ANGUILLA ELECTRICITY COMPANY LIMITED

Financial Statements

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

CONTENTS

CORPORATE INFORMATION

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

DIRECTORS
Jerome Roberts, Chairman – appointed September 17, 2020
Evan Gumbs, Vice Chairman – appointed September 17, 2020
Dr. Wycliffe Fahie – appointed September 17, 2020
Jibri Lewis Klaren – appointed September 17, 2020
Derek Gumbs – appointed September 17, 2020
Donna Gumbs – appointed September 17, 2020
Victor Nickeo – appointed September 17, 2020
Juan Richardson – appointed September 17, 2020
Cameron Lloyd – appointed September 17, 2020

Rodney Rey, Chairman – resigned September 1, 2020
Iris Richardson – removed September 17, 2020
Thomas Hodge – resigned August 25, 2020
Venetta Connor-Webster – removed September 17, 2020
Monsell Lloyd – removed September 17, 2020
Lucien Mac Donna – removed September 17, 2020
Sheldon Rogers – removed September 17, 2020
Darwin Hazell – removed September 17, 2020
Patterson Hunte – removed September 17, 2020

Harold Ruan, Chairman – removed November 29, 2019
Shinnette Connor, Vice Chairman– removed November 29, 2019
Kent Webster- – removed November 29, 2019
Gareth Hodge- – removed November 29, 2019
Dawnette Gumbs– removed November 29, 2019
Erville Hughes – resigned November 2019
Linette Sasso-Connor– removed November 29, 2019
Wilfred Richardson– removed November 29, 2019
Claude Smith- – removed November 29, 2019

SECRETARY
Jeri Richardson

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

CORPORATE INFORMATION

BANKERS *(continued)*

Republic Bank (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.

Carlyle Rogers
201 The Rogers Office Building
P.O. Box 941
Edwin Wallace Rey Drive
George Hill
Anguilla, B.W.I.

Chesley Oneal Hamilton & Associates
West Independence Square
P.O. Box 2411
Basseterre
St. Kitts & Nevis

AUDITORS
BDO LLC
Chartered Accountants
17 Fairplay Complex
Cosley Drive
The Valley
Anguilla, B.W.I.

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, 2019;
- the statement of comprehensive loss, statement of changes in shareholders' equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matters

We draw attention to Note 8 and Note 31 of the financial statements, which shows that the Company's total fixed deposits which include the self-insurance reserve were fully exhausted to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma in 2017. As such, as at December 31, 2019, the Company is fully exposed on liquidity requirements in the event that another severe natural disaster will impact the Company in the near future.

Additionally, the Company obtained insurance on September 15, 2020 for a maximum coverage of EC$14,634,676. Based on the expenses incurred in 2017 after the passage of the hurricane, it appears that the Company is exposed on insurance risk.

INDEPENDENT AUDITOR'S REPORT *(continued)*

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

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

Emphasis of Matters *(continued)*

Moreover, we draw attention to Note 34 of the financial statements, which reflect pending legal matters of the Company. The outcome of these matters remains uncertain and the company has not made any provision for the settlements or outcomes of these matters in the financial statements. Additionally, the Company does not have in place any indemnity or liability insurance to cover any costs for the matters noted above.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT *(continued)*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

BDO LLC

Chartered Accountants
The Valley, Anguilla
March 18, 2021

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Financial Position
As at December 31, 2019

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment - net	7	**77,299,160**	74,988,116
Current assets			
Prepayments and other current assets	11	**1,550,428**	1,481,443
Inventories - net	9	**12,467,545**	12,363,899
Trade and other receivables - net	10	**13,366,824**	15,362,866
Cash and cash equivalents	12	**8,091,251**	7,084,986
Total current assets		**35,476,048**	36,293,194
Total Assets		**112,775,208**	111,281,310
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	13	**14,536,147**	14,536,147
Retained earnings		**62,025,385**	57,525,371
Total shareholders' equity		**76,561,532**	72,061,518
Non-current liabilities			
Borrowings - net of current portion	14	**14,388,742**	15,087,346
Contributions in aid of construction	15	**3,043,926**	3,396,204
Deferred income - grant	32	**7,184,041**	7,628,530
Trade and other payables	16	**1,817,154**	1,828,219
Total non-current liabilities		**26,433,863**	27,940,299
Current liabilities			
Borrowings - current portion	14	**2,493,482**	3,508,064
Customers' deposits		**1,331,561**	975,553
Trade and other payables	16	**5,954,770**	6,795,876
Total current liabilities		**9,779,813**	11,279,493
Total Shareholders' Equity and Liabilities		**112,775,208**	111,281,310

These financial statements were approved on behalf of the Board of Directors on 18th March, 2021 by the following:

Mr. Jerome Roberts
Chairman

Mr. Evan Gumbs
Vice Chairman

The accompanying notes from pages 10 to 59 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Comprehensive Income /(Loss)
For the Year Ended December 31, 2019

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2019	2018
Revenues			
Energy sales	*17*	**52,729,568**	44,899,182
Surcharge billed	*17*	**23,092,310**	14,959,745
		75,821,878	59,858,927
Cost of operations			
Generation			
Fuel		**(19,959,672)**	(16,414,221)
Fuel surcharge	*17*	**(19,040,682)**	(17,609,983)
		(39,000,354)	(34,024,204)
Generation - other expenses	*18*	**(10,932,330)**	(13,287,278)
		(49,932,684)	(47,311,481)
Transmission and distribution expenses	*19*	**(10,441,402)**	(10,807,227)
Hurricane expenses and other losses	*32*	**(659,286)**	(1,835,028)
		(61,033,372)	(59,953,736)
Gross operating income /(loss)		**14,788,506**	(94,809)
Other income			
Insurance recovered	*32*	**-**	-
Grant income	*32*	**1,003,941**	1,003,941
Other income	*20*	**2,737,885**	2,088,013
		3,741,826	3,091,954
Gross income		**18,530,332**	2,997,145
Operating expenses			
Administrative expenses	*21*	**(12,499,650)**	(10,576,755)
Consumer services	*22*	**(540,866)**	(647,155)
		(13,040,516)	(11,223,910)
Income /(loss) from operations		**5,489,816**	(8,226,765)
Other expenses			
Finance cost	*25*	**(989,802)**	(937,407)
Net income /(loss)		**4,500,014**	(9,164,172)
Other comprehensive income /(loss)			
Re-measurement of net pension asset	*24*	**-**	-
Total comprehensive income /(loss)		**4,500,014**	(9,164,172)
Additional disclosures:			
Income / (loss) per share	*26*	**0.39**	(0.79)
Dividends per share	*27*	**-**	0.04

