

Anguilla Electricity Company Limited  
Financial Statements  
31 December 2015  
(Expressed in Eastern Caribbean Dollars)

Initiated on behalf of  
PWC St. Maarten

CC

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Financial Statements**  
**31 December 2015**

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PWC St. Maarten

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## ***Independent Auditor's Report***

To the Shareholders and Board of Directors of  
Anguilla Electricity Company Limited  
The Valley  
Anguilla

Reference number: GB/PP/67.104.0/43075

### ***Report on the financial statements***

We have audited the accompanying financial statements 2015 of Anguilla Electricity Company Limited, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility***

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

### ***Auditor's responsibility***

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

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

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



***Opinion with respect to the financial statements***

In our opinion, the financial statements give a true and fair view of the financial position of Anguilla Electricity Company Limited as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

St. Maarten, 20 September 2016  
PricewaterhouseCoopers St. Maarten

A handwritten signature in blue ink, appearing to read "Petra Popping", is written over a faint, circular blue stamp or watermark.

Petra Popping

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Statement of Financial Position**  
**As at 31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

	<i>Notes</i>	2015	2014
<b>ASSETS</b>			
<u>Non-Current Assets</u>			
Property, plant and equipment - net	6	63,878,993	65,769,531
Investment in certificates of deposit maturing beyond one year	7	-	2,033,953
Net pension asset	23	301,490	509,656
Other assets		11,492	11,492
		<u>64,191,975</u>	<u>68,324,632</u>
<u>Current Assets</u>			
Investment in certificates of deposit maturing within one year	7	4,206,642	5,898,499
Inventories - net	8	7,221,888	6,013,238
Trade and other receivables - net	9	12,586,176	17,469,557
Prepayments and other current assets	10	1,195,952	452,305
Cash	11	18,816,282	13,600,545
		<u>44,026,940</u>	<u>43,434,144</u>
		<u>108,218,915</u>	<u>111,758,776</u>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<u>Shareholders' Equity</u>			
Share capital	12	14,536,147	14,536,147
Retained earnings		76,448,323	73,773,253
		<u>90,984,470</u>	<u>88,309,400</u>
<u>Long-term Liabilities</u>			
Borrowings - net of current portion	13	4,428,114	5,455,195
Contributions in aid of construction	14	3,494,294	3,639,338
		<u>7,922,408</u>	<u>9,094,533</u>
<u>Current Liabilities</u>			
Borrowings - current portion	13	1,027,994	9,123,043
Customer deposits		1,284,862	1,370,334
Trade and other payables	15	6,999,181	3,861,466
		<u>9,312,037</u>	<u>14,354,843</u>
		<u>108,218,915</u>	<u>111,758,776</u>

These financial statements were approved on behalf of the Board of Directors on 14<sup>th</sup> September 2016 by the following:

  
**Mr. Harold Ruan, Chairman**

  
**Mr. James Richardson, Vice Chairman**

*The notes on pages 7 to 36 are integral part of the financial statements.*

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Statement of Comprehensive Income**  
**For the Year Ended 31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

	<i>Note</i>	<u>2015</u>	<u>2014</u>
<b>Revenue</b>			
Energy sales	16	48,232,282	46,550,564
Fuel surcharge recovered	16	17,179,407	34,080,953
		<u>65,411,689</u>	<u>80,631,517</u>
<b>Cost of Operations</b>			
Generation			
Fuel		(18,419,587)	(17,569,647)
Fuel surcharge	16	(14,549,004)	(31,974,982)
		<u>(32,968,591)</u>	<u>(49,544,629)</u>
Other expenses	17	(9,816,254)	(9,239,917)
Transmission and distribution expenses			
	18	(7,976,285)	(8,368,931)
		<u>(50,761,130)</u>	<u>(67,153,477)</u>
<b>Gross Operating Income</b>		14,650,559	13,478,040
Other Income	19	2,395,901	4,063,299
Gross Income		<u>17,046,460</u>	<u>17,541,339</u>
Operating Expenses			
Administrative expenses	20	(11,988,802)	(9,430,147)
Customer services	21	(760,847)	(912,035)
<b>Income from Operations</b>		4,296,811	7,199,157
Other Expenses			
Finance cost		(573,441)	(853,889)
<b>NET INCOME</b>		3,723,370	6,345,268
<b>Other comprehensive income:</b>			
Additional gain/(loss) - net		(233,769)	301,947
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>3,489,601</u>	<u>6,647,215</u>
Additional disclosures:			
Earnings per share	24	0.32	0.55
Dividends per share	25	0.08	0.07

*The notes on pages 7 to 36 are integral part of the financial statements.*

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Statement of Changes in Shareholders' Equity**  
**For the Year Ended 31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

	<i>Notes</i>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance as at 31 December 2013		14,536,147	67,940,569	82,476,716
Net income for the year		-	6,345,268	6,345,268
Other comprehensive income – actuarial gain	23	-	301,947	301,947
Dividends paid		-	(814,531)	(814,531)
Balance as at 31 December 2014		14,536,147	73,773,253	88,309,400
Net income for the year		-	3,723,370	3,723,370
Other comprehensive income – actuarial gain	23	-	(233,769)	(233,769)
Dividends paid	25	-	(814,531)	(814,531)
<b>Balance as at 31 December 2015</b>		<b>14,536,147</b>	<b>76,448,323</b>	<b>90,984,470</b>

