



# **ANGUILLA ELECTRICITY COMPANY LIMITED**

Financial Statements

December 31, 2016

(Expressed in Eastern Caribbean Dollars)

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# CORPORATE INFORMATION

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## **REGISTERED OFFICE**

Benjamine Company Services Limited  
P. O. Box 801  
Hannah-Waver House  
The Valley,  
Anguilla, B.W. I.

## **DIRECTORS**

Gareth Hodge, Chairman  
Kent Webster, Vice Chairman  
Harold Ruan  
Dawnette Gumbs  
Erville Hughes  
Shinette Connor  
Linette Sasso  
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  
Fairplay Complex  
The Valley  
Anguilla, B.W.I.

## **SOLICITOR**

Caribbean Juris Chambers  
Hannah-Waver House  
P.O. Box 328  
The Valley  
Anguilla, B.W.I.

## **AUDITORS**

BDO LLC  
Chartered Accountants  
First Floor MAICO Headquarter  
Cosley Drive  
The Valley  
Anguilla, B.W.I.



BDO LLC  
P.O. Box 136  
First Floor MAICO Headquarters  
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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, 2016;
- the statement of profit or loss and other comprehensive income, 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, 2016, 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.

#### Other Matter

Without qualifying our opinion, we draw attention to the fact that the financial statements of the Company as at and for the year ended December 31, 2015, before restatement, were audited by other auditors who expressed an unqualified opinion on these statements on September 20, 2016. As part of our audit, we have audited the adjustments described in note 36 to the financial statements that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.



## INDEPENDENT AUDITOR'S REPORT *(continued)*

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

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

#### 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.
- 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.



## 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)*

- 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

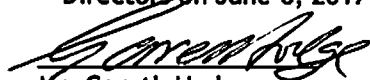
Chartered Accountants  
The Valley, Anguilla  
6<sup>th</sup> of June 2017

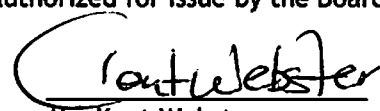
**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Statement of Financial Position**  
**As at December 31, 2016**

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

	Notes	2016	2015 As Restated - Note 36	2014 As Restated - Note 36
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment - net	7, 36	70,454,393	65,901,778	67,825,228
Net pension asset	24	243,575	301,490	509,656
Other assets		11,492	11,492	11,492
Investments	8, 31	2,173,610	-	2,033,953
<b>Total non-current assets</b>		<b>72,883,070</b>	<b>66,214,760</b>	<b>70,380,329</b>
<b>Current assets</b>				
Prepayments and other current assets	11	888,165	1,195,952	452,305
Inventories - net	9	7,192,680	7,221,888	6,013,238
Trade and other receivables - net	10	12,704,132	12,586,176	17,469,557
Investments	8, 31	15,067,930	4,206,642	5,898,499
Cash and cash equivalents	12	8,841,691	21,744,486	13,600,545
<b>Total current assets</b>		<b>44,694,598</b>	<b>46,955,144</b>	<b>43,434,144</b>
<b>Total Assets</b>		<b>117,577,668</b>	<b>113,169,904</b>	<b>113,814,473</b>
<b>Shareholders' equity and liabilities</b>				
<b>Shareholders' equity</b>				
Share capital	13	14,536,147	14,536,147	14,536,147
Retained earnings	36	78,522,434	76,153,020	73,513,809
<b>Total shareholders' equity</b>		<b>93,058,581</b>	<b>90,689,167</b>	<b>88,049,956</b>
<b>Non-current liabilities</b>				
Borrowings - net of current portion	14	7,762,482	4,428,114	5,455,195
Contributions in aid of construction	15	3,849,901	3,494,294	3,639,338
Trade and other payables	16, 36	1,876,398	1,894,666	1,912,841
<b>Total non-current liabilities</b>		<b>13,488,781</b>	<b>9,817,074</b>	<b>11,007,374</b>
<b>Current liabilities</b>				
Borrowings - current portion	14	3,988,780	3,956,198	9,123,043
Customers' deposits		1,010,205	1,284,862	1,370,334
Trade and other payables	16, 36	6,031,321	7,422,603	4,263,766
<b>Total current liabilities</b>		<b>11,030,306</b>	<b>12,663,663</b>	<b>14,757,143</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>117,577,668</b>	<b>113,169,904</b>	<b>113,814,473</b>

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

  
Mr. Gareth Hodge  
Chairman

  
Mr. Kent Webster  
Vice Chairman

The accompanying notes from pages 9 to 48 are an integral part of these financial statements.

