ANGUILLA ELECTRICITY COMPANY LIMITED

Financial Statements

December 31, 2017

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

SECRETARY
Jeri Richardson

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

Scotiabank (Anguilla) Limited
Fairplay Complex
The Valley
Anguilla, B.W.I.

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

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

BDO LLC
P.O. Box 136
Fairplay Complex
Cosley Drive
The Valley, AI-2640
Anguilla, BWI

Tel: 264-497-5500
Fax: 264-497-3755
e-Mail: claudel.romney@bdoecc.com
Website: www.bdocaribbean.com

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, 2017;
- the statement of profit or loss and other 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matters

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

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

INDEPENDENT AUDITOR'S REPORT *(continued)*

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

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

Emphasis of Matters *(continued)*

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

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
27th of June 2019

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Financial Position
As at December 31, 2017

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2017	2016
Assets			
Non-current assets			
Property, plant and equipment - net	*7*	**71,551,786**	70,454,393
Net pension asset	*24*	**-**	243,575
Other assets		**-**	11,492
Investments	*8, 31*	**-**	2,173,610
Total non-current assets		**71,551,786**	72,883,070
Current assets			
Prepayments and other current assets	*11*	**384,421**	888,165
Inventories - net	*9*	**11,934,258**	7,192,680
Trade and other receivables - net	*10*	**28,628,344**	12,704,132
Investments	*8, 31*	**-**	15,067,930
Cash and cash equivalents	*12*	**2,855,055**	8,841,691
Total current assets		**43,802,078**	44,694,598
Total Assets		**115,353,864**	117,577,668
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	*13*	**14,536,147**	14,536,147
Retained earnings		**70,403,127**	78,522,434
Total shareholders' equity		**84,939,274**	93,058,581
Non-current liabilities			
Borrowings - net of current portion	*14*	**6,398,438**	7,762,482
Contributions in aid of construction	*15*	**3,545,853**	3,849,901
Deferred income - grant		**3,324,408**	-
Trade and other payables	*16*	**1,862,208**	1,876,398
Total non-current liabilities		**15,130,907**	13,488,781
Current liabilities			
Borrowings - current portion	*14*	**5,726,682**	3,988,780
Customers' deposits		**998,173**	1,010,205
Trade and other payables	*16*	**8,558,828**	6,031,321
Total current liabilities		**15,283,683**	11,030,306
Total Shareholders' Equity and Liabilities		**115,353,864**	117,577,668

These financial statements were approved on behalf of the Board of Directors on 27th June 2019 by the following:

Mr. Harold Ruan
Chairman

Ms. Shinnette Connor
Vice Chairman

The accompanying notes from pages 9 to 55 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Profit or Loss and Other Comprehensive Loss/(Income)
For the Year Ended December 31, 2017

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	**2017**	2016
Revenues			
Energy sales	*17*	**42,358,774**	53,922,482
Fuel surcharge recovered	*17*	**8,746,726**	8,849,061
Other surcharge		**-**	2,921,235
		51,105,500	65,692,778
Cost of operations			
Generation			
Fuel		**(15,478,092)**	(20,428,048)
Fuel surcharge	*17*	**(10,483,453)**	(8,849,061)
		(25,961,545)	(29,277,109)
Generation - other expenses	*18*	**(12,748,431)**	(10,372,503)
		(38,709,976)	(39,649,612)
Transmission and distribution expenses	*19*	**(9,215,831)**	(8,752,310)
Hurricane expenses and losses	*32*	**(19,996,175)**	-
		(67,921,982)	(48,401,922)
Gross operating (loss)/income		**(16,816,482)**	17,290,856
Other income			
Insurance recovered	*32*	**20,665,193**	-
Grant income	*32*	**328,081**	-
Other income	*20*	**1,588,405**	2,010,469
		22,581,679	2,010,469
Gross income		**5,765,197**	19,301,325
Operating expenses			
Administrative expenses	*21*	**(11,850,943)**	(14,677,578)
Consumer services	*22*	**(589,000)**	(730,211)
		(12,439,943)	(15,407,789)
(Loss)/income from operations		**(6,674,746)**	3,893,536
Other expenses			
Finance cost	*25*	**(625,074)**	(527,799)
Net (loss)/income		**(7,299,820)**	3,365,737
Other comprehensive loss			
Re-measurement of net pension asset	*24*	**(819,487)**	(65,431)
Total comprehensive (loss)/income		**(8,119,307)**	3,300,306
Additional disclosures:			
(Loss)/earnings per share	*26*	**(0.63)**	0.29
Dividends per share	*27*	**-**	0.08

The accompanying notes from pages 9 to 55 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended December 31, 2017

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	Share capital	Retained earnings	Total
Balance as at 31 December 2015		14,536,147	76,153,020	90,689,167
Net income for the year		-	3,365,737	3,365,737
Other comprehensive loss	*24*	-	(65,431)	(65,431)
Dividends paid	*27*	-	(930,892)	(930,892)
Balance as at 31 December 2016		**14,536,147**	**78,522,434**	**93,058,581**
Net loss for the year		-	**(7,299,820)**	**(7,299,820)**
Other comprehensive loss	*24*	-	**(819,487)**	**(819,487)**
Dividends paid	*27*	-	**-**	**-**
Balance as at 31 December 2017		**14,536,147**	**70,403,127**	**84,939,274**

The accompanying notes from pages 9 to 55 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Cash Flows
For the Year Ended December 31, 2017