*The notes on pages 7 to 36 are integral part of the financial statements.*

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income		3,723,370	6,345,268
Adjustments for:			
Depreciation	6	5,949,510	5,796,211
Interest expense		344,933	896,355
Impairment losses	20	585,801	1,627,357
Interest income	19	(236,208)	(422,535)
Gain on sale of property, plant and equipment	19	(7,906)	(38,810)
Provision for (reversal of) slow moving/obsolete inventories	8	119,046	(97,158)
<b>Operating income before working capital changes</b>		<u>10,478,546</u>	14,106,688
(Increase)/decrease in assets:			
Inventories	8	(1,327,696)	1,102,412
Trade and other receivables	9	4,297,580)	471,627
Prepayments and other current assets	10	(743,647)	(232,192)
Net pension asset		(25,602)	(17,317)
Increase/(decrease) in liabilities:			
Customer deposits		(85,472)	(56,021)
Trade and other payables	15	3,137,714	(2,590,257)
<b>Net cash provided by operating activities</b>		<u>15,731,423</u>	12,784,940
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property, plant and equipment	6	(4,289,413)	(1,344,481)
Proceeds from disposal of property, plant, equipment		238,347	38,810
Decrease/(increase) in investment in certificates of deposit	8	3,725,810	1,106,495
Interest received		236,208	422,534
<b>Net cash provided by / (used in) investing activities</b>		<u>(89,048)</u>	223,358
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	13	(9,122,130)	(6,156,393)
Interest paid		(344,933)	(896,355)
Dividends paid	25	(814,531)	(814,531)
Revenues from contributions in aid of construction	14	(524,512)	(541,529)
Increase in contributions in aid of construction	14	379,468	444,371
<b>Net cash used in financing activities</b>		<u>(10,426,638)</u>	(7,964,437)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		5,215,737	5,043,861
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	11	<u>13,600,545</u>	8,556,684
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	11	<u>18,816,282</u>	<u>13,600,545</u>

*The notes on pages 7 to 36 are integral part of the financial statements.*



**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**1. Reporting entity**

The Anguilla Electricity Company Limited (the Company) was incorporated in Anguilla on 11 January 1991 under the Companies Act, 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 shares of the Company and is therefore its ultimate parent. The Government of Anguilla previously owned 40% of the Company and now in addition to this the other 23% that were owned by the indigenous banks, the National Bank of Anguilla Limited (12%), and Caribbean Commercial Bank (Anguilla) Limited (11%). These banks were amalgamated in 2016 and are owned by the Government of Anguilla.

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

**2. Basis of preparation**

**(a) Statement of compliance**

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

The financial statements were authorized for issue by the Board of Directors on 14 September, 2016.

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgments**

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

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

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**2. Basis of preparation (continued)**

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

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

**3. Summary of significant accounting policies**

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

**(a) Property, plant and equipment**

*i. Recognition and measurement*

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in profit or loss.

*ii. Subsequent costs*

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

*iii. Depreciation*

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**3. Summary of significant accounting policies (continued)**

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Plant and machinery	10-20 years
Furniture, fittings and equipment	5 years
Motor vehicles	3-5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

*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 and equipment account.

**(b) Financial instruments**

*i. Non-derivative financial instruments*

Non-derivative financial instruments comprise investment in certificates of deposit, trade and other receivables, cash and cash equivalents, borrowings, customer deposits and trade and other payables.

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

*Investment in certificates of deposit*

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

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

*Trade and other receivables*

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

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**3. Summary of significant accounting policies (continued)**

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and other highly liquid financial assets with maturities of less than three months that are purposed to meet short-term cash commitments and are not subject to significant risk of change in value.

*Borrowings*

Borrowings are recognized initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortized cost.

*Trade and other payables*

Trade and other payables are stated at their cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

*Other*

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

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired).

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset.

**(c) 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.

**(d) Impairment**

**i. Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**3. Summary of significant accounting policies (continued)**

or loss. An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

**ii. Non-financial assets**

The carrying value of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(e) Contributions in aid of construction**

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

**(f) 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.

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**3. Summary of significant accounting policies (continued)**

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.

**(g) 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 fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the 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. Late charges*

A 2% late fee is charged on all customer trade receivable balances not paid by the 27<sup>th</sup> day after billing. The Company recognizes income from late charges when billed and is reported as other income (see Note 19) and trade receivables.

*iii. Interest income*

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

*iv. Connection upgrades and other services*

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

**(h) 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 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.

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**3. Summary of significant accounting policies (continued)**

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 income 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.

**(i) Finance cost**

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of the cost of the asset.

**(j) 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.

**(k) 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.

**(l) Foreign currency transactions**

Transactions in foreign currencies are translated to EC Dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to EC Dollars at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2015**

Expressed in Eastern Caribbean Dollars (EC\$)

**3. Summary of significant accounting policies (continued)**

Foreign exchange differences arising on conversion and translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to EC Dollars at the exchange rate at the date of the acquisition.

**(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. When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

**(n) 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.

**(o) Events after the reporting date**

Post year-end events that provide additional information about the Company's position at the end of the 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.

**(p) New standards, interpretations and amendments adopted in 2015**

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2015 that would be expected to have a material impact on the Company.

**(q) New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through 'Other comprehensive income (OCI)' and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model



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**3. Summary of significant accounting policies (continued)**

that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is currently assessing IFRS 9's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**4. Financial risk management**

**Overview**

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

- credit risk
- liquidity risk
- market risk

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

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

The Company's risk management policies are established to identify and 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 obligations.

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

**Credit risk**

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

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**4. Financial risk management (continued)**

*Investment in certificates of deposit*

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, 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. The main components of this allowance are collective losses based on number of days in receivable.