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

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

	<i>Notes</i>	2016	2015 As Restated - Note 36
<b>Revenues</b>			
Energy sales	17	53,922,482	48,232,282
Surcharge	17	11,770,296	17,179,407
		<b>65,692,778</b>	<b>65,411,689</b>
<b>Cost of operations</b>			
Generation			
Fuel		(20,428,048)	(18,419,587)
Fuel surcharge	17	(8,849,061)	(14,549,004)
		<b>(29,277,109)</b>	<b>(32,968,591)</b>
Generation - other expenses	18, 36	(10,372,503)	(9,833,150)
		<b>(39,649,612)</b>	<b>(42,801,741)</b>
Transmission and distribution expenses	19, 36	(8,752,310)	(7,985,012)
		<b>(48,401,922)</b>	<b>(50,786,753)</b>
<b>Gross operating income</b>		<b>17,290,856</b>	<b>14,624,936</b>
<b>Other income</b>	20	<b>2,010,469</b>	<b>2,395,901</b>
<b>Gross income</b>		<b>19,301,325</b>	<b>17,020,837</b>
<b>Operating expenses</b>			
Administrative expenses	21, 36	(14,677,578)	(11,996,121)
Consumer services	22	(730,211)	(760,847)
		<b>(15,407,789)</b>	<b>(12,756,968)</b>
<b>Income from operations</b>		<b>3,893,536</b>	<b>4,263,869</b>
<b>Other expenses</b>			
Finance cost	25, 36	(527,799)	(576,358)
<b>Net income</b>	36	<b>3,365,737</b>	<b>3,687,511</b>
<b>Other comprehensive loss</b>			
Re-measurement of net pension asset	24	(65,431)	(233,769)
<b>Total comprehensive income</b>		<b>3,300,306</b>	<b>3,453,742</b>
<b>Additional disclosures:</b>			
Earnings per share	26	<b>0.29</b>	0.32
Dividends per share	27	<b>0.08</b>	0.07

The accompanying notes from pages 9 to 48 are an integral part of these financial statements.



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

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

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

*The accompanying notes from pages 9 to 48 are an integral part of these financial statements.*

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

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

	<i>Notes</i>	2016	2015
<b>Cash flows from operating activities</b>			
Net income		3,365,737	3,687,511
Adjustments for:			
Depreciation	7	6,367,272	5,982,422
Impairment losses	10	2,794,019	585,801
Revenue from contributions in aid of construction	15	(545,004)	(524,512)
Increase in contributions in aid of construction	15	900,611	379,468
Interest expense - borrowings	14	223,308	344,933
Interest expense - finance lease	25	3,351	2,947
Interest income		(125,191)	(236,208)
Provision for slow moving/obsolete inventories	9	285,940	119,046
Inventory written-off	9	(27,433)	-
Receivable written-off	10	(75,938)	(2,231,171)
Re-measurement of net pension asset	24	(65,431)	(233,769)
Gain on sale of property, plant and equipment		(11,115)	(7,906)
Operating income before working capital changes		13,090,126	7,868,562
(Increase)/decrease in:			
Net pension asset		57,915	208,166
Other assets		-	(142,172)
Inventories		(229,299)	(1,327,696)
Trade and other receivables		(2,874,097)	6,432,913
Prepayments and other current assets		307,787	(743,647)
Increase/(decrease) in:			
Customers' deposits		(274,657)	(85,472)
Trade and other payables		(1,287,443)	3,171,831
<b>Net cash provided by operating activities</b>		<b>8,649,537</b>	<b>15,382,485</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	7	(10,920,825)	(4,289,413)
(Acquisition)/disposal of investment securities		(13,034,898)	3,867,982
Proceeds from disposal of property, plant and equipment		12,053	238,347
Interest received		163,251	332,046
<b>Net cash (used in)/provided by investing activities</b>		<b>(23,780,419)</b>	<b>148,962</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	14	(1,364,043)	(9,122,130)
Finance lease payments		(140,794)	-
Interest paid		(207,972)	(379,049)
Dividends paid		(930,892)	(814,531)
Proceeds from borrowings	14	6,293,076	-
<b>Net cash provided by/(used in) financing activities</b>		<b>3,649,375</b>	<b>(10,315,710)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(11,340,712)</b>	<b>5,215,737</b>
<b>Cash and cash equivalents net of bank overdraft at 1 January</b>		<b>18,816,282</b>	<b>13,600,545</b>
<b>Cash and cash equivalents net of bank overdraft at 31 December</b>	<b>12</b>	<b>7,475,570</b>	<b>18,816,282</b>

The accompanying notes from pages 9 to 48 are an integral part of these financial statements.

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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**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, 2016 were authorized for issue by the Board of Directors on June 6, 2017.

**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.

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

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2. Basis of preparation (*continued*)

e. Changes in accounting policies and disclosures

a) New standards, interpretations and amendments effective from 1 January 2016

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRSs and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of January 1, 2016:

- *Annual Improvements to IFRSs (2010 - 2012) Cycle:*
  - *IFRS 2 Share - based payments*
  - *IFRS 3 Business Combinations,*
  - *IFRS 8 Operating Segments,*
  - *IFRS 13 Fair Value Measurement,*
  - *IAS 16 Property Plant and Equipment,*
  - *IAS 38 Intangible Assets,*
  - *IAS 24 Related Party Disclosures*
- *Annual Improvements to IFRSs (2011 - 2013 Cycle):*
  - *IFRS 1 First-time Adoption of International Financial Reporting Standards,*
  - *IFRS 3 Business Combinations,*
  - *IFRS 13 Fair Value Measurement,*
  - *IAS 40 Investment Property*
- *IFRS 14 Regulatory Deferral Accounts*

None of the new and amendments to Standards that are effective during the year had a significant effect on the Company's financial statements.

b) New standards, amendments to standards and interpretations not yet effective and not yet adopted:

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective as at December 31, 2016 or relevant to the Company's operations. These are as follows:

- *IFRS 9 Financial Instruments, 1 January 2018*
- *IFRS 15 Revenue from Contracts with Customers, 1 January 2018*
- *IFRS 16 Leases, 1 January 2019*
- *Improvements to IFRS Standards 2014-2016 Cycle*
  - *IFRS 12 Disclosure of Interests in Other Entities, 1 January 2017*
  - *IAS 28 Investments in Associates and Joint Ventures, 1 January 2018*
  - *Amendment to IAS 40 Investment Property, 1 January 2018*

The effects of IFRS 15 Revenues from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases are still being assessed, as these new standards have an effect on the Company's future financial statements.