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2017	2016
Cash flows from operating activities			
Net (loss)/income		**(7,299,820)**	3,365,737
Adjustments for:			
Depreciation	*7*	**6,577,765**	6,367,272
Impairment losses	*10*	**4,506,927**	2,794,019
Grant received		**3,652,489**	-
Grant income		**(328,081)**	-
Revenue from contributions in aid of construction	*15*	**(498,799)**	(545,004)
Increase in contributions in aid of construction	*15*	**194,751**	900,611
Interest expense - borrowings	*14*	**289,920**	223,308
Interest expense – finance lease	*25*	**3,842**	3,351
Interest income		**(215,655)**	(125,191)
Impairment for slow moving/obsolete inventories	*9*	**1,740,958**	285,940
Inventory written-off	*9*	**(60,101)**	(27,433)
Receivable written-off	*10*	**(59,708)**	(75,938)
Re-measurement of net pension asset	*24*	**(819,487)**	(65,431)
Loss/(gain) on sale of property, plant and equipment	*7*	**12,787,902**	(11,115)
Operating income before working capital changes		**20,472,903**	13,090,126
(Increase)/decrease in:			
Net pension asset		**243,575**	57,915
Other assets		**11,492**	-
Inventories		**(6,422,435)**	(229,299)
Trade and other receivables		**(18,291,735)**	(2,874,097)
Prepayments and other current assets		**436,564**	307,787
Increase/(decrease) in:			
Customers' deposits		**(12,032)**	(274,657)
Trade and other payables		**2,497,813**	(1,287,443)
Net cash (used in)/provided by operating activities		**(1,063,855)**	8,790,332
Cash flows from investing activities			
Acquisition of property, plant and equipment	*7*	**(22,522,134)**	(10,920,825)
Disposal/(acquisition) of investment securities		**17,241,540**	(13,034,898)
Proceeds from disposal of property, plant and equipment		**-**	12,053
Interest received		**262,214**	163,251
Net cash used in investing activities		**(5,018,380)**	(23,780,419)

Forward

The accompanying notes from pages 9 to 55 are an integral part of these financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Cash Flows *(continued)*
For the Year Ended December 31, 2017

(Expressed in Eastern Caribbean Dollars (EC$))

	Notes	2017	2016
Cash flows from financing activities			
Repayment of borrowings	*14*	**(1,364,044)**	(1,364,043)
Finance lease payments		**-**	(140,794)
Interest paid		**(278,258)**	(207,972)
Dividends paid		**-**	(930,892)
Proceeds from borrowings	*14*	**-**	6,293,076
Net cash (used in)/provided by financing activities		**(1,642,302)**	3,649,375
Net (decrease)/increase in cash and cash equivalents		**(7,724,537)**	(11,340,712)
Cash and cash equivalents net of bank overdraft at 1 January		**7,475,570**	18,816,282
Cash and cash equivalents net of bank overdraft at 31 December	*12*	**(248,967)**	7,475,570

The accompanying notes from pages 9 to 55 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, 2017 were authorized for issue by the Board of Directors on 27th of June, 2019.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

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

2. Basis of preparation *(continued)*

e. Changes in accounting policies and disclosures

(i) New standards, interpretations and amendments effective from 1 January 2017

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, 2017:

- *Amendments to IFRS 7 Statement of Cash Flows: Disclosure initiative*
  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

- *Amendments to IFRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
  The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively, with certain transition relief.

- *Amendments to IFRS 2 Disclosures of Interests in Other Entities: Improvements to FRSs (December 2016)*

  The amendments clarify the scope of IFRS 2 by specifying that disclosure requirements in the Standard, except for those in paragraphs B10-B16 (on summarised financial information), apply to any interests that are classified as held for sale, held for distribution to owners or discounted operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments apply retrospectively.

None of the amendments to Standards and interpretations that are effective from that date had a significant effect on the Company's financial statements.

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

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at December 31, 2017 or not relevant to the Company's operations. These are as follows:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers (with clarifications issued)
- IFRS 16 Leases

2. Basis of preparation *(continued)*

f. Changes in accounting policies and disclosures

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

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Improvements to IFRSs (December 2016)

The adoption of these amendments to standards and interpretations will not have any significant impact on the Company's financial statements except for IFRS 9 and IFRS 15, which management believes will impact the Company's financial statements as at and for the year ending December 31, 2018.

3. Significant accounting policies

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

(a) Foreign currency transactions

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

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

(b) Financial instruments

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

3. Significant accounting policies *(continued)*

(b) Financial instruments *(continued)*

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

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

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

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

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

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

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

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

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

3. Significant accounting policies *(continued)*

(b) Financial instruments *(continued)*

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset.

(c) Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Subsequent costs

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

iii. Depreciation and amortization

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

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

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

3. Significant accounting policies *(continued)*

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

iv. Capital work in progress

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

v. Spare parts and servicing equipment

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

(d) Inventories

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

(e) Impairment

i. Financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

ii. Non-financial assets

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

3. Significant accounting policies *(continued)*

(e) Impairment *(continued)*

ii. Non-financial assets (continued)

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

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

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

(f) Contributions in aid of construction

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

(g) Share capital

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

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

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

3. Significant accounting policies *(continued)*

(h) Revenue

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

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

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

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

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

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

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

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

3. Significant accounting policies *(continued)*

(i) Employee benefits

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

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

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

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

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

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

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

3. Significant accounting policies *(continued)*

(j) Finance cost

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

(k) Earnings per share

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

(l) Dividends

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

(m) Provisions

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

(n) Leases

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

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

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

3. Significant accounting policies *(continued)*

(n) Leases *(continued)*

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

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

(o) Contingencies

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

(p) Subsequent events

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

4. Determination of fair values

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

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

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

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

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

4. Determination of fair values *(continued)*

(d) Non-derivative financial liabilities *(continued)*

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

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

5. Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

(b) Credit risk

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

5. Financial risk management *(continued)*

(a) Credit risk *(continued)*

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

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

(b) Liquidity risk

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

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

(c) Market risk

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

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

5. Financial risk management *(continued)*

(d) Fair value

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

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

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

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

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

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

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

(e) Capital management

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

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

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

5. Financial risk management *(continued)*

(f) Capital management

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

	2017	2016
Total debt	**30,414,590**	24,519,087
Shareholders' equity	**84,939,274**	93,058,581
Debt-to-equity ratio (total debt/total equity)	**36%**	26%