**Liquidity risk**

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

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

**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 fixed at EC\$2.70 = US\$1.00.

*Interest rate risk*

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Company to interest rate risk. The Company's exposure and the interest rates on its financial liabilities are disclosed in Note 26 to the financial statements.

**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.

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4. **Financial risk management (continued)**

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

	<u>2015</u>	<u>2014</u>
Total debt	17,234,445	23,449,376
Stockholders' equity	90,984,470	88,309,400
Debt-to-equity ratio (total debt / total equity)	<u>19%</u>	<u>27%</u>
Total debt	17,234,445	23,449,376
Total assets	108,218,915	111,758,776
Debt ratio (total debt / total assets)	<u>16%</u>	<u>21%</u>
Stockholders' equity	90,984,470	88,309,400
Total assets	108,218,915	111,758,776
Equity ratio (total shareholders' equity / total assets)	<u>84%</u>	<u>79%</u>

The improvements in all performance ratios are due to repayment of debts, lower operating expenses especially fuel and generation cost.

5. **Determination of fair values**

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

- (a) **Held-to-maturity investment in certificates of deposit**  
The fair value of held-to-maturity investment in certificates of deposit 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.

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**5. Determination of fair values (continued)**

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

**6. Property, plant and equipment**

	Land	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Capital work in progress	Total
<b>Cost</b>							
31 December 2013	914,738	14,559,134	109,799,001	3,449,091	3,947,489	927,312	133,596,765
Additions/(transfers)	-	59,133	833,258	351,593	80,537	19,960	1,344,481
Disposals	-	-	-	-	(279,933)	-	(279,933)
31 December 2014	914,738	14,618,267	110,632,259	3,800,684	3,748,093	947,272	134,661,313
Additions/(transfers)	-	0	1,322,785	265,202	733,915	1,967,511	4,289,413
Disposals	-	-	(306,826)	-	(90,056)	-	(396,882)
<b>31 December 2015</b>	<b>914,738</b>	<b>14,618,267</b>	<b>111,648,218</b>	<b>4,065,886</b>	<b>4,391,952</b>	<b>2,914,783</b>	<b>138,553,844</b>
<b>Accumulated depreciation</b>							
31 December 2013	-	4,372,868	52,908,687	2,725,683	3,368,266	-	63,375,504
Depreciation	-	364,055	5,023,119	206,959	202,078	-	5,796,211
Disposals	-	-	-	-	(279,933)	-	(279,933)
31 December 2014	-	4,736,923	57,931,806	2,932,642	3,290,411	-	68,891,782
Depreciation	-	366,183	5,125,192	227,619	230,516	-	5,949,510
Disposals	-	-	(5,114)	(71,272)	(90,055)	-	(166,441)
<b>31 December 2015</b>	<b>-</b>	<b>5,103,106</b>	<b>63,051,884</b>	<b>3,088,989</b>	<b>3,430,872</b>	<b>-</b>	<b>74,674,851</b>
<b>Net book values</b>							
<b>31 December 2015</b>	<b>914,738</b>	<b>9,515,161</b>	<b>48,596,334</b>	<b>976,897</b>	<b>961,080</b>	<b>2,914,783</b>	<b>63,878,993</b>
31 December 2014	914,738	9,881,344	52,700,453	868,042	457,682	947,272	65,769,531

The Company is exposed to insurance risk on its transmission and distribution assets. These assets were not covered by external insurance. To manage this risk, the Company has established a "Self-insurance fund" (see Notes 7 and 29) and will continue to set aside funds on an annual basis to increase the funds and mitigate the risk of damage from catastrophic events. At present, the fund balance may not be adequate to cover for possible catastrophic occurrence. To further mitigate the risk, the Company continues to upgrade the transmission and distribution system to withstand higher categories of wind velocities. Certain items of Property, plant and equipment was used to secure the loan from Caribbean Development Bank (See Note 13.1).

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**7. Investment in certificates of deposit (COD)**

The Company's investment in securities comprises of certificate of deposits with the Caribbean Commercial Bank Anguilla Ltd. and Scotia Bank Anguilla Limited maturing within one year and beyond one year. Interest earned on the investments range from 0.25 % to 3.425 % (2014: 1.625 % to 5.0 %) per annum. All these EC\$ deposits held are restricted for the self-insurance of the Company's transmission and distribution system.

Notes	2015		2014	
	Within one year	Beyond one year	Within one year	Beyond one year
Caribbean Commercial Bank Anguilla Ltd	2,583,780	-	2,030,516	2,033,953
Scotia Bank Anguilla Limited	1,622,862	-	-	-
National Bank of Anguilla Limited	-	-	3,867,983	-
29	<b>4,206,642</b>	<b>-</b>	<b>5,898,499</b>	<b>2,033,953</b>

**8. Inventories**

	2015	2014
Generation parts and fuel	4,129,305	3,140,147
Transmission and distributions parts	3,301,591	2,987,473
Administration supplies	205,433	181,013
	<b>7,636,329</b>	<b>6,308,633</b>
Less: Allowance for slow-moving and obsolete inventories	(414,441)	(295,395)
	<b>7,221,888</b>	<b>6,013,238</b>

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

	2015	2014
Balance at beginning of year	295,395	392,553
Additional/(reversal of) provision during the year	119,046	(97,158)
Balance at end of year	<b>414,441</b>	<b>295,395</b>

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**9. Trade and other receivables**

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Trade receivables	26	9,440,932	13,150,741
Customer receivable under deferred payment plan		5,691,742	8,415,985
Other		150,633	149,494
Accrued interest receivable		84,619	180,457
		<u>15,367,926</u>	<u>21,896,677</u>
Less: Allowance for doubtful accounts	26	<u>(2,781,750)</u>	<u>(4,427,120)</u>
		<u>12,586,176</u>	<u>17,469,557</u>

The Company has a significant trade receivables balance that is required to be subjected to specific and/or collective impairment testing whenever there is objective evidence of impairment (see Note 26). 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 last for a maximum of twelve months.