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

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### 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.

#### (b) 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.

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

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3. Significant accounting policies (*continued*)

(b) Financial instruments (*continued*)

*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 allowance for impairment. An allowance 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 allowance 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 allowance is recognized in profit or loss.

*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.

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

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3. Significant accounting policies (continued)

(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 profit or loss.

*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.

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

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3. Significant accounting policies *(continued)*

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

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.

(e) 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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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. 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 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.



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

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**3. Significant accounting policies (*continued*)**

**(e) Impairment (*continued*)**

**ii. Non-financial assets (*continued*)**

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

**(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. Although assessed each month, the Company uses its discretion when considering how much to adjust the surcharge rate. Where there are material changes in the surcharge rate, the Company applies the rate to units billed in the following month.

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

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3. Significant accounting policies (continued)

(h) Revenue (continued)

ii. 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).

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 profit or loss when the service is rendered.

(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.

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

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**3. Significant accounting policies *(continued)***

**(i) Employee benefits *(continued)***

*ii. Defined benefit plan (continued)*

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.

**(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.

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

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### 3. Significant accounting policies (*continued*)

#### (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

##### *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.

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

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#### 4. Determination of fair values *(continued)*

**(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.

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.

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

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

**(a) Overview (continued)**

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.

*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.

**(c) 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.

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

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5. Financial risk management (*continued*)

(d) 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.

(e) 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.

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5. Financial risk management (continued)

(f) 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.

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

	2016	2015
Total debt	24,519,087	22,480,737
Shareholders' equity	93,058,581	90,689,167
Debt-to-equity ratio (total debt/total equity)	26%	25%

	2016	2015
Total debt	24,519,087	22,480,737
Total assets	117,577,668	113,169,904
Debt ratio (total debt/total assets)	21%	20%

	2016	2015
Shareholders' equity	93,058,581	90,689,167
Total assets	117,577,668	113,169,904
Equity ratio (total shareholders' equity/total assets)	79%	80%



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

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## 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 (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.

**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.

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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

7. Property, plant and equipment - net

As restated - Note 36	Freehold land	Leasehold land Note 33 and Note 36	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Capital work in progress	Total
<b>Cost</b>								
31 December 2014	240,000	2,979,000	14,618,267	110,632,259	3,800,684	3,748,093	947,272	136,965,575
Additions	-	-	-	1,322,785	265,202	733,915	1,967,511	4,289,413
Write-off/disposal	-	-	-	(306,826)	-	(90,056)	-	(396,882)
31 December 2015	240,000	2,979,000	14,618,267	111,648,218	4,065,886	4,391,952	2,914,783	140,858,106
Additions	-	-	127,649	2,472,847	187,076	926,564	7,206,689	10,920,825
Transfer	-	-	-	8,979,414	-	-	(8,979,414)	-
Write-off/disposal	-	-	-	(4,298,836)	-	-	-	(4,298,836)
<b>31 December 2016</b>	<b>240,000</b>	<b>2,979,000</b>	<b>14,745,916</b>	<b>118,801,643</b>	<b>4,252,962</b>	<b>5,318,516</b>	<b>1,142,058</b>	<b>147,480,095</b>
<b>Accumulated depreciation</b>								
31 December 2014	-	248,565	4,736,923	57,931,806	2,932,642	3,290,411	-	69,140,347
Depreciation	-	32,912	366,183	5,125,192	227,619	230,516	-	5,982,422
Write-off/disposal	-	-	-	(5,114)	(71,272)	(90,055)	-	(166,441)
31 December 2015	-	281,477	5,103,106	63,051,884	3,088,989	3,430,872	-	74,956,328
Depreciation	-	32,911	366,448	5,440,491	233,474	293,948	-	6,367,272
Write-off/disposal	-	-	-	(4,297,898)	-	-	-	(4,297,898)
<b>31 December 2016</b>	<b>-</b>	<b>314,388</b>	<b>5,469,554</b>	<b>64,194,477</b>	<b>3,322,463</b>	<b>3,724,820</b>	<b>-</b>	<b>77,025,702</b>
<b>Net book values</b>								
<b>31 December 2016</b>	<b>240,000</b>	<b>2,664,612</b>	<b>9,276,362</b>	<b>54,607,166</b>	<b>930,499</b>	<b>1,593,696</b>	<b>1,142,058</b>	<b>70,454,393</b>
31 December 2015 - As restated	240,000	2,697,523	9,515,161	48,596,334	976,897	961,080	2,914,783	65,901,778

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) 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.

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
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7. Property, plant and equipment - net (continued)

Certain items of Property, plant and equipment were used to secure the loan from Caribbean Development Bank (See Note 14.1 and 14.2). Depreciation expense charged for the years ended is broken down as follows:

	Notes	2016	2015 As Restated - Note 36
Generation	18, 36	3,478,219	3,258,737
Transmission and distribution	19, 36	2,281,843	2,122,594
Administrative	21, 36	607,210	601,091
		<b>6,367,272</b>	<b>5,982,422</b>

8. Investments

Details of the Company's investments are as follows:

Deposits held-to-maturity	Interest rates	2016	2015
Fixed deposits - Scotiabank (Anguilla) Limited	.10% - 1.38%	15,067,930	1,622,862
Fixed deposits - National Commercial Bank Anguilla (NCBA) Ltd	3.425%	2,173,610	2,583,780
		<b>17,241,540</b>	<b>4,206,642</b>

The following table shows the breakdown of restricted fixed deposits held at Scotiabank and NCBA which are used by the Company to satisfy the self-insurance reserve of the Company's transmission and distribution system. The self-insurance reserve is established to provide coverage for required expenditures in the event of natural disasters or similar catastrophic events. Please see Note 31.