	2017	2016
Total debt	**30,414,590**	24,519,087
Total assets	**115,353,864**	117,577,668
Debt ratio (total debt/total assets)	**26%**	21%

	2017	2016
Shareholders' equity	**84,939,274**	93,058,581
Total assets	**115,353,864**	117,577,668
Equity ratio (total shareholders' equity/total assets)	**74%**	79%

6. Critical accounting estimates and judgments

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

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

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

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

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

d. Measurement of defined benefit obligation

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

e. Determination of fair values

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

(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 2015	240,000	2,979,000	14,618,267	114,216,501	4,065,886	4,391,952	2,914,783	143,426,389
Additions	-	-	127,649	2,472,847	187,076	926,564	7,206,689	10,920,825
Transfer	-	-	-	8,979,414	-	-	(8,979,414)	-
Write-off/disposal	-	-	-	(4,298,836)	-	-	-	(4,298,836)
31 December 2016	240,000	2,979,000	14,745,916	121,369,926	4,252,962	5,318,516	1,142,058	150,048,378
Additions	-	-	73,305	20,013,407	136,804	1,259,152	1,039,466	22,522,134
Transfer	-	-	-	1,106,856	-	-	(1,106,856)	-
Write-off/disposal	-	-	(1,618,349)	(24,498,257)	(1,299,952)	-	-	(27,416,558)
31 December 2017	**240,000**	**2,979,000**	**13,200,872**	**117,991,932**	**3,089,814**	**6,577,668**	**1,074,668**	**145,153,954**
Accumulated depreciation								
31 December 2015	-	281,477	5,103,106	65,620,167	3,088,989	3,430,872	-	77,524,611
Depreciation	-	32,911	366,448	5,440,491	233,474	293,948	-	6,367,272
Write-off/disposal	-	-	-	(4,297,898)	-	-	-	(4,297,898)
31 December 2016	-	314,388	5,469,554	66,762,760	3,322,463	3,724,820	-	79,593,985
Depreciation	-	32,912	356,603	5,649,700	199,295	339,255	-	6,577,765
Write-off/disposal	-	-	(796,344)	(12,990,181)	(842,131)	-	-	(14,628,656)
31 December 2017	**-**	**347,300**	**5,029,813**	**59,422,279**	**2,679,627**	**4,064,075**	**-**	**71,543,094**
Allowance for impairment								
31 December 2016	-	-	-	-	-	-	-	-
Impairment *(Note 10)*	-	-	123,491	1,199,835	-	-	735,748	2,059,074
31 December 2017	**-**	**-**	**123,491**	**1,199,835**	**-**	**-**	**735,748**	**2,059,074**
Net book values								
31 December 2016	240,000	2,664,612	9,276,362	54,607,166	930,499	1,593,696	1,142,058	70,454,393
31 December 2017	**240,000**	**2,631,700**	**8,047,568**	**57,369,818**	**410,187**	**2,513,593**	**339,920**	**71,551,786**

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

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). During the year, 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	**2017**	2016
Generation	*18*	**3,565,771**	3,478,219
Transmission and distribution	*19*	**2,423,184**	2,281,843
Administrative	*21*	**588,810**	607,210
		6,577,765	6,367,272

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

	Notes	**2017**	2016
Hurricane expenses and losses	*18*	**3,565,771**	3,478,219
Administrative	*10, 32*	**588,810**	607,210
		6,577,765	6,367,272

8. Investments

Details of the Company's investments are as follows:

	Interest rates	**2017**	2016
Fixed deposits – Scotiabank (Anguilla) Limited	*.10% - 1.38%*	**-**	15,067,930
Fixed deposits – National Commercial Bank Anguilla (NCBA) Ltd	*3.425%*	**-**	2,173,610
		-	17,241,540

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

	Notes	**2017**	2016
Scotiabank (Anguilla) Limited		**-**	5,970,115
Fixed deposits – National Commercial Bank Anguilla (NCBA) Ltd		**-**	2,173,610
	31	**-**	8,143,725

Interest income earned from these investments amounted to EC$215,655 (EC$125,191 in 2016).

8. Investments *(continued)*

The maturity profile of the Company's investments follows:

	Notes	**2017**	2016
Due within one year		**-**	15,067,930
Due in two years		**-**	2,173,610
		-	17,241,540

9. Inventories - net

	2017	2016
Generation parts and fuel	**4,156,439**	4,089,441
Transmission and distribution parts	**9,938,896**	3,592,532
Administration supplies	**192,728**	183,655
	14,288,063	7,865,628
Less allowance for slow moving and obsolete inventories	**(2,353,805)**	(672,948)
	11,934,258	7,192,680

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

	2017	2016
Balance, 1 January	**672,948**	414,441
Impairment for the year	**1,740,958**	285,940
Written off	**(60,101)**	(27,433)
Balance, 31 December	**2,353,805**	672,948

10. Trade and other receivables - net

	Note	**2017**	2016
Trade		**16,398,742**	14,335,009
Insurance Claim Receivable	32	**17,976,993**	-
Customer receivables under deferred payment plan		**1,626,491**	3,507,681
Accrued interest receivable		**-**	46,559
Other		**446,913**	314,714
		36,449,139	18,203,963
Less allowance for credit losses		**(7,820,795)**	(5,499,831)
		28,628,344	12,704,132

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.