As at year-end, the Government of Anguilla owes the Company an amount of EC\$7,011,579 most of which was over 120 days in arrears. The settlement agreement, in place since 24 June 2014, with the approval of the Executive Council of Anguilla is still in effect.

During the year, the Company provided credit loss amounting to EC\$585,801, less other adjustments of EC\$2,231,171, bringing the allowance for doubtful accounts from EC\$4,427,120 in 2014 to EC\$2,781,750 as at year-end.

**10. Prepayments and other current assets**

	<u>2015</u>	<u>2014</u>
Advance deposits	975,985	276,429
Prepaid insurance	146,308	144,805
Other	73,659	31,071
	<u>1,195,952</u>	<u>452,305</u>

**11. Cash**

	<i>Note</i>	<u>2015</u>	<u>2014</u>
Cash in banks		18,814,032	13,598,695
Cash on hand		2,250	1,850
		<u>18,816,282</u>	<u>13,600,545</u>
Total cash in the statement of cash flows	26	<u>18,816,282</u>	<u>13,600,545</u>

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**12. Share capital**

	<u>2015</u>	<u>2014</u>
<b>Authorized:</b>	<b>30,000,000</b>	30,000,000
Issued and fully paid:		
17,036,147 ordinary shares at XCD \$1.00 per share	<b>17,036,147</b>	17,036,147
Less: Treasury shares		
5,400,000 ordinary shares at no par value	<b>(5,400,000)</b>	(5,400,000)
	<b>11,636,147</b>	11,636,147
Add: Discount on treasury stock	<b>2,900,000</b>	2,900,000
	<b>14,536,147</b>	14,536,147

	<u>2015</u>	<u>2014</u>
<b>The current percentage of ownership is:</b>		
Government of Anguilla	<b>40%</b>	40%
Anguilla Social Security Board	<b>16%</b>	16%
National Bank of Anguilla Limited	<b>12%</b>	12%
Caribbean Commercial Bank (Anguilla) Limited	<b>11%</b>	11%
General Public	<b>21%</b>	21%
	<b>100%</b>	100%

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

The 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, 2016. A single Government-owned National Commercial Bank of Anguilla (NCBA) was established on April 25, 2016 and assumed full interest in all shares held by the dissolved institutions. As of this date, the current percentage of ownership of NCBA in The Anguilla Electricity Company Limited was 23% i.e. the original NBA holding of 12% and that of CCB of 11%.

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**13. Borrowings**

	<i>Notes</i>	<b>2015</b>	<b>2014</b>
Caribbean Development Bank	13.1	<b>5,456,108</b>	6,820,152
Scotia bank Anguilla Limited - Facility B	13.2	-	6,923,277
Scotia bank Anguilla Limited - Facility A	13.3	-	834,809
		<b>5,456,108</b>	14,578,238
Less: Current portion		<b>(1,027,994)</b>	(9,123,043)
		<b>4,428,114</b>	5,455,195

13.1 This loan (03/OR-ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US\$6,089,000 (EC\$16,368,450). This loan is payable in forty-eight (48) equal and consecutive quarterly installments of US\$126,855 (EC\$341,012) with a variable interest rate currently at 3.43% (2014: 3.95%) 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 property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2015, the current and non-current portion of this loan is EC\$1,027,994 and EC\$4,428,114 (2014: EC\$ 1,364,957 and EC\$ 5,455,195), respectively.

13.2 This loan was made to the Company by Scotia Bank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire-fighting project. The loan was fully paid off on 27 July, 2015.

13.3 This loan was made to the Company by Scotia Bank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire-fighting project. The loan was fully paid off on 18 June, 2015.

Total interest expense incurred on the aforementioned borrowings included in "Finance cost" in profit or loss follows:

	<b>2015</b>	<b>2014</b>
Caribbean Development Bank (03/OR-ANL)	<b>205,990</b>	295,358
Scotia bank Anguilla Limited - Facility B	<b>133,794</b>	531,946
Scotia bank Anguilla Limited - Facility A	<b>5,149</b>	58,354
Caribbean Development Bank (02/OR-ANL)	-	10,697
	<b>344,933</b>	896,355



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**14. Contributions in aid of construction**

	<i>Note</i>	<u>2015</u>	<u>2014</u>
Balance at beginning of year		3,639,338	3,736,496
Contributions during the year		379,468	444,371
Amount charged to profit or loss	19	<u>(524,512)</u>	<u>(541,529)</u>
Balance at end of the year		<u>3,494,294</u>	<u>3,639,338</u>

**15. Trade and other payables**

	<i>Note</i>	<u>2015</u>	<u>2014</u>
Accrued expenses		3,947,330	721,174
Trade payables		2,519,174	2,432,840
Environmental Levy payable	27	316,679	400,943
Other payables		169,211	225,606
Accrued interest payable		46,787	80,903
		<u>6,999,181</u>	<u>3,861,466</u>

**16. Energy sales**

	<u>2015</u>	<u>2014</u>
Amounts billed during the year	48,303,792	46,705,367
Less: Unbilled revenue at beginning of the year	<u>(2,558,834)</u>	<u>(2,713,637)</u>
	45,744,958	43,991,730
Add: Unbilled revenue at end of the year	<u>2,487,324</u>	<u>2,558,834</u>
	<u>48,232,282</u>	<u>46,550,564</u>

Based on the Electricity Regulations, tariffs shall be subject to a surcharge of EC\$0.01 per unit for every EC\$0.10 per gallon increase in the price of fuel oil over EC\$3.64 per gallon. The surcharge was fixed at EC\$0.45 per kwh since 15 May 2011 when it increased from EC\$0.34 kwh. On 1 November 2014 the surcharge was reduced again to EC\$ 0.35 and was further reduced to EC\$0.22 on 15 January 2015. A further reduction saw the rate reduced on the 21 st September, 2015 to EC\$0.15. This was the rate at the end of the financial year.