Deposits held-to-maturity	Notes	2016	2015
Scotiabank (Anguilla) Limited		5,970,115	1,622,862
Fixed deposits - National Commercial Bank Anguilla (NCBA) Ltd		2,173,610	2,583,780
	31	<b>8,143,725</b>	<b>4,206,642</b>

The maturity profile of the Company's investments follows:

	Notes	2016	2015
Due within one year		15,067,930	4,206,642
Due in two years		2,173,610	-
		<b>17,241,540</b>	<b>4,206,642</b>

ANGUILLA ELECTRICITY COMPANY LIMITED  
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9. Inventories - net

	2016	2015
Generation parts and fuel	4,089,441	4,129,305
Transmission and distribution parts	3,592,532	3,301,591
Administration supplies	183,655	205,433
	<b>7,865,628</b>	<b>7,636,329</b>
Less allowance for slow moving and obsolete inventories	(672,948)	(414,441)
	<b>7,192,680</b>	<b>7,221,888</b>

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

	2016	2015
Balance, 1 January	414,441	295,395
Provision for the year	285,940	119,046
Written off	(27,433)	-
Balance, 31 December	<b>672,948</b>	<b>414,441</b>

10. Trade and other receivables - net

	2016	2015
Trade	13,716,435	9,440,932
Customer receivables under deferred payment plan	4,126,255	5,691,742
Accrued interest receivable	46,559	84,619
Other	314,714	150,633
	<b>18,203,963</b>	<b>15,367,926</b>
Less allowance for credit losses	(5,499,831)	(2,781,750)
	<b>12,704,132</b>	<b>12,586,176</b>

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:

	2016			2015		
	GOA	Others	Total	GOA	Others	Total
Due within one year	3,106,614	289,661	3,396,275	2,532,451	132,659	2,665,110
Due more than one year	729,980	-	729,980	3,026,632	-	3,026,632
	<b>3,836,594</b>	<b>289,661</b>	<b>4,126,255</b>	<b>5,559,083</b>	<b>132,659</b>	<b>5,691,742</b>

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
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10. Trade and other receivables - net

As at year-end, the Government of Anguilla and its various statutory bodies owed the Company an amount of EC\$8,017,394 (2015: EC\$7,011,579) including the receivables under the payment plan 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 is still in effect.

The movements of allowance for credit losses are as follows:

	Note	2016	2015
Balance, 1 January		2,781,750	4,427,120
Credit loss for the year	21	2,794,019	585,801
Written off		(75,938)	(2,231,171)
Balance, 31 December		5,499,831	2,781,750

11. Prepayments and other current assets

	2016	2015
Advance deposits	653,663	975,985
Prepaid insurance	159,974	146,308
Other	74,528	73,659
	888,165	1,195,952

12. Cash and cash equivalents

	2016	2015
Cash in banks	8,838,391	21,742,236
Cash on hand	3,300	2,250
	8,841,691	21,744,486

Cash in banks earn interest at the respective bank deposit rates ranging from nil to 1% (2015: nil to 1%). Interest income earned from cash and cash equivalents amounted to EC\$125,191 (EC\$236,208 in 2015).

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	2016	2015
Cash		8,841,691	21,744,486
Bank overdraft	14	(1,366,121)	(2,928,204)
		7,475,570	18,816,282

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13. Share capital

	2016	2015
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:

	2016	2015
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, 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 National Commercial Bank of Anguilla Limited in the Company is 23%.

14. Borrowings

	Notes	2016	2015
Caribbean Development Bank - 6OR/ANG	14.1	6,293,077	-
Caribbean Development Bank - 3OR/ANL	14.2	4,092,064	5,456,108
National Commercial Bank of Anguilla Ltd. - bank overdraft	14.3	1,366,121	2,928,204
		11,751,262	8,384,312

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**14. Borrowings (continued)**

- 14.1 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 Oct 2021 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.
- 14.2 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% (2015: 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.
- 14.3 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.

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

	2016	2015
<i>Current</i>		
National Commercial Bank of Anguilla Ltd.		
- bank overdraft	1,366,121	2,928,204
Caribbean Development Bank - 6OR/ANG	1,258,615	-
Caribbean Development Bank - 3OR/ANL	1,364,044	1,027,994
	<b>3,988,780</b>	<b>3,956,198</b>
<i>Noncurrent</i>		
Caribbean Development Bank - 6OR/ANG	5,034,462	-
Caribbean Development Bank - 3OR/ANL	2,728,020	4,428,114
	<b>7,762,482</b>	<b>4,428,114</b>
	<b>11,751,262</b>	<b>8,384,312</b>

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

	2016	2015
Caribbean Development Bank - 3OR/ANG	136,355	205,990
Caribbean Development Bank - 6OR/ANG	86,953	-
Scotiabank Anguilla Limited - Facility B	-	133,794
Scotiabank Anguilla Limited - Facility A	-	5,149
	<b>223,308</b>	<b>344,933</b>

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
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14. Borrowings (continued)

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

	2016	2015
Balance, 1 January	5,456,108	14,578,238
Additions	6,293,076	-
Repayments	(1,364,043)	(9,122,130)
Balance, 31 December	10,385,141	5,456,108

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.