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

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:

	2017			2016		
	GOA	**Others**	**Total**	GOA	Others	Total
Due within one year	**1,304,143**	**46,951**	**1,351,094**	2,488,040	289,661	2,777,701
Due more than one year	**-**	**275,397**	**275,397**	729,980	-	729,980
	1,304,143	**322,348**	**1,626,491**	3,218,020	289,661	3,507,681

As at year-end, the Government of Anguilla and its various statutory bodies owed the Company an amount of EC$7,361,133 (2016: EC$8,017,394) including the receivables under the payment plan detailed in the previous table. The settlement agreement for the payment plan, in place since 24 June 2014, with the approval of the Executive Council of Anguilla is still in effect.

The movements of allowance for credit losses are as follows:

	Note	**2017**	2016
Balance, 1 January		**5,499,831**	2,781,750
Credit loss for the year	*21*	**2,380,672**	2,794,019
Written off		**(59,708)**	(75,938)
Balance, 31 December		**7,820,795**	5,499,831

Details of the impairment losses as at December 31, 2017 as shown in the statement of cash flows follow:

	Note	**2017**	2016
Accounts receivable	*10*	**2,380,672**	2,794,019
Property, plant and equipment	*7*	**2,059,074**	-
Prepayments and other asset	*11*	**67,181**	-
		4,506,927	2,794,019

11. Prepayments and other current assets

		2017	2016
Advance deposits		**177,890**	653,663
Prepaid insurance		**175,553**	159,974
Other		**98,159**	74,528
		451,602	888,165
Allowance for impairment	*11*	**(67,181)**	-
		384,421	888,165

12. Cash and cash equivalents

	2017	2016
Cash in banks	**2,851,755**	8,838,391
Petty cash	**3,300**	3,300
	2,855,055	8,841,691

Cash in banks earn interest at the respective bank deposit rates ranging from nil to 1% (2016: nil to 1%). For the purpose of reporting cash flows, cash and cash equivalents are unrestricted and available for use in the operations.

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

	Note	2017	2016
Cash		**2,855,055**	8,841,691
Bank overdraft	*14*	**(3,104,022)**	(1,366,121)
		(248,967)	7,475,570

13. Share capital

	2017	2016
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:

	2017	2016
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.

13. Share capital *(continued)*

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

*The National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited (CCB) were dissolved on April 25, 2016. A single Government-owned National Commercial Bank of Anguilla (NCBA) was established on April 25, 2016 and assumed full interest in all shares held by the dissolved institutions. As of this date, the current percentage of ownership of National Commercial Bank of Anguilla Limited in the Company is 23%.

14. Borrowings

	Notes	**2017**	2016
Caribbean Development Bank – 6OR/ANG	*14.1*	**6,293,077**	6,293,077
Caribbean Development Bank – 3OR/ANL	*14.2*	**2,728,021**	4,092,064
National Commercial Bank of Anguilla Ltd. – bank overdraft	*14.3*	**3,104,022**	1,366,121
		12,125,120	11,751,262

14.1 This loan was made to the Company by Caribbean Development Bank to finance the Company's 1 MV solar farm. The loan is payable in twenty (20) equal and consecutive quarterly principal instalments of US$117,050, commencing on January 2018 and will mature in October 2022 with variable interest rate at 2.97% per annum. This loan is secured by a pari passu legal charge along with Scotia Bank Anguilla Limited over the Company's plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla.

14.2 This loan (3OR/ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US$6,089,000. This loan is payable in forty-eight (48) equal and consecutive quarterly principal instalments of US$126,855 with a variable interest rate at 2.97% (2016: 3.43%) per annum that commenced in January 2008. This loan will mature in October 2019. This loan is secured by a pari passu legal charge along with Scotia Bank Anguilla Limited over the Company's plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla.

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

14. Borrowings *(continued)*

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

	2017	2016
Current		
National Commercial Bank of Anguilla Ltd.		
– bank overdraft	**3,104,023**	1,366,121
Caribbean Development Bank – 6OR/ANG	**1,258,615**	1,258,615
Caribbean Development Bank – 3OR/ANL	**1,364,044**	1,364,044
	5,726,682	3,988,780
Noncurrent		
Caribbean Development Bank – 6OR/ANG	**5,034,462**	5,034,462
Caribbean Development Bank – 3OR/ANL	**1,363,976**	2,728,020
	6,398,438	7,762,482
	12,125,120	11,751,262

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

		2017	2016
Caribbean Development Bank – 3OR/ANG		**114,126**	136,355
Caribbean Development Bank – 6OR/ANG		**175,794**	86,953
	25	**289,920**	223,308

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

	2017	2016
Balance, 1 January	**10,385,141**	5,456,108
Additions	**-**	6,293,076
Repayments	**(1,364,044)**	(1,364,043)
Balance, 31 December	**9,021,097**	10,385,141

On December 20th, 2017, the Company signed a loan agreement with the Caribbean Development Bank to borrow an additional amount of US$5,313,000 or EC$14,282,407. The purpose of the loan is to assist the Company in financing the recovery of electricity transmission and distribution system and improvement for climate resilience. As at year end, no drawdowns were made from this facility.