The Company incurred total fuel surcharge expenses of EC\$14,549,004 (2014: EC\$ 31,974,982) of which it recovered EC\$17,179,407 (2014: EC\$ 34,080,953).

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**17. Generation – other expenses**

	<i>Notes</i>	<b>2015</b>	<b>2014</b>
Depreciation	6	<b>3,197,628</b>	3,185,402
Staff costs	22	<b>2,928,675</b>	2,790,295
Repairs and maintenance		<b>2,712,838</b>	2,299,829
Insurance		<b>873,203</b>	860,881
Supplies and other expenses		<b>103,910</b>	103,510
		<b>9,816,254</b>	<b>9,239,917</b>

**18. Transmission and distribution expenses**

	<i>Notes</i>	<b>2015</b>	<b>2014</b>
Staff costs	22	<b>3,942,312</b>	3,701,944
Depreciation	6	<b>2,113,867</b>	2,039,795
Repairs and maintenance		<b>1,082,687</b>	1,136,620
Supplies and other expenses		<b>584,429</b>	395,498
Insurance		<b>252,990</b>	237,397
Hurricane expenses		-	857,677
		<b>7,976,285</b>	<b>8,368,931</b>

**19. Other income**

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Late charges		<b>889,648</b>	2,451,789
Revenue from contributions in aid of construction	14	<b>524,512</b>	541,529
Connection upgrades and other services		<b>508,218</b>	298,074
Interest income		<b>236,208</b>	422,535
Reconnection fees		<b>152,350</b>	240,200
Relocation and rental of poles		<b>77,059</b>	70,362
Gain on sale of motor vehicles		<b>7,906</b>	38,810
		<b>2,395,901</b>	<b>4,063,299</b>

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**20. Administrative expenses**

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Staff costs	22	3,321,289	2,866,640
Litigation settlement -Anguilla Development Corporation matter	32	2,688,200	-
Office expenses		2,236,240	2,604,784
General		781,738	595,548
Litigation settlement-employee matter	32	650,000	-
Depreciation	6	593,802	571,014
Impairment losses	26	585,801	1,627,357
Directors fees and expenses		447,492	433,730
Insurance		198,364	228,460
Consultancy fees		172,384	20,348
Audit fees		156,050	175,848
Legal fees		135,016	282,417
Public share issue fees and expenses		22,426	24,001
		<u>11,988,802</u>	<u>9,430,147</u>

**21. Consumer services**

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Staff costs	22	413,044	447,323
Temporary and contract services		152,653	192,771
Vehicle repairs and maintenance		113,292	172,170
Other		81,858	99,771
		<u>760,847</u>	<u>912,035</u>

**22. Staff costs**

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Salaries, wages and other benefits		9,156,403	8,545,362
Training		485,751	302,504
Social security		330,719	318,223
Pension expenses - defined contribution plan	23	278,001	287,175
Interim stabilization levy		238,909	236,664
Pension expenses - defined benefit plan	23	115,537	116,274
		<u>10,605,320</u>	<u>9,806,202</u>

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**23. Pension expenses**

The Company has two pension plans for its employees:

a. *Defined contribution plan*

The Company uses a defined contribution plan for its non-management employees and all management employees hired after 2005. This plan is handled and administered by Zurich International. Total contributions made by the Company amounted to EC\$278,001 and EC\$287,175 in 2015 and 2014, respectively (see Note 22).

b. *Defined benefit plan*

For senior management hired before 2005, the Company has a defined benefit plan and contributes to the multi-employer plan named CDC Caribbean Pension Scheme which is administered by Sagicor Life Inc. This plan is closed to new participants.

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

	<u>2015</u>	<u>2014</u>
Present value of obligations	3,519,000	3,242,509
Fair value of plan assets	(3,820,490)	(3,752,165)
Net pension asset	<u>(301,490)</u>	<u>(509,656)</u>

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

	<u>2015</u>	<u>2014</u>
Present value of obligation at beginning of year	3,242,509	3,214,735
Interest cost	251,048	232,594
Current service cost	122,759	125,490
Benefits Paid	(35,939)	(34,893)
Actuarial gain on obligation	(61,377)	(295,417)
Present value of obligation at end of year	<u>3,519,000</u>	<u>3,242,509</u>

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

	<u>2015</u>	<u>2014</u>
Fair value of plan assets at beginning of year	3,752,165	3,405,127
Expected return on plan assets	284,379	241,811
Contributions	115,033	133,590
Benefits paid	(35,939)	(34,893)
Actuarial gain on plan assets	(295,148)	6,530
Fair value of plan assets at end of year	<u>3,820,490</u>	<u>3,752,165</u>

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**23. Pension expenses (continued)**

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

	<u>2015</u>	2014
Equities	30%	30%
Other- Bonds and fixed income securities	70%	70%