15. Contribution in aid of construction

	Note	2016	2015
Balance, 1 January		3,494,294	3,639,338
Contributions received during the year		900,611	379,468
Amount charged to profit or loss	20	(545,004)	(524,512)
Balance, 31 December		3,849,901	3,494,294

16. Trade and other payable

	Notes	2016	2015 As Restated - Note 36
Trade payables		3,304,373	2,519,174
Lease payable	33	2,180,645	2,318,088
Accrued expenses		1,739,949	3,947,330
Environmental levy payable		354,662	316,679
Accrued interest payable		62,123	46,787
Other payables		265,967	169,211
		7,907,719	9,317,269

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

	2016	2015
Current	6,031,321	7,422,603
Non-current	1,876,398	1,894,666
	7,907,719	9,317,269



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

17. Energy sales

	2016	2015
Amounts billed during the year	54,029,280	48,303,792
Less: Unbilled revenue at beginning of the year	(2,487,324)	(2,558,834)
	51,541,956	45,744,958
Add: Unbilled revenue at the end of the year	2,380,526	2,487,324
	53,922,482	48,232,282

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 rate, whilst endeavouring to adhere to a policy of maintaining relatively stable surcharge rates during periods of fuel price volatility.

As at December 31, 2016, the Company incurred total fuel surcharge expenses of EC\$8,849,061 (2015: EC\$14,549,004) of which it recovered a surcharge of EC\$11,770,296 (2015: EC\$17,179,407)

In addition to the surcharge as specified above, the Electricity (Rates and Charges) Regulations and Electricity Supply Regulations of the Electricity Act also states 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**.

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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18. Generation - other expenses

	<i>Notes</i>	2016	2015 As Restated - Note 36
Depreciation	7, 36	3,478,219	3,258,737
Staff costs	23	3,168,606	2,928,675
Repairs and maintenance		2,595,370	2,668,625
Insurance		895,881	873,203
Supplies and other expenses		234,427	103,910
		<b>10,372,503</b>	<b>9,833,150</b>

19. Transmission and distribution expenses

	<i>Notes</i>	2016	2015 As Restated - Note 36
Staff costs	23	3,840,275	3,942,312
Depreciation	7, 36	2,281,843	2,122,594
Repairs and maintenance		1,622,234	1,082,687
Supplies and other expenses		689,903	584,429
Insurance		318,055	252,990
		<b>8,752,310</b>	<b>7,985,012</b>

20. Other income

	<i>Notes</i>	2016	2015
Late charges		603,784	889,648
Connection upgrades and other services		548,472	508,218
Revenue from contribution in aid of construction	15	545,004	524,512
Interest income	12	125,191	236,208
Reconnection fees		108,390	152,350
Rental and relocation of poles		68,513	77,059
Gain on sale of motor vehicles	7	11,115	7,906
		<b>2,010,469</b>	<b>2,395,901</b>

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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21. Administrative expenses

	<i>Notes</i>	<b>2016</b>	2015 As Restated - Note 36
Staff costs	23	3,658,319	3,321,289
Credit loss	10	2,794,019	585,801
Office expenses		1,718,830	1,683,163
Litigation settlement	34	2,200,000	3,338,200
Business license fee	29	750,000	300,000
Depreciation	7, 36	607,210	601,091
Legal fees	34	590,786	135,016
General		532,166	781,768
Gross revenue tax		425,176	-
Directors' fees and expenses		451,168	447,492
Leases	33	279,152	253,077
Audit fees		215,089	156,050
Insurance		222,365	198,364
Consultancy fees		203,781	172,384
Eastern Caribbean Securities Regulatory Commission		29,517	22,426
		<b>14,677,578</b>	<b>11,996,121</b>

22. Consumer services

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Staff costs	23	406,962	413,044
Temporary and contract services		199,139	152,653
Vehicle repairs and maintenance		30,560	113,292
Other		93,550	81,858
		<b>730,211</b>	<b>760,847</b>

23. Staff costs

	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Transmission and distribution	19	3,840,275	3,942,312
Administrative	21	3,658,319	3,321,289
Generation	18	3,168,606	2,928,675
Consumer services	22	406,962	413,044
		<b>11,074,162</b>	<b>10,605,320</b>

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (*continued*)  
December 31, 2016

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

23. Staff costs (*continued*)

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

	<i>Notes</i>	2016	2015
Salaries, wages and allowances		8,362,000	8,128,722
Overtime		779,249	609,746
Pension expense - defined contribution	24	316,717	278,001
Pension expense - defined benefit	24	110,392	115,537
Training		430,538	485,751
Social security		346,723	330,719
Interim stabilization levy		252,522	238,909
Other		476,021	417,935
		<b>11,074,162</b>	<b>10,605,320</b>

24. 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\$316,717 and EC\$278,001 in 2016 and 2015, respectively.

*b. 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 Sagcor Life Inc. This pension plan is closed to new participants.