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	**2017**	2016
Balance, 1 January		**3,849,901**	3,494,294
Contributions received during the year		**194,751**	900,611
Amount charged to profit or loss	*20*	**(498,799)**	(545,004)
Balance, 31 December		**3,545,853**	3,849,901

16. Trade and other payable

	Notes	**2017**	2016
Trade payables		**5,686,012**	3,304,373
Lease payable	*33*	**2,184,486**	2,180,645
Accrued expenses		**2,092,822**	1,739,949
Environmental levy payable		**87,577**	354,662
Accrued interest payable		**73,785**	62,123
Other payables		**296,354**	265,967
		10,421,036	7,907,719

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

	2017	2016
Current	**8,558,828**	6,031,321
Non-current	**1,862,208**	1,876,398
	10,421,036	7,907,719

17. Energy sales

	2017	2016
Amounts billed during the year	**42,566,021**	54,029,280
Less: Unbilled revenue at beginning of the year	**(2,380,527)**	(2,487,324)
	40,185,494	51,541,956
Add: Unbilled revenue at the end of the year	**2,173,280**	2,380,526
	42,358,774	53,922,482

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

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

17. Energy sales

For the year ended December 31, 2017, the Company recovered a total surcharge of EC$8,746,726 (2016: EC$11,770,296) from its customers, of which the Company incurred fuel surcharge costs of EC$10,483,453 EC$ (2016: EC$8,849,061).

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	**2017**	2016
Depreciation	*7*	**3,565,771**	3,478,219
Staff costs	*23*	**3,027,936**	3,168,606
Repairs and maintenance		**4,040,880**	2,595,370
Insurance		**982,762**	895,881
Supplies and other expenses		**1,131,082**	234,427
		12,748,431	10,372,503

19. Transmission and distribution expenses

	Notes	**2017**	2016
Staff costs	*23*	**3,969,096**	3,840,275
Depreciation	*7, 36*	**2,423,184**	2,281,843
Repairs and maintenance		**1,159,634**	1,622,234
Supplies and other expenses		**639,600**	483,900
Insurance		**297,687**	318,055
Inventory obsolescence		**726,630**	206,003
		9,215,831	8,752,310

20. Other income

	Notes	**2017**	2016
Late charges		**518,657**	603,784
Connection upgrades and other services		**225,225**	548,472
Revenue from contribution in aid of construction	*15*	**498,799**	545,004
Interest income	*12*	**215,655**	125,191
Reconnection fees		**74,400**	108,390
Rental and relocation of poles		**55,669**	68,513
Gain on sale of motor vehicles	*7*	**-**	11,115
		1,588,405	2,010,469

21. Administrative expenses

	Notes	**2017**	2016
Staff costs	*23*	**3,523,484**	3,658,319
Credit loss	*10*	**3,183,601**	2,794,019
Office expenses		**1,614,060**	1,718,830
Litigation settlement	*34*	**-**	2,200,000
Business license fee	*29*	**750,000**	750,000
Depreciation	*7*	**588,810**	607,210
General		**518,667**	532,166
Gross revenue tax		**427,700**	425,176
Directors' fees and expenses		**400,055**	451,168
Leases	*33*	**229,017**	279,152
Insurance		**217,605**	222,365
Audit fees		**202,287**	215,089
Legal fees	*34*	**97,178**	590,786
Consultancy fees		**69,352**	203,781
Eastern Caribbean Securities Regulatory Commission		**29,127**	29,517
		11,850,943	14,677,578

22. Consumer services

	Note	**2017**	2016
Staff costs	*23*	**417,293**	**406,962**
Temporary and contract services		**145,580**	**199,139**
Vehicle repairs and maintenance		**11,346**	**30,560**
Other		**14,781**	**93,550**
		589,000	**730,211**

23. Staff costs

	Notes	**2017**	2016
Transmission and distribution	*19*	**3,969,096**	3,840,275
Administrative	*21*	**3,523,484**	3,658,319
Generation	*18*	**3,027,936**	3,168,606
Consumer services	*22*	**417,293**	406,962
Re-measurement of net pension asset	*24*	**819,487**	65,431
		11,757,296	11,139,593

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

	Notes	**2017**	2016
Salaries, wages and allowances		**8,618,548**	8,362,000
Overtime		**540,401**	779,249
Pension expense - defined contribution	*24*	**220,199**	316,717
Pension expense - defined benefit	*24*	**918,300**	175,823
Training		**281,184**	430,538
Social security		**371,718**	346,723
Interim stabilization levy		**282,089**	252,522
Other		**524,857**	476,021
		11,757,296	11,139,593

24. Pension expenses

The Company has two pension plans for the employees.

a. *Defined contribution plan*
The Company uses a defined contribution plan for its non-management employees and all management employees hired after 2005. This plan is handled and administered by Zurich International. Total contributions made by the Company amounted to EC$220,199 and EC$316,717 in 2017 and 2016, respectively.

24. Pension expenses ***(continued)***

b. Defined benefit plan
For senior management hired before 2005, the Company has a defined benefit plan and contributes to the multiemployer plan named CDC Caribbean Pension Scheme which is administered by Sagicor Life Inc. This pension plan is closed to new participants. This plan will be closed and transfer to a new plan effective July 2018. Please see Note 36 for details.

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

	2017	2016
Present value of obligations	**(4,023,557)**	(3,766,280)
Fair value of plan assets	**4,930,556**	4,009,855
Fund status	**906,999**	243,575
Restrictions on asset recognized	**(906,999)**	-
Net pension asset	**-**	243,575

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

	2017	2016
Present value of obligations, 1 January	**3,766,280**	3,519,000
Interest cost	**290,976**	272,124
Current service cost	**132,448**	127,838
Benefits paid	**(38,129)**	(37,017)
Actuarial gain on obligation	**(128,018)**	(115,665)
Present value of obligations, 31 December	**4,023,557**	3,766,280

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

	2017	2016
Fair value of plan assets, 1 January	**4,009,855**	3,820,490
Expected return on plan assets	**284,105**	289,570
Contributions	**674,725**	117,908
Benefits paid	**(38,129)**	(37,017)
Actuarial loss on plan assets	**-**	(181,096)
Fair value of plan assets, 31 December	**4,930,556**	4,009,855