The accompanying notes from pages 10 to 59 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended December 31, 2019

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	**Share capital**	**Retained earnings**	**Total**
Balance as at 31 December 2017		14,536,147	70,403,127	84,939,274
Effect of change in accounting policy for IFRS 9	*2(e)*	-	(3,131,776)	(3,131,776)
Balance as at 1 January 2018		14,536,147	67,271,351	81,807,498
Net loss for the year		-	(9,164,172)	(9,164,172)
Other comprehensive loss	*24*	-	-	-
Dividends paid	*27*	-	(581,808)	(581,808)
Balance as at 31 December 2018		14,536,147	57,525,371	72,061,518
Net income for the year		-	**4,500,014**	**4,500,014**
Balance as at 31 December 2019		**14,536,147**	**62,025,385**	**76,561,532**

The accompanying notes from pages 10 to 59 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Cash Flows
For the Year Ended December 31, 2019

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	**2019**	2018
Cash flows from operating activities			
Net profit/ (loss)		**4,500,014**	(9,164,172)
Adjustments for:			
Depreciation	*7*	**6,854,810**	7,488,205
Recovery of impairment loss	*7*	**(735,748)**	(1,323,326)
Impairment losses	*10*	**1,079,648**	1,459,192
Grant received	*32*	**-**	5,308,063
Grant income	*32*	**(444,489)**	(1,003,941)
Revenue from contributions in aid of construction	*15*	**(447,262)**	(441,090)
Increase in contributions in aid of construction	*15*	**94,984**	291,441
Interest expense - borrowings	*14*	**806,057**	646,361
Interest expense – finance lease	*25*	**4,691**	4,291
Interest income		**(33,852)**	(7,105)
Impairment for slow moving/obsolete inventories	*9*	**-**	1,118,108
Inventory written-off	*9*	**-**	(111,911)
Receivable written-off	*10*	**(1,816)**	(87,449)
Loss on disposal of property, plant and equipment	*7, 32*		1,509,958
Operating income before working capital changes		**11,677,037**	5,686,625
(Increase)/decrease in:			
Inventories		**(103,646)**	(1,435,839)
Trade and other receivables		**918,210**	8,761,959
Prepayments and other current assets		**(68,985)**	(1,097,022)
Increase/(decrease) in:			
Customers' deposits		**356,008**	(22,620)
Trade and other payables		**(1,040,192)**	(2,165,752)
Net cash provided by operating activities		**11,738,432**	9,727,352
Cash flows from investing activities			
Addition in property, plant and equipment	*7*	**(8,430,106)**	(11,111,167)
Interest received		**33,852**	7,105
Net cash used in investing activities		**(8,396,254)**	(11,104,062)

Forward

The accompanying notes from pages 10 to 59 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Cash Flows *(continued)*
For the Year Ended December 31, 2019

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2019	2018
Cash flows from financing activities			
Repayment of borrowings	*14*	**(2,307,939)**	(1,678,698)
Interest paid		**(622,727)**	(281,842)
Dividends paid		**-**	(581,808)
Proceeds from borrowings	*14*	**787,781**	10,367,539
Net cash (used in) / provided by financing activities		**(2,142,885)**	7,825,191
Net increase in cash and cash equivalents		**1,199,293**	6,448,481
Cash and cash equivalents net of bank overdraft at 1 January		**6,199,514**	(248,967)
Cash and cash equivalents net of bank overdraft at 31 December	*12*	**7,398,807**	6,199,514

The accompanying notes from pages 10 to 59 are an integral part of these financial statements.

1. Reporting entity

The Anguilla Electricity Company Limited (the Company) was incorporated in Anguilla on 11 January 1991 under the Companies Act, I.R.S.A c1 and is governed by the Electricity Act, 1991, as amended, and operates in The Valley, Anguilla. The Company has an exclusive public supplier's license to generate, transmit and distribute electricity on the island of Anguilla for a period of fifty years from 1 April 1991.

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

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

2. Basis of preparation

a. Statement of compliance

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

The financial statements as at and for the year ended December 31, 2019 were authorized for issue by the Board of Directors on February 26, 2021.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

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

2. Basis of preparation *(continued)*

e. Changes in accounting policies and disclosures

(i) New standards, interpretations and amendments effective from 1 January 2019

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of January 1, 2019:

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

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

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

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all lease using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  The Company has not had significant impact on the adoption of this new standard as most of its leases are already accounted as a finance lease. However, the Company evaluated the impact of this new standard on the other lease accounted as operating lease and disclosure has been made at Note 33.

- *IFRIC 23, 'Uncertainty over Income Tax Treatments'*
This interpretation was issued to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, 'Income Taxes'. This interpretation is applicable for annual periods beginning on or after January 1, 2018. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Company's financial statements.

2. Basis of preparation *(continued)*

f. New standards, amendments to standards and interpretations not yet adopted

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

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

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

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

- *IAS 12 Income Taxes*
  The standard was amended to clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. This amendment is applicable for annual periods beginning on or after January 1, 2018. The application of this amendment will not have a material impact on amounts reported in respect to the Company's financial Statements.

- *IAS 19 'Employee Benefits'*
  The standard was amended to clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive loss. This amendment is applicable for annual periods beginning on or after January 1, 2018.

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

2. Basis of preparation *(continued)*

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

- *IAS 23, 'Borrowing Costs'*
  The standard was amended clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. This amendment is applicable for annual periods beginning on or after January 1, 2018. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Company's financial statements.

3. Significant accounting policies

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

(a) Foreign currency transactions

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

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

(b) Financial Assets and Financial Liabilities

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

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

3. Significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

3. Significant accounting policies *(continued)*

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

Financial Assets and Liabilities at FVPL *(continued)*

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

As at December 31, 2019, the Company does not have financial assets and liabilities at FVPL.

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

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

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

As at December 31, 2019, the Company's cash in bank and receivables are included under this category *(see Notes 8 and 10)*.

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

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

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

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

3. Significant accounting policies *(continued)*

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

Financial Assets at FVOCI *(continued)*

cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

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

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

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

As at December 31, 2019 the Company's liabilities arising from its borrowings, trade and other payable and customer deposits are included under this category (see Notes 14, and 16).

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

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

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

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference

3. Significant accounting policies *(continued)*

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

Reclassification (*continued)*

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

3. Significant accounting policies *(continued)*

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

Derecognition of Financial Assets and Liabilities *(continued)*

Financial Assets *(continued)*

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

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

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

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

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

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

3. Significant accounting policies *(continued)*

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

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

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

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Derivative Financial Instruments and Hedging

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

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

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

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

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

3. Significant accounting policies *(continued)*

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

Derivative Financial Instruments and Hedging *(continued)*

Freestanding Derivatives *(continued)*

(iii) hedges of a net investment in foreign operations *(continued)*

they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

The Company discontinues fair value hedge accounting if:

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

The Company has no outstanding derivatives accounted for as a fair value hedge as at December 31, 2019.