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

	2016	2015
Present value of obligations	(3,766,280)	(3,519,000)
Fair value of plan assets	4,009,855	3,820,490
Net pension asset	<b>243,575</b>	<b>301,490</b>

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

ANGUILLA ELECTRICITY COMPANY LIMITED  
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December 31, 2016

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24. Pension expenses (continued)

	2016	2015
Present value of obligations, 1 January	3,519,000	3,242,509
Interest cost	272,124	251,048
Current service cost	127,838	122,759
Benefits paid	(37,017)	(35,939)
Actuarial gain on obligation	(115,665)	(61,377)
Present value of obligations, 31 December	3,766,280	3,519,000

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

	2016	2015
Fair value of plan assets, 1 January	3,820,490	3,752,165
Expected return on plan assets	289,570	284,379
Contributions	117,908	115,033
Benefits paid	(37,017)	(35,939)
Actuarial loss on plan assets	(181,096)	(295,148)
Fair value of plan assets, 31 December	4,009,855	3,820,490

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

	2016	2015
Equities	30%	30%
Other - Bonds and fixed income securities	70%	70%

Pension expense recognized in profit or loss is shown below:

	2016	2015
Current service cost	127,838	122,759
Interest cost	272,124	277,157
Expected return on plan assets	(289,570)	(284,379)
Pension expense defined benefit plan	110,392	115,537

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	7.50%	7.50%
Expected return on plan assets	7.50%	7.50%
Salary increase rates	6.50%	7.00%

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Notes to the Financial Statements (continued)  
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24. Pension expenses (continued)

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

	2016	2015
Discount rate - 1%	660,972	709,892
Discount rate + 1%	(505,449)	(551,178)
Salary increase - 0.5%	(67,547)	(72,743)
Salary increase + 0.5%	76,558	82,447

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

	2016	2015
Present value of obligation	3,766,280	3,519,000
Fair value of plan assets	(4,009,855)	(3,820,490)
Surplus	(243,575)	(301,490)
Experience adjustments arising from plan liabilities	115,665	61,377
Experience adjustments arising from plan assets	(181,096)	(295,146)

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

	2016	2015
Gain from experience	(115,665)	(61,377)
Expected return on plan assets	289,570	284,379
Actual return on plan assets	(108,474)	10,767
Loss from experience	65,431	233,769

The Company expects to pay EC\$117,910 in contributions to the defined benefit plan in 2017 plus any increases in the salaries of qualified employees which are yet to be determined.

25. Finance costs

	Notes	2016	2015 As Restated - Note 36
Interest expense - borrowings	14	223,308	344,933
Charges and commissions		435,431	348,318
Gain on foreign exchange		(134,291)	(119,840)
Interest expense - finance lease		3,351	2,947
		527,799	576,358

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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## 26. Earnings per share

The calculations of basic earnings per share as at 31 December 2016 and 2015 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:

	2016	2015 As Restated - Note 36
Net income for the year	3,365,737	3,687,511
Total number of shares issued as at 31 December	11,636,147	11,636,147
Earnings per share	0.29	0.32

## 27. Dividends

Dividend of EC\$0.08 (2015: EC\$.07) per share was declared by the Board of Directors on 18 July 2016 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:

	<i>Notes</i>	2016	2015
Investments	8	17,241,540	4,206,642
Trade and other receivables - net	10	12,704,132	12,586,176
Cash in bank		7,472,270	18,814,032
		<b>37,417,942</b>	<b>35,606,850</b>

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

	2016	2015
Government	8,017,394	7,011,579
Hospitality	4,351,764	4,815,456
Residential	2,922,701	1,794,604
Commercial	2,565,089	1,643,438
Other	347,015	102,849
	<b>18,203,963</b>	<b>15,367,926</b>

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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

28. Financial instruments (continued)

i. Credit risk (continued)

*Exposure to credit risk (continued)*

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

		2016	2015
<b><i>Unimpaired trade receivables</i></b>			
Group 1 - Customers with no defaults		6,489,717	6,927,314
Group 2 - Customers with some defaults but full recovery		4,459,314	4,685,672
Group 3 - Customers with some defaults, partial recovery		1,755,101	973,190
Total unimpaired trade receivables		12,704,132	12,586,176
<b><i>Cash in bank and investments</i></b>			
	<i>Notes</i>	2016	2015
Cash in bank	12	8,838,391	21,742,236
Investments in certificates of deposit	8	17,241,540	4,206,642
		26,079,931	25,948,878

Cash comprise of cash in banks and carry little or no financial risk. The Company's investments are comprised of certificate of deposits with the National Commercial Bank of Anguilla Limited and Scotiabank (Anguilla) Limited.

*Deposits with National Commercial Bank of Anguilla Limited*

On August 12, 2013, the National Bank Anguilla of Limited (NBA) and Caribbean Commercial Bank (Anguilla) Limited (CCB) were placed in Conservatorship. This Conservatorship ended on April 22, 2016. The conclusion of the Conservatorship is a consequential effect of the passing of the Bank Resolution Obligations Act, 2016 (the "Act") by the Government of Anguilla on March 30, 2016. The passing of the Act resulted in the transfer of the Company's deposits to the newly established bridge bank: The National Commercial Bank of Anguilla Ltd ("NCBA"). Thus, the Company believes that its deposits with the new bridge bank are secured and not impaired.

***Impairment losses***

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.



ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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28. Financial instruments (continued)

i. Credit risk (continued)

Exposure to credit risk (continued)

Impairment losses (continued)

The Company recognized allowance for credit loss as follows:

	2016	2015
Inactive accounts	100%	100%
Government accounts	25% - 100%	10% - 100%
Accounts with payment agreements	10% - 50%	10% - 50%
General accounts	15% - 75%	15% - 75%

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

	2016		2015	
	Gross	Impairment	Gross	Impairment
Current	7,954,091	745,785	8,268,663	856,794
Past due 30-60	1,696,481	387,259	467,918	159,303
Past due 60-90	1,054,260	344,848	259,802	134,183
Over 90	7,499,131	4,021,939	6,371,543	1,631,470
Total	18,203,963	5,499,831	15,367,926	2,781,750

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

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
<b>31 December 2016</b>						
Bank overdraft	1,366,121	1,366,121	1,366,121	-	-	-
Borrowings	10,385,141	11,109,339	2,918,259	2,838,183	5,352,897	-
Customers deposits	1,010,205	1,010,205	1,010,205	-	-	-
Trade and other payables	7,907,719	9,648,643	6,032,620	21,269	120,260	3,474,494
	20,669,186	23,134,308	11,327,205	2,859,452	5,473,157	3,474,494
<b>31 December 2015</b>						
Bank overdraft	2,928,204	2,928,204	2,928,204	-	-	-
Borrowings	5,456,108	5,853,863	1,533,646	1,486,859	2,833,358	-
Customers deposits	1,284,862	1,284,862	1,284,862	-	-	-
Trade and other payables	9,317,269	11,061,544	7,424,252	21,269	120,260	3,495,763
	18,986,443	21,128,473	13,170,964	1,508,128	2,953,618	3,495,763

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
December 31, 2016

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28. Financial instruments (continued)

iii. Market risk

Interest rate risk

	Interest	Interest rate	2016		2015	
			Carrying amount	Interest rate	Carrying amount	Interest rate
Cash in bank	Fixed	0%-1.0%	8,838,391	0%-1.0%	21,742,236	
Investments	Fixed	0.10%-3.425%	17,241,540	0.25%-3.425%	4,206,642	
Overdraft	Fixed	9.20%	1,366,121	9.20%	2,928,204	
Leases	Fixed	0.74% - 2.29%	2,180,645	0.74% - 2.29%	2,318,088	
Borrowings	Variable	2.97%-3.43%	10,385,141	2.97%-3.43%	5,456,108	

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.

	2016			2015		
	At required rate	+10% increase	-10% increase	At required rate	+10% increase	-10% increase
CDB - 6OR/ANG	172,886	190,175	155,598	-	-	-
CDB - 3OR/ANG	122,713	134,984	110,441	153,131	168,444	152,642
	295,599	325,159	266,039	153,131	168,444	152,642

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.

iv. Fair value

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

	2016		2015	
	Carrying amount	Fair values	Carrying amount	Fair values
Investments	17,241,540	17,064,925	4,206,642	4,287,716
Trade and other receivables	12,704,132	12,704,132	12,586,176	12,586,176
Cash	8,838,391	8,838,391	21,742,236	21,742,236
	38,784,063	38,607,448	38,535,054	38,616,128
Overdraft	1,366,121	1,366,121	2,928,204	2,928,204
Borrowings	10,385,141	10,580,099	5,456,108	5,456,108
Consumers' deposits	1,010,205	1,010,205	1,284,862	1,284,862
Trade and other payables	7,907,719	6,862,544	9,317,269	8,264,984
	20,669,186	19,818,969	18,986,443	17,934,158

ANGUILLA ELECTRICITY COMPANY LIMITED  
Notes to the Financial Statements (continued)  
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28. Financial instruments (continued)

iv. Fair value

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.

*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 2016 and 2015. These transactions were conducted at market rates, or commercial terms and conditions. Details are as follows:

i. Key management personnel and directors

	2016	2015
Short-term benefits to executive officers	2,342,136	2,250,347
Director fees and related activities	451,168	447,492

ii. Government of Anguilla (GOA) - significant shareholder

	2016	2015
Balance sheet		
Accounts receivable	8,017,394	7,011,579
Allowance for credit losses	(3,384,693)	(1,208,170)
Lease payable	33 (2,180,645)	(2,318,088)
Environmental levy payable	(354,662)	(316,679)
Interim stabilization levy payable	(48,980)	(45,394)

**ANGUILLA ELECTRICITY COMPANY LIMITED**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

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

***Related party transactions and balances (continued)***

ii. Government of Anguilla (GOA) - significant shareholder (continued)

Income statement	2016	2015
Revenues from GOA	9,454,725	8,353,440
Credit loss for the year	2,176,523	32,148
License fee	750,000	300,000
Import duties and other fees and services	6,308,710	5,630,523
Gross revenue tax	425,176	-
Others	2016	2015
Environmental levy	4,083,459	4,224,029
Credit loss written-off	-	-
Dividends paid	372,357	325,812

- 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 increased by 150% during the year from EC\$300,000 to EC\$750,000.
- c. In accordance with the Electricity Supply (Amendment) Regulations, 2016, 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.
- 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\$693,446 (2015: EC\$661,438) of which EC\$66,980 (2015: EC\$59,152) were outstanding at 31 December 2016.

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29. Related party transactions (continued)

*Related party transactions and balances (continued)*

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:

	2016	2015
Current account	2,297,375	1,519,984
Bank overdraft	(1,366,121)	(2,928,204)

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.

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

	2016	2015
Balance at beginning of the year	4,206,642	4,064,470
Additional fund for the year	3,937,083	1,622,862
Withdrawals for the year	-	(1,480,690)
Balance at end of the year	8,143,725	4,206,642

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

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

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### 32. Alternative energy sources

The Company continued its drive towards the transition to renewable energy. In 2016, the Company achieved the successful construction and commissioning of a 1 megawatt solar photo voltaic farm. Given the relatively small size of the electrical grid system and the base load capacity in Anguilla, the Company is approaching its transition to renewable energy and the vulnerability to supply instability this presents with a measure of caution. The Company anticipates further investments in battery storage and wind energy generation in the future.