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

	2017	2016
Equities	30%	30%
Other – Bonds and fixed income securities	70%	70%

24. Pension expenses *(continued)*

Pension expense recognized in profit or loss is shown below:

	2017	2016
Current service cost	**132,448**	127,838
Interest cost	**290,976**	272,124
Expected return on plan assets	**(324,611)**	(289,570)
Pension expense defined benefit plan	**98,813**	110,392

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	7.50%	7.50%
Expected return on plan assets	7.50%	7.50%
Salary increase rates	6.50%	6.50%

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

	2017	2016
Discount rate – 1%	**761,100**	660,972
Discount rate + 1%	**(582,017)**	(505,449)
Salary increase – 0.5%	**(67,885)**	(67,547)
Salary increase + 0.5%	**76,941**	76,558

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

	2017	2016
Present value of obligation	**4,023,557**	3,766,280
Fair value of plan assets	**(4,930,556)**	(4,009,855)
Surplus	**(906,999)**	(243,575)
Experience adjustments arising from plan liabilities	**128,018**	115,665
Experience adjustments arising from plan assets	**(40,506)**	(181,096)

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

	2017	2016
Gain from experience	**(128,018)**	(115,665)
Expected return on plan assets	**324,611**	289,570
Actual return on plan assets	**(284,105)**	(108,474)
Effect of asset ceiling	**906,999**	-
Loss from experience	**819,487**	65,431

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

25. Finance costs

	Notes	**2017**	2016
Interest expense - borrowings	*14*	**289,920**	223,308
Charges and commissions		**359,240**	435,431
Gain on foreign exchange		**(27,928)**	(134,291)
Interest expense - finance lease		**3,842**	3,351
		625,074	527,799

26. Earnings per share

The calculations of basic (loss)/earnings per share as at 31 December 2017 and 2016 were based on the net (loss)/income for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	2017	2016
Net (loss)/income for the year	**(7,299,820)**	3,365,737
Total number of shares issued as at 31 December	**11,636,147**	11,636,147
(Loss)/income per share	**(0.63)**	0.29

27. Dividends

Dividend of nil (2016: EC$.08) per share was declared by the Board of Directors on 18 July 2016 and sanctioned by the shareholders during the last annual general meeting.

28. Financial instruments

i. Credit risk

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

	Notes	**2017**	2016
Investments	*8*	**-**	17,241,540
Trade and other receivables - net	*10*	**28,628,344**	12,704,132
Cash in bank - net of bank overdraft		**(252,267)**	7,472,270
		28,376,077	37,417,942

28. Financial instruments *(continued)*

i. Credit risk *(continued)*

Exposure to credit risk *(continued)*

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

	2017	2016
Government	**7,442,688**	8,017,394
Hospitality	**3,088,763**	4,351,764
Residential	**3,241,508**	2,922,701
Commercial	**22,229,268**	2,565,089
Other	**446,912**	347,015
	36,449,139	18,203,963

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

	2017	2016
Unimpaired trade receivables		
Group 1 – Customers with no defaults	**18,108,385**	6,489,717
Group 2 – Customers with some defaults but full recovery	**2,684,365**	4,459,314
Group 3 – Customers with some defaults, partial recovery	**782,826**	1,755,101
Total unimpaired trade receivables	**21,575,576**	12,704,132

	Notes	2017	2016
Cash in bank and investments			
Cash in bank – net of bank overdraft	*12*	**(252,267)**	7,472,270
Investments in certificates of deposit	*8*	**-**	17,241,540
		(252,267)	24,713,810

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

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

28. Financial instruments *(continued)*

i. ***Credit risk*** *(continued)*

Exposure to credit risk *(continued)*

Impairment losses *(continued)*

The Company recognized allowance for credit loss as follows:

	2017	2016
Inactive accounts	**100%**	100%
Government accounts	**25% - 100%**	10% - 100%
Accounts with payment agreements	**10% - 50%**	10% - 50%
General accounts	**15% - 75%**	15% - 75%

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

		2017		2016
	Gross	**Impairment**	Gross	Impairment
Current	**23,971,895**	**646,189**	7,954,091	745,785
Past due 30-60	**2,111,401**	**594,955**	1,696,481	387,259
Past due 60-90	**3,201,463**	**1,586,888**	1,054,260	344,848
Over 90	**7,164,380**	**4,992,763**	7,499,131	4,021,939
Total	**36,449,139**	**7,820,795**	18,203,963	5,499,831

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 2017						
Bank overdraft	**3,104,022**	**3,104,022**	**3,104,022**	**-**	**-**	**-**
Borrowings	**9,021,098**	**9,269,193**	**2,875,564**	**3,792,292**	**2,601,337**	**-**
Customers deposits	**998,173**	**998,173**	**998,173**	**-**	**-**	**-**
Trade and other payables	**10,421,036**	**11,753,216**	**8,171,758**	**35,382**	**106,147**	**3,439,931**
	23,544,328	**25,124,604**	**15,149,517**	**3,827,674**	**2,707,484**	**3,439,931**
31 December 2016						
Bank overdraft	1,366,121	1,366,121	1,366,121	-	-	-
Borrowings	10,385,141	11,109,339	2,918,259	2,838,183	5,352,897	-
Customers deposits	1,010,205	1,010,205	1,010,205	-	-	-
Trade and other payables	7,907,719	9,648,643	6,032,620	21,269	120,260	3,474,494
	20,669,186	23,134,308	11,327,205	2,859,452	5,473,157	3,474,494

28. Financial instruments *(continued)*

iii. Market risk

Interest rate risk

	Interest	Interest rate	2017 Carrying amount	Interest rate	2016 Carrying amount
Cash in bank	**Fixed**	**0%-1.0%**	**2,851,756**	0%-1.0%	8,838,391
Investments	**Fixed**	**0.10%-3.425%**	**-**	0.10%-3.425%	17,241,540
Overdraft	**Fixed**	**9.20%**	**(3,104,022)**	9.20%	(1,366,121)
Leases	**Fixed**	**0.74% - 2.29%**	**(2,184,486)**	0.74% - 2.29%	(2,180,645)
Borrowings	**Variable**	**2.97%-3.43%**	**(9,021,098)**	2.97%-3.43%	(10,385,141)

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.