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

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

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

3. Significant accounting policies *(continued)*

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

Cash Flow Hedge *(continued)*

loss previously reported in the separate statements of changes in equity is recognized in the separate statements of income.

The Company has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2019.

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

The Company has no hedge of a net investment in a foreign operation as at December 31, 2019.

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

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

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

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

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

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

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

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

The Company has not bifurcated any embedded derivatives as at December 31, 2019.

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 comprehensive 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.

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) Non-financial assets impairment

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

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

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

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

(f) Contributions in aid of construction

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

(g) Share capital

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

3. Significant accounting policies *(continued)*

(g) Share capital *(continued)*

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. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month for material changes in the surcharge rate.

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

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

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

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

3. Significant accounting policies *(continued)*

(h) Revenue (*continued)*

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

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

(i) Employee benefits

i. Defined benefit plan

A defined contribution plan is a post-employment 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 payment is available. This plan is for all employees.

(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.

3. Significant accounting policies *(continued)*

(m) Provisions

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

(n) Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policies apply after the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets is initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove, or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding or reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.
When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

3. Significant accounting policies *(continued)*

(n) Leases *(continued)*

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.

(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.

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.

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.

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:

	2019	2018
Total debt	**36,213,676**	39,219,792
Shareholders' equity	**76,561,532**	72,061,518
Debt-to-equity ratio (total debt/total equity)	**47%**	54%

	2019	2018
Total debt	**36,213,676**	39,219,792
Total assets	**112,775,208**	111,281,310
Debt ratio (total debt/total assets)	**32%**	35%

	2019	2018
Shareholders' equity	**76,561,532**	72,061,518
Total assets	**112,775,208**	111,281,310
Equity ratio (total shareholders' equity/total assets)	**68%**	65%

6. Critical accounting estimates and judgments

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

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

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

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

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.

(Expressed in Eastern Caribbean Dollars (EC$))

7. Property, plant and equipment - net

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Capital work in progress	Total
Cost								
31 December 2017	240,000	2,979,000	13,200,872	117,991,932	3,089,814	6,577,668	1,074,668	145,153,954
Additions	-	-	535,176	9,606,775	562,460	194,481	212,275	11,111,167
Write-off/disposal	-	-	-	(3,386,238)	-	(239,989)	-	(3,626,227)
31 December 2018	240,000	2,979,000	13,736,048	124,212,469	3,652,274	6,532,160	1,286,943	152,638,894
Additions	-	-	1,578,415	4,375,770	452,538	503,297	1,520,086	8,430,106
Transfers	-	-	113,881	-	(113,881)	-	-	-
Adjustments	-	-	-	-	-	-	-	-
Write-off/disposal	-	-	-	-	-	(221,082)	-	(221,082)
31 December 2019	**240,000**	**2,979,000**	**15,428,344**	**128,588,239**	**3,990,931**	**6,814,375**	**2,807,029**	**160,847,918**
Accumulated depreciation								
31 December 2017	-	347,300	5,029,813	59,422,279	2,679,627	4,064,075	-	71,543,094
Depreciation	-	32,912	359,073	6,433,523	160,416	502,281	-	7,488,205
Write-off/disposal	-	-	-	(1,876,280)	-	(239,989)	-	(2,116,269)
31 December 2018	-	380,212	5,388,886	63,979,522	2,840,043	4,326,367	-	76,915,030
Depreciation	-	32,912	356,603	5,854,747	247,295	363,253		6,854,810
Write-off/disposal	-	-	-	-	-	(221,082)	-	(221,082)
31 December 2019	**-**	**413,124**	**5,745,489**	**69,834,269**	**3,087,338**	**4,468,538**		**83,548,758**
Allowance for impairment								
31 December 2017	-	-	123,491	1,199,835	-	-	735,748	2,059,074
Impairment (*Note 10*)	-	-	(123,491)	(1,199,835)	-	-	-	(1,323,326)
31 December 2018	-	-	-	-	-	-	735,748	735,748
Impairment (*Note 10*)	-	-	-	-	-	-	**(735,748)**	**(735,748)**
31 December 2019	-	-	-	-	-	-	-	-
Net book values								
31 December 2018	240,000	2,598,788	8,347,162	60,232,947	812,231	2,205,793	551,195	74,988,116
31 December 2019	**240,000**	**2,565,876**	**9,682,855**	**58,753,970**	**903,593**	**2,345,837**	**2,807,029**	**77,299,160**

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

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

The Company is exposed to insurance risk on its transmission and distribution assets. These assets are not covered by external insurance. To manage this risk, the Company has established a "Self-insurance fund" (see Note 31). In 2017, the company used all their self-insurance fund to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma.

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

	Notes	**2019**	2018
Generation	*18*	**3,650,817**	3,315,258
Transmission and distribution	*19*	**2,567,184**	3,620,547
Administrative	*21*	**636,809**	552,400
		6,854,810	7,488,205

Details of the impairment losses as at December 31, 2019 and 2018 per expense follows:

	Note	**2019**	2018
Administrative expense	*21*	**1,079,648**	1,459,192
Hurricane expense and losses	*7*	**(735,748)**	(1,323,326)
		343,900	135,866

8. Investments

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

9. Inventories - net

	2019	2018
Generation parts and fuel	**4,185,682**	4,131,725
Transmission and distribution parts	**11,475,614**	11,375,444
Administration supplies	**166,251**	216,732
	15,827,547	15,723,901
Less allowance for slow moving and obsolete inventories	**(3,360,002)**	(3,360,002)
	12,467,545	12,363,899

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

	2019	2018
Balance, 1 January	**3,360,002**	2,353,805
Impairment for the year	**-**	1,118,108
Written off	**-**	(111,911)
Balance, 31 December	**3,360,002**	3,360,002

10. Trade and other receivables - net

	Note	**2019**	2018
Trade		**26,458,755**	19,167,797
Insurance Claim Receivable	32	**-**	8,113,807
Customer receivables under deferred payment plan		**44,833**	173,942
Other		**265,382**	231,634
		26,768,970	27,687,180
Less allowance for credit losses		**(13,402,146)**	(12,324,314)
		13,366,824	15,362,866

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:

	2019			2018		
	GOA	**Others**	**Total**	GOA	Others	Total
Due within one year	**-**	**44,833**	**44,833**	-	173,942	173,942
Due more than one year	**-**	**-**	**-**	-	-	-
	-	**44,833**	**44,833**	-	173,942	173,942

As at year-end, the Government of Anguilla and its various statutory bodies owed the Company an amount of EC$12,956,193 (2018: EC$8,130,647).

