3,921,569

34. Contingencies

Pending or threatened litigation

Employee
The Company has been taken before the Labour Tribunal by a terminated employee who is contesting the fairness of his dismissal under the Labour Standards Act, R.S.A. A F15 7(1)(d). The decision of the Labour Tribunal is pending as at audit date.

Also, another employee through her legal counsel has threatened legal action against the Company for an unsubstantiated counselling letter issued against her. No details of legal action is provided to date.

35. Subsequent event

In 2019, the Company received a ***Letter Before Action*** from legal counsel of a former key management personnel who is seeking compensation in the sum of EC$1,986,077 (US$738,813) and legal cost to be negotiated for an alleged claim of constructive dismissal. A further letter was sent by the former key management solicitor to the Labour Commissioner in the first settlement but the Company was not in receipt of any further updates. Litigation is threatened if not compensated.