	2017			2016		
	At required rate	**+10% increase**	**-10% decrease**	At required rate	+10% increase	-10% decrease
CDB – 6OR/ANG	**175,794**	**193,373**	**158,215**	172,886	190,175	155,598
CDB – 3OR/ANG	**114,126**	**125,539**	**102,713**	122,713	134,984	110,441
	289,920	**318,912**	**260,928**	295,599	325,159	266,039

Price risk

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

iv. Fair value

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

	2017 Carrying amount	2017 Fair values	2016 Carrying amount	2016 Fair values
Investments	**-**	**-**	17,241,540	17,064,925
Trade and other receivables	**28,628,344**	**28,628,344**	12,704,132	12,704,132
Cash	**2,851,755**	**2,851,755**	8,838,391	8,838,391
	31,480,099	**31,480,099**	38,784,063	38,607,448
Overdraft	**3,104,022**	**3,104,022**	1,366,121	1,366,121
Borrowings	**9,021,098**	**9,112,913**	10,385,141	10,580,099
Consumers' deposits	**998,173**	**998,173**	1,010,205	1,010,205
Trade and other payables	**10,421,036**	**8,970,961**	7,907,719	6,862,544
	23,544,329	**22,186,069**	20,669,186	19,818,969

28. Financial instruments *(continued)*

iv. Fair value

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

29. Related party transactions

Identification of related party

A party is related to the Company if:

(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Company;
- Has interest in the Company that gives it significant influence over the Company; or;
- Has joint control over the Company.

(ii) The party is a member of the key management personnel of the Company. These include the Chief Executive Officer, the Chief Financial Officer, the Systems Control Engineer, the Network Operations Engineer, the Information Technology Manager, the Human Resource Manager, the Transmission and Distribution Superintendent, the Accountant and the Corporate Secretary.

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

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

Related party transactions and balances

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2017 and 2016. These transactions were conducted at market rates, or commercial terms and conditions. Details are as follows:

i. Key management personnel and directors

	2017	2016
Short-term benefits to executive officers	**2,647,068**	2,342,136
Director fees and related activities	**400,055**	451,168
Hurricane expenses	**95,950**	-

ii. Government of Anguilla (GOA) – significant shareholder

Balance sheet		**2017**	2016
Accounts receivable		**7,442,688**	8,017,394
Allowance for credit losses		**(4,179,892)**	(3,384,693)
Lease payable	*33*	**(2,184,846)**	(2,180,645)
Environmental levy payable		**(87,577)**	(354,662)
Interim stabilization levy payable		**(69,636)**	(48,980)

29. Related party transactions *(continued)*

Related party transactions and balances (continued)

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

Income statement	2017	2016
Revenues from GOA	**7,867,000**	9,454,725
Credit loss for the year	**2,003,369**	2,176,523
License fee	**750,000**	750,000
Import duties and other fees and services	**5,124,855**	6,308,710
Gross revenue tax	**427,700**	425,176

Others	2017	2016
Environmental levy	**3,186,250**	4,083,459
Dividends paid	**-**	372,357

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 (2016: EC$750,000).

c. In accordance with the Electricity Supply (Amendment) Regulations, 2017, 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$743,436 (2016: EC$693,446) of which EC$79,231 (2016: EC$66,980) were outstanding at 31 December 2017.

29. Related party transactions *(continued)*

Related party transactions and balances (continued)

iv. National Commercial Bank of Anguilla Limited – significant shareholder

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

	2017	2016
Current account	**-**	2,297,375
Bank overdraft	**(3,104,022)**	(1,366,121)

30. Commitments

On 1 July 2017, the Company entered into a gas oil supply contract with Delta Petroleum Limited commencing on that day until 30 June 2019.

31. Self-insurance fund

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

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

	2017	2016
Balance at beginning of the year	**8,143,725**	4,206,642
Additional fund for the year	**-**	3,937,083
Withdrawals for the year	**(8,143,725)**	-
Balance at end of the year	**-**	8,143,725

This fund is placed in a term deposit with local banks and is restricted to provide coverage for required expenditures in the event of natural disasters or similar catastrophic events. During the year, the company used all their self-insurance fund to aid in the recovery and restoration of electricity to the island as a result of the passage of Hurricane Irma.

As at December 31, 2017, the Company is fully exposed on liquidity requirements in case another severe natural disaster will impact the Company in subsequent years. As per the Company's previous experience the funding requirement is in the range of EC$18 million to EC$24 million.