The movements of allowance for credit losses are as follows:

	Note	Amount
Balance, 1 January 2018		10,952,571
Impairment loss recognized per IFRS 9	*21*	1,459,192
Amounts written off		(87,449)
Balance, 31 December 2018		12,324,314
Effect of change in accounting policy for IFRS 9	*2(e)*	**-**
Balance, 1 January 2019		**12,324,314**
Impairment loss recognized per IFRS 9	*21*	**1,079,648**
Amounts written off		**(1,816)**
Balance, 31 December		**13,402,146**

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

Details of the impairment losses as at December 31, 2019 as shown in the statement of cash flows follow:

	Note	**2019**	2018
Accounts receivable	*10*	**1,079,648**	1,459,192
Property, plant and equipment	*7*	**(735,748)**	(1,323,326)
Prepayments and other asset	*11*	**-**	-
		343,900	135,866

11. Prepayments and other current assets

		2019	2018
Advance deposits		**1,171,230**	1,029,830
Prepaid insurance		**267,602**	213,657
Other		**178,777**	305,137
		1,617,609	1,548,624
Allowance for impairment	*10*	**(67,181)**	(67,181)
		1,550,428	1,481,443

12. Cash and cash equivalents

	2019	2018
Cash in banks	**8,087,551**	7,081,686
Petty cash	**3,700**	3,300
	8,091,251	7,084,986

Cash in banks earn interest at the respective bank deposit rates ranging from nil to 1% (2018: nil to 1%). Interest income for the year totalled EC$33,852 (2018: EC$7,105). 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	**2019**	2018
Cash		**8,091,251**	**7,084,986**
Bank overdraft	*14*	**(692,444)**	**(885,472)**
		7,398,807	**6,199,514**

13. Share capital

	2019	2018
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:

	2019	2018
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) went into conservatorship on August 12, 2013. A single Government-owned National Commercial Bank of Anguilla Ltd. (NCBAL) was established on April 25, 2017 and assumed full interest in all shares held by those institutions. As of this date, the current percentage of ownership of National Commercial Bank of Anguilla Ltd. in the Company is 23%.

14. Borrowings

	Notes	2019	2018
Caribbean Development Bank – 8OR/ANL	*14.1*	**11,155,319**	10,367,539
Caribbean Development Bank – 6OR/ANG	*14.2*	**5,034,461**	5,978,422
Caribbean Development Bank – 3OR/ANL	*14.3*	**-**	1,363,977
National Commercial Bank of Anguilla Ltd. – bank overdraft	*14.4*	**692,444**	885,472
		16,882,224	18,595,410

14. Borrowings *(continued)*

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

Details of the cumulative withdrawn amounts as at December 31, 2019 and 2018 follows:

	2019	2018
Principal	**11,121,955**	10,348,183
Commitment charge	**33,364**	19,356
	11,155,319	10,367,539
Interest payable	**133,864**	234,262
	11,289,183	10,601,801

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

14.3 This loan (3OR/ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US$6,089,000. This loan is payable in forty-eight (48) equal and consecutive quarterly principal instalments of US$126,855 with a variable interest rate at 2.97% (2018: 2.97%) per annum that commenced in January 2008. This loan matured October 2019. This loan was secured by a pari passu legal charge along with Republic bank (Anguilla) formerly Scotia Bank Anguilla Limited over the Company's plant and equipment as well as the freehold property of the Company. This loan was also guaranteed by the Government of Anguilla.

14.4 The Company maintains an overdraft facility with a limit of EC$3.2 million with the National Commercial Bank of Anguilla Ltd. The facility carries an interest rate of 7.5% per annum.

14. Borrowings *(continued)*

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

	2019	2018
Current		
National Commercial Bank of Anguilla Ltd. – bank overdraft	**692,444**	885,472
Caribbean Development Bank – 8OR/ANG	**542,423**	-
Caribbean Development Bank – 6OR/ANG	**1,258,615**	1,258,615
Caribbean Development Bank – 3OR/ANL	**-**	1,363,977
	2,493,482	3,508,064
Noncurrent		
Caribbean Development Bank – 8OR/ANL	**10,612,896**	10,367,539
Caribbean Development Bank – 6OR/ANG	**3,775,846**	4,719,807
Caribbean Development Bank – 3OR/ANL	**-**	-
	14,388,742	15,087,346
	16,882,224	18,595,410

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

		2019	2018
Caribbean Development Bank – 3OR/ANG		**24,553**	77,665
Caribbean Development Bank – 6OR/ANG		**222,717**	207,212
Caribbean Development Bank – 8OR/ANG		**558,787**	361,484
	25	**806,057**	646,361

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

	2019	2018
Balance, 1 January	**17,709,938**	9,021,097
Additions	**787,781**	10,367,539
Repayments	**(2,307,939)**	(1,678,698)
Balance, 31 December	**16,189,780**	17,709,938

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	**2019**	2018
Balance, 1 January		**3,396,204**	3,545,853
Contributions received during the year		**94,984**	291,441
Amount charged to profit or loss	*20*	**(447,262)**	(441,090)
Balance, 31 December		**3,043,926**	3,396,204

16. Trade and other payable

	Notes	**2019**	2018
Trade payables		**3,291,905**	3,604,438
Lease payable	*33*	**2,193,469**	2,188,777
Accrued expenses		**1,567,549**	1,736,874
Accrued interest payable		**183,330**	438,304
Environmental levy payable		**382,463**	407,743
Other payables		**153,208**	247,959
		7,771,924	8,624,095

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

	2019	2018
Current	**5,954,770**	6,795,876
Non-current	**1,817,154**	1,828,219
	7,771,924	8,624,095

17. Energy sales

	2019	2018
Amounts billed during the year	**53,008,267**	44,296,044
Less: Unbilled revenue at beginning of the year	**(2,776,418)**	(2,173,280)
	50,231,849	42,122,764
Add: Unbilled revenue at the end of the year	**2,497,719**	2,776,418
	52,729,568	44,899,182

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

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

17. Energy sales *(continued)*

For the year ended December 31, 2019, the Company recovered a total surcharge of EC$23,092,310 (2018: EC$14,959,745) from its customers, of which the Company incurred fuel surcharge costs of EC$19,040,682 (2018: EC$17,609,983) as noted below:

	2019	2018
Surcharge Billed	**23,092,310**	14,959,745
Fuel Surcharge Expense	**(19,040,682)**	(17,609,983)
Surcharge over/(under) recovered	**4,051,628**	(2,650,238)

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

"In determining whether any or what variation of the tariff of rates and charges should be made, the Minister or the Arbitrator shall have regard to the principle that the Licensee's revenues must be at least sufficient to enable the Licensee—

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

b. to repay its indebtedness; and

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

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

e. to provide an annual return on its Ordinary Shareholders' Equity at a rate which is not less than the average twelve-month deposit rate paid by commercial banks in Anguilla plus three per cent: PROVIDED THAT such return shall be at a rate not less than twelve percent per annum.