### 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 2016 included in “administrative expenses” in the statement of comprehensive income is EC\$102,000 (2015: EC\$102,000). The lease agreement does not provide for any escalation of rent during the lease term.

##### **b. Additional Office Space**

On 23 December 2013, the Company entered into a two-year lease agreement for additional office space. Monthly rent is EC\$7,661 commencing January 2014. The lease contract was not renewed in 2016. However, the Company is paying based on the old terms of the contract during the year. Total rent expense in 2016 included in “administrative expenses” in the statement of comprehensive income is EC\$91,936 (2015: EC\$91,936). The lease agreement does not provide for any escalation of rent during the lease term.

#### *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 1<sup>st</sup> day of July 2013 and expiring on the 30<sup>th</sup> 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.

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33. Leases (continued)

*Finance lease (continued)*

a. Crown Land (continued)

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 on 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.

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:

	2016			
	Total land value	Paid to date	Finance charge to date	Lease payable balance
Solar power plant	1,108,546	(100,471)	1,702	1,009,777
Administration building	721,539	(715,061)	91	6,569
Corito power plant	863,966	-	5,854	869,820
West end transmission	284,949	-	9,530	294,479
	2,979,000	(815,532)	17,177	2,180,645

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**33. Leases (continued)**

*Finance lease (continued)*

	2015			
	Total land value	Paid to date	Finance charge	Lease payable balance
Solar power plant	1,108,546	-	1,026	1,109,572
Administration building	721,539	(674,738)	78	46,879
Corito power plant	863,966	-	4,891	868,857
West end transmission	284,949	-	7,831	292,780
	2,979,000	(674,738)	13,826	2,318,088

Future minimum lease payments

	2016	2015
Past due	284,277	263,008
Less than one year	21,269	162,063
Between one and five years	141,530	141,530
More than five years	3,474,493	3,495,762
	3,921,569	4,062,363

**34. Litigation settlement**

a. Employees

Several employees were terminated in line with the Fair Labour Standards Act, R.S.A F15 7(1)(d) on 07 October 2013 and 10 January 2014. In response to the termination, the employees took the matter to the Labour Tribunal:

During the year the following settlements were made:

- i. Settlement in the sum of EC\$650,000 payable by installments through the period from June 2016 through September 2016. This settlement was recorded as an expense in the 2015 financial statements as shown in Note 21.
- ii. Settlement in the sum of EC\$2,200,000 payable by installments through the period from November 2016 through February 2017. This settlement was recorded as an expense in the 2016 financial statements as shown in Note 21.

b. Customer

Anguilla Development Corporation filed a claim in 2015 against the Company for the disruption of service to their reverse osmosis plant. The Board of Directors settled this matter on the 18 July, 2016 for EC\$ 2,688,200. This settlement charge was recorded in the 2015 financial statements as shown in Note 21.



ANGUILLA ELECTRICITY COMPANY LIMITED  
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**34. Litigation settlement (continued)**

Total litigation costs and other professional fees incurred in these litigation settlements amounted to EC\$533,910.

**35. Contingencies**

**Customer**

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 the Company 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 2016.

**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.

**36. Restatements**

The comparative figures for 2015 and 2014 financial statements were restated to reflect the recognition of the right-of-use asset and lease liability under a finance lease. This adjustment resulted from the Company's oversight in the recognition of the use of government lands that should be subject to a lease agreement as discussed in Note 33.

The effect of the above restatement to the statement of profit or loss and total comprehensive income follows:

2015	Statement of Profit or loss	Total comprehensive income
As previously stated	3,723,370	3,489,601
Effect of the finance lease recognition		
Amortization of leasehold land	(32,912)	(32,912)
Interest expense - finance lease	(2,947)	(2,947)
As restated	3,687,511	3,453,742

ANGUILLA ELECTRICITY COMPANY LIMITED  
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36. Restatements (continued)

The effect of the above restatement to the specific statement of profit or loss accounts follows:

2015	As previously reported		As restated	
	Sub-balance	Total balance	Sub-balance	Total balance
Depreciation				
Generation - other expenses	3,241,841	9,816,254	3,258,737	9,833,150
Transmission and distribution	2,113,867	7,976,285	2,122,594	7,985,012
Administrative	593,802	11,988,832	601,091	11,996,121
	5,949,510	29,781,371	5,982,422	29,814,283
Finance costs				
Interest expense - lease	-	573,411	2,947	576,358

The effect of the above restatement to the beginning balance of the retained earnings for the years ended December 31, 2015 and 2014 follows:

	2015	2014
As previously stated	76,448,323	73,773,253
Effect of the finance lease recognition		
Amortization on leasehold land	(281,477)	(248,565)
Interest expense - finance lease	(13,826)	(10,879)
As restated	76,153,020	73,513,809

The effect of the above restatement to the statement of financial position follows:

2015	Property plant and equipment	Trade and other payables current	Trade and other payables non-current
As previously stated	63,878,993	6,999,181	-
Effect of the lease recognition			
Capitalization of lease	2,304,262	409,596	1,894,666
Amortization on leasehold land	(281,477)	-	-
Interest expense - finance lease	-	13,826	-
As restated	65,901,778	7,422,603	1,894,666
2014			
As previously stated	65,769,531	3,861,466	-
Effect the lease recognition			
Capitalization of lease	2,304,262	391,421	1,912,841
Amortization on leasehold land	(248,565)	-	-
Interest expense - finance lease	-	10,879	-
As restated	67,825,228	4,263,766	1,912,841