Pension expense recognized in profit or loss is shown below:

	<u>2015</u>	2014
Current service cost	122,759	125,491
Interest cost	251,048	232,594
Expected return on plan assets	<u>(284,379)</u>	<u>(241,811)</u>
Pension expenses - defined benefit plan	<u>89,428</u>	116,274

The principal actuarial assumptions used were as follows:

	<u>2015</u>	2014
Discount rate	7.50%	7.50%
Expected return on plan assets	7.50%	7.50%
Salary increase rates	<u>7.00%</u>	<u>6.50%</u>

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

	<u>Increase/ (Decrease)</u>
Discount rate – 1%	709,892
Discount rate + 1%	(551,178)
Salary increase – 0.5%	(72,743)
Salary increase +0.5%	82,447

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

	<u>2015</u>	2014
Present value of obligation	3,519,000	3,242,509
Fair value of plan assets	<u>(3,820,490)</u>	<u>(3,752,165)</u>
Deficit/(Surplus)	<u>(301,490)</u>	<u>(509,656)</u>
Experience adjustments arising from plan liabilities	<u>61,377</u>	295,417
Experience adjustments arising from plan assets	<u>(295,148)</u>	6,530

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**23. Pension expenses (continued)**

The actuarial (gain) loss recognized in the other comprehensive income is as follows:

	<u>2015</u>	<u>2014</u>
Gain from experience	(61,377)	(295,417)
Expected return on plan assets	284,379	241,811
Actual return on plan assets	10,767	(248,341)
(Gain)/Loss from experience	<u>233,769</u>	<u>(301,947)</u>

The Company expects to pay EC\$134,175 plus the increase in salary for these employees which is of yet been determined (2014: EC\$134,175) in contributions to the defined benefit plan in 2016.

**24. Earnings per share**

The calculations of basic earnings per share as at 31 December 2015 and 2014 were based on the net income for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	<u>2015</u>	<u>2014</u>
Net income for the year	3,723,370	6,345,268
Total number of shares issued at end of year	11,636,147	11,636,147
Earnings per share	<u>0.32</u>	<u>0.55</u>

**25. Dividends**

Dividends of EC\$0.08 per share were declared by the Board of Directors on 18 July, 2016 but not yet sanctioned by the shareholders. The Board of Directors recommended and the shareholders' sanctioned to pay a dividend of \$0.07 per share for the year ended 31 December 2014.

	<u>2015</u>	<u>2014</u>
Retained earnings	76,448,323	73,773,253
Appropriated for dividends declared to be sanctioned by shareholders	(930,892)	(814,531)
Retained earnings un-appropriated	<u>75,517,431</u>	<u>72,958,722</u>

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**26. Financial instruments**

***Exposure to credit risk***

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

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Investment in certificates of deposit (C.O.D)	7	4,206,642	7,932,452
Trade and other receivables – net	9	12,586,176	17,469,557
Cash	11	18,816,282	13,600,545
		<u>35,609,100</u>	<u>39,002,554</u>

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

	<i>Note</i>	<u>2015</u>	<u>2014</u>
Government		7,011,579	9,054,731
Hospitality		4,815,456	5,585,956
Residential		1,794,604	3,309,359
Commercial		1,643,438	3,516,538
Other		102,849	430,093
	9	<u>15,367,926</u>	<u>21,896,677</u>

The credit quality of financial assets that are neither past due nor impaired are as follows:

	<i>Note</i>	<u>2015</u>	<u>2014</u>
<b><i>Unimpaired trade receivables</i></b>			
Group 1 - Customers with no defaults		6,927,314	8,881,327
Group 2 - Customers with some defaults, but full recovery		368,159	472,007
Group 3 - Customers with some defaults, partial recovery		973,190	1,247,703
Total unimpaired trade receivables	9	<u>8,268,663</u>	<u>10,601,037</u>

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
<b><i>Cash and investments</i></b>			
Cash	11	18,816,282	13,600,545
Investments in certificates of deposit	7	4,206,642	7,932,452
		<u>23,022,924</u>	<u>21,532,997</u>

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**26. Financial instruments (continued)**

Cash comprise cash on hand and cash in banks and carry little or no financial risk. The Company's investments are comprised of certificate of deposits with the Caribbean Commercial Bank Anguilla, Ltd. and Scotia Bank (Anguilla) Limited. As there are no available independent ratings for these financial assets, the Company was unable to determine the credit quality of these financial assets.

On 12 August 2013, the Eastern Caribbean Central Bank (ECCB) assumed exclusive control of the Caribbean Commercial Bank (Anguilla) Ltd (CCB) and the National Bank of Anguilla (NBA) and placed both institutions into conservatorship under the powers given to it by the Banking Act. The announcement from the Eastern Caribbean Central Bank (ECCB) indicated that the intention was to stabilize and restructure both financial institutions and return them to a state of normalcy, as well as to protect depositors and creditors. This was also done to ensure stability of the banking system in the entire Eastern Caribbean Currency Union.

The Government of Anguilla created the single Government-owned National Commercial Bank of Anguilla (NCBA) which assumed operations on Monday, 25 April, 2016. This new bank replaced the now defunct Caribbean Commercial Bank (Anguilla) Ltd and the National Bank of Anguilla Ltd. This entity evolved from the transferring of the performing loans matched by an equivalent level of deposits of the two prior institutions. Alternatively, the non-performing loans were put into another new financial institution, the Eastern Caribbean Asset Management Corporation.

**Impairment losses**

The Company has a significant trade receivables balance that is required to be subjected to specific and/or collective impairment testing whenever there is objective evidence of impairment.