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

18. Generation – other expenses

	Notes	2019	2018
Repairs and maintenance		**2,553,756**	4,946,492
Staff costs	*23*	**3,054,004**	3,364,938
Depreciation	*7*	**3,650,817**	3,315,258
Insurance		**1,465,970**	1,099,800
Supplies and other expenses		**207,783**	560,790
		10,932,330	13,287,278

19. Transmission and distribution expenses

	Notes	**2019**	2018
Staff costs	*23*	**4,614,068**	4,347,957
Depreciation	*7*	**2,567,184**	3,620,547
Repairs and maintenance		**1,811,859**	898,413
Supplies and other expenses		**624,509**	563,821
Security expense		**491,601**	460,784
Insurance		**306,445**	333,139
Inventory obsolescence		**25,736**	582,566
		10,441,402	10,807,227

20. Other income

	Notes	**2019**	2018
Late charges		**1,678,571**	1,081,248
Connection upgrades and other services		**330,589**	393,687
Revenue from contribution in aid of construction	*15*	**447,262**	441,090
Interest income	*12*	**33,852**	7,105
Reconnection fees		**146,084**	51,990
Rental and relocation of poles		**67,957**	83,897
Gain on sale of assets		**33,570**	28,996
		2,737,885	2,088,013

21. Administrative expenses

	Notes	**2019**	2018
Staff costs	*23*	**3,810,134**	3,821,766
Credit loss	*10*	**343,900**	1,459,192
Office expenses		**2,141,582**	1,590,447
Fraud/theft		**868,664**	-
Business license fee	*29*	**750,000**	750,000
Depreciation	*7*	**636,809**	552,400
General		**718,610**	424,295
Gross revenue tax		**389,083**	332,186
Directors' fees and expenses		**481,822**	444,802
Leases	*33*	**462,353**	431,970
Insurance		**170,525**	243,520
Audit fees		**310,880**	263,712
Legal fees	*34*	**629,760**	120,015
Consultancy fees		**687,960**	78,359
Accounting fees		**81,568**	34,587
Eastern Caribbean Securities Regulatory Company		**16,000**	29,504
		12,499,650	10,576,755

21. Administrative expenses *(continued)*

Fraud/theft

The Company regularly purchases inventory through Wartsilla and Balmoral Tanks Ltd. and pays the outstanding amounts through wire transfers. During the year, the Company made payments to both companies after receiving different wiring instructions/addresses that turned out to be fraudulent. This was facilitated through the interception of staff emails. The funds, (EC$868,664) were determined to be unrecoverable and written off.

22. Consumer services

	Note	**2019**	2018
Staff costs	*23*	**454,665**	477,548
Temporary and contract services		**3,921**	104,454
Vehicle licences		**10,800**	10,800
Other		**71,480**	54,353
		540,866	647,155

23. Staff costs

	Notes	**2019**	2018
Transmission and distribution	*19*	**4,614,068**	4,347,957
Administrative	*21*	**3,810,134**	3,821,766
Generation	*18*	**3,054,004**	3,364,938
Consumer services	*22*	**454,665**	477,548
		11,932,871	12,012,209

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

	Notes	**2019**	2018
Salaries, wages and allowances		**9,239,906**	9,134,767
Overtime		**893,911**	983,514
Pension expense	*24*	**395,580**	835,763
Training		**784,205**	428,705
Social security		**356,860**	358,320
Interim stabilization levy		**262,409**	271,140
		11,932,871	12,012,209

24. Pension expenses

The Company uses a defined contribution plan for its employees. Effective July 2018, management employees hired before 2005, who were under the defined benefit plan, were transferred to this defined contribution plan as a result of the winding-up. The Company was required to pay an additional EC$351,356 to ensure the pension benefits for its members were secured in full. These employees were transferred to the Company's defined contribution retirement plan.

This plan is handled and administered by Zurich International. Total contributions made by the Company amounted to EC$395,580 and EC$484,407 in 2019 and 2018, respectively.

25. Finance costs

	Notes	**2019**	2018
Interest expense - borrowings	*14*	**806,057**	646,361
Charges and Commissions		**338,140**	366,215
Gain on foreign exchange		**(159,086)**	(79,460)
Interest expense – finance lease		**4,691**	4,291
		989,802	937,407

26. Earnings per share

The calculations of basic loss per share as at 31 December 2019 and 2018 were based on the net loss for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	2019	2018
Profit /(Loss) for the year	**4,500,014**	(9,164,172)
Total number of shares issued as at 31 December	**11,636,147**	11,636,147
Profit /(Loss) per share	**0.39**	(0.79)

27. Dividends

Dividend of EC$ nil (2018: EC$.05) per share was declared by the Board of Directors and sanctioned by the shareholders during the last annual general meeting.

28. Financial instruments

i. Credit risk

Exposure to credit risk

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

	Notes	**2019**	2018
Trade and other receivables - net	*10*	**13,366,824**	15,362,866
Cash in bank – net of bank overdraft	*12*	**7,398,807**	6,199,514
		20,765,631	21,562,380

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

	2019	2018
Government	**12,800,789**	8,130,647
Hospitality	**4,467,741**	3,400,120
Residential	**4,641,508**	5,255,642
Commercial	**4,548,712**	10,663,605
Other	**310,220**	237,166
	26,768,970	27,687,180

28. Financial instruments *(continued)*

i. *Credit risk (continued)*

***Exposure to credit risk** (continued)*

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

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

		2019		2018
	Gross	**Impairment**	Gross	Impairment
Current	**10,581,275**	**1,217,128**	18,715,261	3,417,851
Past due 31-60	**2,512,652**	**873,942**	687,407	624,298
Past due 61-90	**1,502,925**	**1,440,815**	533,578	531,231
Over 90	**12,172,118**	**9,870,261**	7,750,934	7,750,934
Total	**26,768,970**	**13,402,146**	27,687,180	12,324,314