32. Hurricane related transactions

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

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

Details of the hurricane related purchases and expenses follows:

	Amount	**Remarks**
Material purchases	**16,714,436**	*Note 32 (I)*
Equipment purchases	**405,341**	*Capitalized - Note 7*
Vehicle purchases	**1,156,537**	*Capitalized - Note 7*
Furnitures and fixtures purchases	**69,594**	*Capitalized - Note 7*
Labour	**3,251,704**	*Note 32 (II)*
Overhead	**1,860,466**	*Note 32 (III)*
Others	**3,846,602**	*Note 32 (IV)*
	27,304,680	

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

	Note	FS Classification	**Amount**
Unused inventories	9	Balance Sheet	**5,315,677**
Capitalized property, plant and equipment	7	Balance Sheet	**11,036,817**
Hurricane expenses	32 (v)	Income Statement	**361,942**
			16,714,436

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

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

32. Hurricane related transactions *(continued)*

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

	Note	FS Classification	**Amount**
Capitalized overhead – heavy equipment rental	7	Balance Sheet	**1,465,210**
Hurricane overhead expenses - others	32 (v)	Income Statement	**395,256**
			1,860,466

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

	Note	FS Classification	**Amount**
Food		Income Statement	**1,227,790**
Travel and per diem		Income Statement	**546,222**
Repair and maintenance		Income Statement	**508,406**
Accommodation		Income Statement	**409,129**
Supervisor and management ex-gratia		Income Statement	**404,900**
Vehicle rental		Income Statement	**356,580**
Professional and consultancy services		Income Statement	**99,047**
Shipping and brokerage		Income Statement	**70,068**
Supplies		Income Statement	**53,893**
IT Equipment		Income Statement	**25,624**
Insurance		Income Statement	**18,101**
Vehicle materials		Income Statement	**12,389**
Duties		Income Statement	**10,467**
Others		Income Statement	**103,986**
	32 (v)		**3,846,602**

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

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

32. Hurricane related transactions *(continued)*

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

	Note	**Total**
Hurricane expenses	32 (v)	**5,574,271**
Losses on fully damaged property, plant and equipment	32 (vii)	**12,787,902**
Impairment on partially damaged property, plant and equipment	32 (viii)	**1,323,326**
Grant expenses	32 (ix)	**310,676**
		19,996,175

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

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

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

	Note	**Impairment**
Generation equipment	*7*	**1,199,835**
Building – power station and stores	*7*	**123,491**
		1,323,326

IX. Details of government grants and donations received by the Company during the restoration as at and for the year ended December 31, 2017 follows:

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

32. Hurricane related transactions *(continued)*

IX. Details of government grants and donations received by the Company during the restoration as at and for the year ended December 31, 2017 follows: *(continued)*

The Company policy is to recognized government grants received in the profit or loss on a systematic basis over the periods in which they recognized as expense the related costs for which the grants are intended to compensate. Thus, the grants received that were capitalized are recorded as deferred income upon receipt and record the related grant income based on the amount of depreciation recorded during the year. As at December 31, 2017, the following are the details of the deferred and grant income:

	Type	Total Grant	Grant income	Deferred income
United Kingdom Government	Labour	1,870,866	(9,743)	**1,861,123**
United Kingdom Government	Overhead	631,780	(3,291)	**628,489**
CARILEC	Labour	839,167	(4,371)	**834,796**
		3,341,813	(17,405)	**3,324,408**
United Kingdom Government	Others	310,676	(310,676)	**-**
		3,652,489	(328,081)	**3,324,408**

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.

32. Hurricane related transactions *(continued)*

X. Insurance claims and recoveries *(continued)*

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

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

33. Leases

Operating lease

a. Main Building

On 6 November 2009, the Company renewed its lease with the lessee for another two years with an option to renew for another year. Monthly rent is EC$8,500 commencing November 2009. The lease contract had not been renewed since. However, the Company is paying based on the old terms of the contract. Total rent expense in 2017 included in “administrative expenses” in the statement of comprehensive income is EC$102,000 (2016: EC$102,000). The lease agreement does not provide for any escalation of rent during the lease term.

b. Additional Office Space

On 23 December 2013, the Company entered into a two-year lease agreement for additional office space. Monthly rent is EC$7,661 commencing January 2014. The lease contract was not renewed in 2016. However, the Company is paying based on the old terms of the contract during the year until the passage of Hurricane Irma where the office was severely damage. Total rent expense in 2017 included in “administrative expenses” in the statement of comprehensive income is EC$61,191 (2016: EC$91,936).

33. Leases *(continued)*

Finance lease

a. Crown Land

i. Solar power plant

On 19 of February 2017, the Company signed a ninety-nine-year crown land lease agreement with the Government of Anguilla for the solar energy farm commencing on the 1st day of July 2013 and expiring on the 30th day of June 2112.

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

ii. Administration Building

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

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

iii. Corito Power Plant

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

iv. West End Transmission

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

33. Leases *(continued)*

Finance lease *(continued)*

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

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

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

Details of future minimum lease payments follows:

	2017	2016
Past due	**304,726**	284,277
Less than one year	**35,382**	21,269
Between one and five years	**141,530**	141,530
More than five years	**3,439,931**	3,474,493
	3,921,569	3,921,569

34. Litigation settlement

In 2016, settlement in the sum of EC$2,200,000 payable by installments through the period from November 2016 through February 2017 was given to a terminated previous employee. This settlement was recorded as an expense in the 2016 financial statements as shown in Note 21.

Total litigation costs and other professional fees incurred in 2016 on various litigation settlements amounted to EC$533,910.

35. Contingencies

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

36. Subsequent events

Grants
Subsequent to the restoration, the Company continues to receive grants and donations to further enhance the transmission and distribution system for climate resilience. The Details of government grants and donations received by the Company subsequent to December 31, 2017 follows:

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

Pending or threatened litigation
In 2018, the Company is under mediation with one of its contractors with regards to the contractor's breach of contract. The contract was suspended, and the result of the mediation is not available to date.

Also, a claim is currently pending against the Company involving its two current employees. According to the complainant's solicitor, this matter is being referred to the Labour Department for assistance in its resolution.

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

Moreover 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$2,098,982 (US$780,813) for an alleged claim of constructive dismissal. Litigation is threatened if not compensated.