The Company recognized allowance for doubtful accounts as follows:

- (i) Inactive accounts - 100% provisions (2014: 100%)
- (ii) Government accounts - 10% to 100% provisions (2014: 2% to 100%)
- (iii) Accounts with payment agreements – 10% to 50% provisions (2014: 5% to 100%)
- (iv) General accounts – 15% to 75% provisions (2014: 10% to 30%)

Based on the aging report as of 31 December 2015, the past due trade and other receivables were provided for as follows:

	2015		2014	
	Gross	Impairment	Gross	Impairment
Current	8,268,663	856,794	10,216,722	86,663
Past due 30-60	467,918	159,303	714,267	131,176
Past due 60-90	259,802	134,183	181,429	65,310
Over 90	6,371,543	1,631,470	10,784,259	4,143,971
<b>Total</b>	<b>15,367,926</b>	<b>2,781,750</b>	<b>21,896,677</b>	<b>4,427,120</b>



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**26. Financial instruments (continued)**

The movement in the allowance for doubtful accounts in respect of trade receivables during the year are as follows:

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Balance at beginning of year		4,427,120	6,609,264
Additional credit losses	20	585,801	1,627,357
Write-off		<u>(2,231,171)</u>	<u>(3,809,501)</u>
Balance at end of year	9	<u>2,781,750</u>	<u>4,427,120</u>

**Liquidity risk**

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Under 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>31 December 2015</b>						
Borrowings	5,456,108	5,559,921	1,547,308	2,774,530	1,238,083	-
Customer deposits	1,284,862	1,284,862	1,284,862	-	-	-
Trade and other payables	3,660,981	3,660,981	3,660,981	-	-	-
	<u>10,401,951</u>	<u>10,505,764</u>	<u>6,493,151</u>	<u>2,774,530</u>	<u>1,238,083</u>	<u>-</u>
<b>31 December 2014</b>						
Borrowings	14,578,238	15,950,900	9,431,942	4,893,371	1,625,587	-
Customer deposits	1,370,334	1,370,334	1,370,334	-	-	-
Trade and other payables	3,861,466	3,861,466	3,861,466	-	-	-
	<u>19,810,038</u>	<u>21,182,700</u>	<u>14,663,742</u>	<u>4,893,371</u>	<u>1,625,587</u>	<u>-</u>

**Interest rate risk**

	<u>2015</u>		<u>2014</u>	
	<u>Interest rate</u>	<u>Carrying amount</u>	<u>Interest rate</u>	<u>Carrying amount</u>
Investments in C.O.D	0.25%-3.425%	4,206,642	1.625%-5.00%	7,932,452
Borrowings	3.43%	5,456,108	3.20%-5.75%	14,578,238

**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 is shown below in case there is a 10% increase/decrease in interest rate.

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**26. Financial instruments (continued)**

	2015			2014		
	At average rate for the year	+10% Increase	-10% Decrease	At average rate for the year	+10% Increase	-10% Decrease
Scotia bank - Facility B	-	-	-	514,110	515,988	478,436
Scotia bank - Facility A	-	-	-	52,787	53,032	47,768
	-	-	-	566,897	569,020	526,204

**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.

**Fair values**

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

	2015		2014	
	Carrying amount	Fair values	Carrying amount	Fair values
Investments in C.O.D	4,206,642	4,276,224	7,932,452	7,799,971
Trade and other receivables	12,586,176	12,586,176	17,469,557	17,469,557
Cash	18,816,282	18,816,282	13,600,545	13,600,545
	35,609,100	35,678,682	39,002,554	38,870,073
Borrowings	5,456,108	5,456,108	14,578,238	14,595,580
Customer deposits	1,284,862	1,284,862	1,370,334	1,370,334
Trade and other payables	3,660,981	3,660,981	3,861,466	3,861,466
	10,401,951	10,401,951	19,810,038	19,827,380

The determination of fair values is discussed in detail in Note 5 to the Financial Statements.

**27. Related party transactions**

**Identification of related party**

A party is related to the Company if:

- (i) Directly or indirectly the party:
  - Controls, is controlled by, or is under common control with the Company;
  - Has an interest in the Company that gives it significant influence over the Company; or
  - Has joint control over the Company.
- (ii) The party is a member of the key management personnel of the Company. These include the Chief Executive Officer, the Chief Financial Officer, the Systems Control Engineer and the Network Logistics Engineer.

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**27. Related party transactions (continued)**

(iii) The party is a close member of the family of any individual referred to in (i) or (ii)

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

**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 2015 and 2014. These transactions were conducted at market rates, or commercial terms and conditions.

	<u>2015</u>	<u>2014</u>
Short-term benefits to executive officers	983,406	768,306
Directors' fees and related activities	447,492	433,730
Pension expense - defined contribution plan	45,099	44,167
Pension expense- defined benefit plan	42,272	48,614
	<u>1,518,269</u>	<u>1,294,817</u>
	<u>2015</u>	<u>2014</u>
Revenues from the Government of Anguilla	8,353,440	8,958,147
Amount paid to the Government of Anguilla for the Environmental levy	4,224,029	5,896,570
Credit loss on government accounts	1,208,170	1,248,400
Accrued vacation payable to key management personnel	15,769	24,925

The Company has entered into the following related party transactions:

- a. The Government of Anguilla imposed an environmental levy of 7% of revenues, excluding Government's usage, on the Company effective 15 April 2010. The amount payable to the Government of Anguilla as of 31 December 2015 amounted to EC\$316,679 (2014: EC\$400,943).
- b. Gross trade receivables from the Government of Anguilla are EC\$7,011,579 (2014: EC\$9,054,731).
- c. License fees paid to the Government of Anguilla is EC\$300,000 for 2015 (2014: EC\$300,000).
- d. Amounts paid to the Government of Anguilla for import duties and other fees and services is EC\$5,630,523 (2014: EC\$7,981,404).
- e. Interim stabilization levy paid to the Government of Anguilla is EC\$523,146 (2014: EC\$468,553) of which EC\$45,394 was outstanding at year end (2014: EC\$64,288).