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
31 December 2019						
Bank overdraft	**692,444**	**692,444**	**692,444**	**-**	**-**	**-**
Borrowings	**16,189,780**	**22,351,582**	**1,949,679**	**5,025,217**	**4,805,655**	**10,571,031**
Customers deposits	**1,331,561**	**1,331,561**	**1,331,561**	**-**	**-**	**-**
Trade and other payables	**7,771,924**	**7,771,924**	**-**	**-**	**-**	**-**
	25,985,709	**32,147,511**	**3,973,684**	**5,025,217**	**4,805,655**	**10,571,031**
31 December 2018						
Bank overdraft	885,472	885,472	885,472	-	-	-
Borrowings	17,709,938	25,836,128	3,836,581	4,462,287	6,966,229	10,571,031
Customers deposits	975,553	975,553	975,553	-	-	-
Trade and other payables	8,624,095	10,356,886	6,795,875	35,382	106,147	3,419,481
	28,195,058	38,054,039	12,493,481	4,497,669	7,072,376	13,990,512

28. Financial instruments *(continued)*

iii. Market risk

Interest rate risk

			2019		2018
	Interest	**Interest rate**	**Carrying amount**	Interest rate	Carrying amount
Cash in bank	**Fixed**	0%-1.0%	**8,087,551**	0%-1.0%	7,081,686
Overdraft	**Fixed**	9.20%	**(692,444)**	9.20%	(885,572)
Leases	**Fixed**	0.74% - 2.29%	**(2,193,469)**	0.74% - 2.29%	(2,188,777)
Borrowings	**Variable**	2.97%-4.80%	**(16,882,224)**	2.97%-3.43%	(18,595,410)

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.

		2019			2018	
	At required rate	**+10% increase**	**-10% decrease**	At required rate	+10% increase	-10% decrease
CDB – 8OR/ANG	**293,640**	**323,004**	**264,276**	207,212	227,993	186,491
CDB – 6OR/ANG	**352,035**	**387,239**	**316,832**	361,484	397,632	325,336
CDB – 3OR/ANG	**-**	**-**	**-**	77,665	85,432	69,899
	645,675	**710,243**	**581,108**	646,361	711,057	581,726

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

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

		2019		2018
	Carrying amount	**Fair values**	Carrying amount	Fair values
Trade and other receivables	**13,366,824**	**13,366,824**	15,362,866	15,362,866
Cash	**8,087,551**	**8,087,551**	7,081,686	7,081,686
	21,454,375	**21,454,375**	22,444,552	22,444,552
Overdraft	**692,444**	**692,444**	885,472	885,472
Borrowings	**16,189,780**	**18,738,537**	17,709,938	16,946,285
Consumers' deposits	**1,331,561**	**1,331,561**	975,553	975,553
Trade and other payables	**7,771,924**	**7,771,924**	8,624,095	8,624,095
	25,985,709	**28,534,466**	28,195,058	27,431,405

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 2019 and 2018. These transactions were conducted at market rates, or commercial terms and conditions. Details are as follows:

i. Key management personnel and directors

	2019	2018
Short-term benefits to executive officers	**2,369,202**	2,485,265
Loans and advances to staff	**202,711**	134,564
Director fees and related activities	**481,822**	444,802

The Company provides interest free loans and advances to members of staff. These outstanding amounts may exceed twelve months.

ii. Government of Anguilla (GOA) – significant shareholder

Balance sheet		2019	2018
Accounts receivable -Gov't only		**1,921,310**	1,117,512
Accounts Receivable – Statutory bodies		**11,034,883**	7,013,135
Allowance for credit losses		**(8,648,714)**	(7,510,334)
Lease payable	*33*	**(2,193,469)**	(2,188,777)
Environmental levy payable		**(401,751)**	(407,743)
Gross revenue tax payable		**(389,083)**	(332,186)
Interim stabilization levy payable		**(51,173)**	(43,237)

Income statement	2019	2018
Revenues from GOA	**7,010,000**	8,248,000
Credit loss for the year	**1,138,380**	3,330,442
License fee	**750,000**	750,000
Import duties and other fees and services	**6,277,433**	6,347,350
Gross revenue tax	**389,083**	332,186

29. Related party transactions *(continued)*

Related party transactions and balances *(continued)*

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

Others	**2019**	2018
Environmental levy	**4,638,337**	3,630,745
Dividends paid	**-**	232,723

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

b. License fee during the year is EC$750,000 (2018: EC$750,000).

c. In accordance with the Electricity Supply (Amendment) Regulations, 2019, 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$713,720 (2018: EC$722,971) of which EC$73,442 (2018: EC$68,489) were outstanding at 31 December 2019.

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:

	2019	2018
Current account	**5,602,612**	4,892,181
Bank overdraft	**(692,444)**	(885,472)

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. (Refer to *note 34* for further details on this matter).

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 placed an appropriate amount into the Fund on an annual basis.
The Company completely drew down on the self-insurance fund in 2017 to aid in the recovery and restoration of the island after Hurricane Irma. The fund has remained fully withdrawn to date.
In 2019, the Company did not decide to restore the self-insurance fund and was not covered under any insurance plan for the Transmission and Distribution assets. The Company has an overdraft facility in place in the event of natural disasters or similar catastrophic events.

As at December 31, 2019, the Company is fully exposed on liquidity requirements in the event of another severe natural disaster impacting the Company. As per the Company's previous experience the funding requirement is in the range of EC$18 million to EC$24 million.

On September 15, 2020, the Company obtained insurance through the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The policy coverage full loss limit is US$5,460,700 (EC$14,634,676). Based on the limit above and the recent experience with the devastation in 2017, the Company remains exposed on insurance risk.

32. Hurricane related transactions

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

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

32. Hurricane related transactions *(continued)*

Details of the hurricane related purchases and expenses follows:

	2019	2018	Remarks
Material purchases	-	2,115,138	*Note 32 (I)*
Equipment purchases	-	300,944	*Capitalized - Note 7*
Vehicle purchases	-	194,481	*Capitalized - Note 7*
Furnitures and fixtures purchases	-	261,516	*Capitalized - Note 7*
Labour	-	373,188	*Note 32 (II)*
Overhead	-	196,500	*Note 32 (III)*
Others	**99,834**	716,462	*Note 32 (IV)*
	99,834	4,158,229	

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

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

	Note	FS Classification	2019	2018
Unused inventories	*9*	Balance Sheet	-	1,351,584
Capitalized property, plant and equipment	*7*	Balance Sheet	-	654,345
Hurricane expenses	*32 (v)*	Income Statement	-	109,209
			-	2,115,138

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

	Note	FS Classification	2019	2018
Capitalized labour – employee overtime	*7*	Balance Sheet	-	-
Hurricane labour expenses	*32 (v)*	Income Statement	-	242,117
Capitalized labour – casual employees	*7*	Balance Sheet	-	-
Capitalized labour - contractual	*7*	Balance Sheet	-	131,071
			-	373,188

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

	Note	FS Classification	2019	2018
Capitalized overhead - heavy equipment rental	*7*	Balance Sheet	-	175,344
Hurricane overhead expenses - others	*32 (v)*	Income Statement	-	21,156
			-	196,500

32. Hurricane related transactions *(continued)*

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

	Note	FS Classification	**2019**	2018
Food		Income Statement	**-**	117,231
Travel and per diem		Income Statement	**-**	112,399
Repair and maintenance		Income Statement	**-**	42,901
Accommodation		Income Statement	**-**	22,158
Supervisor and management ex-gratia		Income Statement	**-**	-
Vehicle rental		Income Statement	**-**	75,448
Professional and consultancy services		Income Statement	**-**	224,599
Shipping and brokerage		Income Statement	**-**	30,645
Supplies		Income Statement	**-**	41,143
IT Equipment		Income Statement	**-**	8,761
Insurance		Income Statement	**-**	-
Vehicle materials		Income Statement	**-**	13,441
Duties		Income Statement	**-**	366
Others		Income Statement	**99,834**	27,370
	32 (v)		**99,834**	716,462

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

2019	Balance sheet	Income statement	**Total**
Material purchases	**-**	**-**	**-**
Equipment purchases	**-**	**-**	**-**
Vehicle purchases	**-**	**-**	**-**
Furnitures and fixtures purchases	**-**	**-**	**-**
Labour	**-**	**-**	**-**
Overhead	**-**		**-**
Others	**-**	**99,834**	**99,834**
	-	**99,834**	**99,834**

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

32. Hurricane related transactions *(continued)*

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

	Note	2019	2018
Hurricane expenses	32 (v)	**99,834**	1,088,944
Losses on fully damaged property, plant and equipment	32 (vii)	**-**	1,509,958
Reversal of impairment on partially damaged property, plant and equipment	32 (viii)	**(735,748)**	(1,323,326)
Grant expenses	32 (ix)	**-**	559,452
		(635,914)	1,835,028

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

2018	Costs	Accumulated Depreciation	Loss
Transmission and distribution	3,386,238	(1,876,280)	**1,509,958**
Vehicle	239,989	(239,989)	**-**
	3,626,227	(2,116,269)	**1,509,958**

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

	Note	2019	2018
Generation equipment	*7*	**-**	(1,199,835)
Building – power station and stores	*7*	**(735,748)**	(123,491)
		(735,748)	(1,323,326)

IX. Details of government grants and donations received by the Company during the restoration for the year 2018 follows:

2018	Type	Capitalized	Expense	Total
United Kingdom Government	Labour	3,549,849	-	**3,549,849**
United Kingdom Government	Overhead	1,198,762	-	**1,198,762**
United Kingdom Government	Other	-	559,452	**559,452**
		4,748,611	559,452	**5,308,063**

The Company policy is to recognize government grants received in the profit or loss on a systematic basis over the periods in which they are recognized as expense the related costs for which the grants are intended to compensate. Thus, the grants received that were capitalized are recorded as deferred income upon receipt and record the related grant income

32. Hurricane related transactions *(continued)*

IX. based on the amount of depreciation recorded during the year. As at December 31, 2019, the following are the details of the deferred and grant income:

Movement of deferred income follows:

	2019	2018
Beginning balance	**7,628,530**	3,324,408
Grant received during the year	**-**	5,308,063
Grant charged to income during the year - other	**-**	(559,452)
Grant charged to income during the year - depreciation	**(444,489)**	(444,489)
	7,184,041	7,628,530

X. Insurance claims and recoveries

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

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

(a) Deductible
  i. Earthquake, Windstorm, Named Windstorm, Wind-Driven Water and Resultant Flood - 2% of the Sum Insured of any one affected location. Always subject to a minimum of EC$1,350,000 each loss occurrence combined for all affected locations.
  ii. All Other Losses Including Machinery Breakdown XCD50,000
  iii. Property in-transit - XCD 25,000 each and every loss
  iv. Residential Property - XCD 10,000 each and every loss

(b) 2% of the sum insured applied separately subject to $1,500 minimum each/every occurrence.

(c) XCD 7,500 each and every claim but XCD 50,000 each and every claim in respect of claims brought against the Insured under the jurisdiction of USA or Canada.

The Company had made filing for damages and business interruption claims based on the above coverage of their insurance policies. The Company only recognized as insurance recovery income the amount of proceeds received as at audit report date. Details of these insurance proceeds to date are as follows:

32. Hurricane related transactions *(continued)*

X. Insurance claims and recoveries *(continued)*

2019	Received as at audit report date	Received as at December 31, 2019	**Receivable as at December 31, 2019**
Solar Power Plant claim	5,630,991	4,569,940	-
Asset damages claim	9,658,660	9,658,660	-
Total damage claims	15,289,651	14,228,600	-
Business Interruption	5,375,542	5,375,542	-
Total	20,665,193	19,604,142	-

The amount of EC$4,569,940 for the solar plant claim was the full and final amount received at the end of 2018. The receivable amount of EC$1,061,051 was written off.

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

33. Leases

IFRS 16 came into effect for companies effective January 1, 2019. Based on the leases the Company holds, the disclosure would be effective for the lease with the main building and the satellite office. The Company signed new leases at the end of the year and the amounts computed are immaterial. As such, they have elected not to implement IFRS 16 disclosure for the financial year 2019.

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 2019 included in “administrative expenses” in the statement of comprehensive loss is EC$102,000 (2018: EC$102,000). The lease agreement does not provide for any escalation of rent during the lease term.

b. Additional Office Space

On 27th of December 2019, the Company entered into a two-year lease agreement for additional office space. Monthly rent is EC$16,129 commencing 1st of January 2020. The lease agreement does not provide for any escalation of rent during the lease term.
Total rent expense in 2019 included in “administrative expenses” in the statement of comprehensive loss is EC$191,720 (2018: EC$191,720).