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**27. Related party transactions (continued)**

- f. Dividends paid to the Government of Anguilla in 2015 EC\$325,812 (2014: EC\$325,812).
- g. The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (03/OR-ANL) (see Note 13).
- h. The Company pays social security contributions for its employees to Anguilla Social Security Board in compliance with the Anguilla Social Security Act. Total contributions incurred during the year amounted to EC\$661,438 (2014: EC\$629,723) of which EC\$51,856 (2014: EC\$57,917) was outstanding at 31 December 2015.
- i. The Company has an overdraft facility with a limit of EC\$3.2 million with the National Bank of Anguilla Limited with an interest rate of 9.2% per annum, which is currently in use.

**28. Commitments**

On 1 May 2013, the Company entered into a gas oil supply contract with Delta Petroleum Limited commencing on that day until 30 April 2016.

On 29 August 2013 the Company had entered into an agreement with Global Green Energy Ltd (GGE) based in St. Maarten, to produce 4MW of electricity from waste for a term of twenty (20) years (see Note 30). The agreement expired on the 31<sup>st</sup> December, 2015.

**29. 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.

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

	<i>Note</i>	<b>2015</b>	2014
Balance at beginning of year		4,064,470	5,247,130
Additional provisions for the year		1,622,862	1,018,548
Withdrawals for the year		(1,480,690)	(2,201,208)
Balance at end of year	7	<u>4,206,642</u>	<u>4,064,470</u>

This self-insurance fund is placed in a fixed deposit with a local bank (see Note 7).

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**30. Alternative energy resources**

In an effort to diversify its energy generation portfolio, the Company had entered into an agreement with Global Green Energy Ltd (GGE) based in St. Maarten, to produce 4MW of electricity from waste for a term of twenty (20) years. This agreement expired on 31<sup>st</sup> December, 2015. Under the agreement, the Company had agreed to purchase 100% of energy produced by GGE and capped at 4MW on a take-or-pay model at a negotiated rate per kWh. In addition to the minimum standards for quality and consistent electricity production, the Company required GGE to adhere to certain environmental standards. The Company anticipated reduced cost of generation mostly through reduction in diesel fuel consumption and avoided certain capital investments. GGE had received approval from the Anguilla Executive Council and was working with the various Government departments to enable the plant construction and production. The Company anticipated receiving production from this plant in mid-year 2016.

The Company is currently in the process of building, in partnership with Uriel Renewables, Inc., a turn-key 1MW solar photovoltaic (PV) plant at a contract price of EC\$ 7,472,118. This plant is being built in the vicinity of the Company's Corito diesel powered plant. The decision to invest in solar PV was driven by the significant decline in costs in recent years.

As a result, solar PV technology has become cost competitive with traditional production means. Although the return on investment is challenged due to the recent decline in diesel prices, the Company believes this is the ideal opportunity to pivot and develop alternative modes of production to improve energy security and reduce the country's dependence on fossil fuel.

**31. Operating lease - rent**

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 2015 included in "Operating expenses - Administrative expenses " in the Statement of Comprehensive Income is EC\$102,000 (2014: EC\$102,000). The lease agreement does not provide for any escalation of rent during the lease term. On 23 December 2013, the Company entered into a two-year lease agreement for additional office space. Monthly rent of EC\$7,661 commenced December 2013. Total rent expense related to this lease in 2015 and included in "Operating expenses - Administrative expenses " in the Statement of Comprehensive Income is EC\$91,932 (2014: EC\$91,932).

The future minimum lease expense from non-cancellable leases is as follows:

	<u>2015</u>	<u>2014</u>
Within one year	-	193,936
	-	193,936

**32. Contingencies**

Several employees were terminated in line with the Fair Labour Standards Act, R.S.A F15 7(1)(d) on 26 January 2011, 07 October 2013 and 10 January 2014. In response to the termination, the employees have taken the matter to Labour with the intent to establish a Tribunal concerning their dismissal. One of these

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**32. Contingencies (continued)**

matters was settled on the 25 June, 2016. This settlement charge was recorded in the financial statements for 2015, see Note 20. No decisions have been made to date on the other termination matters.

It was brought to the Company's attention during the 2014 financial year that the Water Corporation of Anguilla, a statutory body of the Government of Anguilla, was illegally obtaining electricity from ANGLEC for a period of about three (3) years. The Company's investigation confirmed the illegal connection. The matter was also brought to the attention of the Board of Directors of both ANGLEC and the Water Corporation as well as the Royal Anguilla Police Force. The Company has estimated the revenue loss of this situation to be approximately EC\$3,510,657. The Company has not recognized this amount, pending negotiation and determination of the recoverable amount. There were no further developments between the Company and the Water Corporation of Anguilla regarding payments and settlement of this matter during 2015.

There was a claim from Anguilla Development Corporation against the Company for the disruption of service to their reverse osmosis plant. This claim was made in 2015. The Board of Directors settled this matter on the 18 July, 2016 for EC\$ 2,688,200. This settlement charge was recorded in the financial statements, see Note 20.