33. Leases *(continued)*

c. Garage

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

Total rent expense in 2019 included in "administrative expenses" in the statement of comprehensive loss is EC$67,205 (2018:EC$67,205).

d. Crown Land

i. Solar power plant

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

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

ii. Administration Building

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

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

iii. Corito Power Plant

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

33. Leases *(continued)*

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:

	2019			
	Total land value	Paid to date	Finance charge to date	Lease payable balance
Solar power plant	1,108,546	(100,471)	**4,814**	**1,012,889**
Administration building	721,539	(715,061)	**130**	**6,608**
Corito power plant	863,966	-	**9,246**	**873,212**
West end transmission	284,949	-	**15,811**	**300,760**
	2,979,000	(815,532)	**30,001**	**2,193,469**

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

Details of future minimum lease payments follows:

	2019	2018
Past due	**345,625**	325,175
Less than one year	**35,382**	35,382
Between one and five years	**141,530**	141,530
More than five years	**3,419,381**	3,419,482
	3,941,918	3,921,569

34. Contingencies

Pending or threatened litigation

(a) Employee

In 2019, the Company received a ***Letter Before Action*** from legal counsel of a former key management personnel who is seeking compensation in the sum of EC$2,092,578.89 (US$780,813.02) to be negotiated for an alleged claim of constructive dismissal.
On August 24, 2020, a claim was brought for over EC$7.14 million plus unquantified exemplary damages and legal costs on the grounds of constructive dismissal. The Company vigorously defends this claim and now awaits the hearing. No provision has been made for any possible outcome.

(b) Employee

A former employee filed with the Labour Tribunal a claim for unfair dismissal, breach of natural justice and breach of procedural fairness. By reason of the purported fact of unfair dismissal, the employee has claimed for amounts exceeding EC$3,700,000 as well as other damages and relief.
Anglec has filed a full defense on May 20, 2020 and awaits a new date to be set by the Tribunal on the matter. Proposed settlements have not been agreed to date. No provision has been made for any possible outcome.

(c) Employee

A current employee filed a claim with the Tribunal on July 7, 2020 to receive a sum of US$20,000 as damages for anxiety and embarrassment experienced as a result of sexual harassment by a key member of management and the Company's inactivity in the face of the complaint which is evidence of their failure to provide safe and healthy conditions of work. A demand has also been made for reasonable costs of US$3,500 further or other relief deemed by the Tribunal and appropriate disciplinary action brought against the employee in accordance with the Company's Employee Handbook.
The Company filed defense and witness statements on July 16 and 27, 2020 respectively, denying the allegation and pointing out that a mediation agreement was already signed by the relevant parties bringing the matter to a close. The Tribunal agreed with the Company on the matter of sexual harassment and therefore indicated that it will only address the matter of providing a safe work environment. Anglec met the deadline and provided further context. A date is awaited for hearing on the matter. No provision has been made for any possible outcome.

(d) Employee

A letter was received from eight employees of Transmission and Distribution on April 27, 2020 requesting outstanding payments due to overtime worked. The total amount requested is EC$277,602.74 plus US$6,000 legal fees. The Company has made an offer of an ex-gratia payment (US$4,000) as a resolution which has not been accepted. In a letter received December 4, 2020 from seven of the employee's legal representation it was indicated that if a substantive and favourable response is not made by December 18, 2020, the matter would be addressed with the terms of the Labour (Relations) Act 2018. The Labour Commissioner has scheduled a hearing on the matter on February 2, 2021. No provision has been made for any possible outcome.

34. Contingencies *(continued)*

Pending or threatened litigation *(continued)*

(e) Fuel Supplier

On September 14, 2020, the Company received a ***Letter Before Action*** from legal counsel of a fuel supplier alleging that is has suffered a loss as it relied on Anglec's representation that it was the successful winner for the bid for the Fuel Supply Agreement commencing June 6th, 2020. The Company demanded payment in the sum of US$72,800 plus payment of US$7,280 as compensation for the loss as it commenced ordering fuel from its suppliers. The matter is before the Court and a mediation is pending, however, failing that as the matter is before the Court the completion date is within the Court's discretion. No provision has been made for any possible outcome.

(f) **Claim No. AXAHCV2020/0030 Delta Petroleum (Anguilla) Ltd (Delta) v Anguilla Electricity Company Ltd (Anglec)**

Delta commenced a claim on June 5, 2020 including an application for the Court to grant an interim injunction to restrain the Company from terminating the Agreement date June 30, 2016, and to order that the Company abide by the terms and conditions of the Agreement until the claim is determined. The Company was ordered to pay EC$1,500 legal costs to Delta in the application of the interim injunction.
The parties met for mediation on October 28, 2020 but it was unsuccessful. Case management conferences continue. No provision has been made for any possible outcome.

(g) **Claim No. AXAHCVAP2020/0008 The Attorney General of Anguilla v The Anguilla Electricity Company Limited et al**

On December 20, 2019, an injunction was placed on the then Anglec Board and following a trial in February 2020, on April 8, 2020, the High Court judge ruled, amongst other things that the prior Board's term of office expired at the latest around the end of November 2019 and hence all resolutions passed at meetings held between February 5, 2018 and November 2019 are null and void, the Board was vacant and awarded costs against all the former directors. This decision was appealed on April 14, 2020. A new Board was appointed on May 26, 2020 and instructed to discontinue the appeal on June 19, 2020. If the decision of the first judge is not overturned, the Company is exposed to liability. The Company was barred from rejoining the appeal. A hearing was held on January 29, 2021 for the remaining parties to the appeal. No decision has been made to date. No provision has been made for any possible outcome.

35. Subsequent event

COVID -19

As at report date, the coronavirus (COVID-19) outbreak which became an official pandemic on March 11, 2020 has prompted global health and economic concerns. Coronavirus affected entities in every sector, due to the following impacts:

- Reduced consumer demand for goods and services due to lost income and/or restrictions on consumers' ability to move freely;
- Lack of investment in capital improvements and construction reducing demand for many goods and services;

35. Subsequent event (*continued*)

- Reduction in market prices for commodities and financial assets, including equity and debt instruments; and
- Disruption of global supply chains due to restrictions placed on the movement of people and goods.

The above resulted in the closure of businesses, travel bans and border closures in different countries including Anguilla. On March 27, 2020 the island closed its borders, thereby forcing major employers such as the hotels to close their doors. As such, many Anguillians were laid off and became unemployed. The Company decided on March 31, 2020 to cease charging customers the late charge of 2% on their outstanding balances as they struggle to keep up to date on bills. The company also decided to cease disconnections. With the closure of hotels and the scaling down of other businesses, it is anticipated that revenues would decline while the country remains closed.

The table below shows the revenues and receivables in 2020 compared to 2019.

	2020	2019
	Gross	**Gross**
Current	5,119,208	**10,581,275**
Past due 31-60	1,145,558	**2,512,652**
Past due 61-90	858,446	**1,502,925**
Over 90	16,614,072	**12,172,118**
Total	23,737,284	**26,768,970**

Total revenues for the year ended December 31, 2019 totalled EC$75,821,878. Total revenue (unaudited) for the year ended December 31, 2020 totalled EC$59,091,000.

The Company continues to assess and monitor the ongoing effect of the Covid-19 pandemic to the island and specifically to the Company's operations and the financial statements as at and for the year ended December 31, 2020 and onwards.