



The Anguilla Electricity Company Limited Annual Report and Accounts 2013

Regrouping

Re-evaluating

Rebuilding



Anglec will achieve its Vision: “to be the
model energy provider of the Caribbean”





Regrouping



Rebuilding



Re-evaluating





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Selected Financial Information

OPERATING COST

Total operating cost for the year including depreciation was \$70.3 million compared to the previous year's figure of \$72.4 million. Fuel costs decreased from \$53.9 million to \$52.1 million for the previous year.

FUEL COST

Fuel prices continued to be a challenge for the Company and its customers in 2013. In 2013 fuel costs were 52.15 million or 65% of revenues versus \$53.90 million or 66% of revenues in the previous year. Despite the high cost of fuel, the fuel surcharge rate remained flat at \$0.45 per kWh. However, due to the lower consumption and slightly lower fuel prices, the Company absorbed a lesser proportion of the fuel cost at \$0.3 million in 2013 compared to \$1.0 million in 2012.

TRANSMISSION AND DISTRIBUTION

Transmission and distribution cost decreased by 8% from \$7.83 million in 2012 to \$7.25 million in 2013 due to lower repairs and maintenance, staff costs and supplies.

GENERATION

Excluding fuel cost, generation cost increased 2% from \$10.65 million or 13% of revenues to \$10.87 million or 14% of revenues in 2013.

OTHER INCOME

Other income increased from \$4.3 million to \$5.7 million in 2013. This increase is due to the successful settlement of an outstanding insurance claim of EC\$0.97 million and an increase in late charges assessed during the year.

FINANCE COST

Finance cost decreased from \$1.2 million to \$1.0 million in 2013. This decrease is due to the lower average debt and lower interest rates experienced in 2013.

NET INCOME

Net income increased from \$2.1 million or 3% of sales in 2012 to \$5.1 million or 7% of

sales in 2013. This increase is primarily due to lower impairment losses, lower operating cost along with the successful settlement of an outstanding insurance claim and lower finance cost previously discussed.

CAPITAL EXPENDITURES

Given the capital intensive nature of electricity generation, transmission and distribution, ANGLEC maintains a high level of capital investment to maintain and build its infrastructure. These investments strengthen and make our system more reliable and improve the service we provide to our customers.

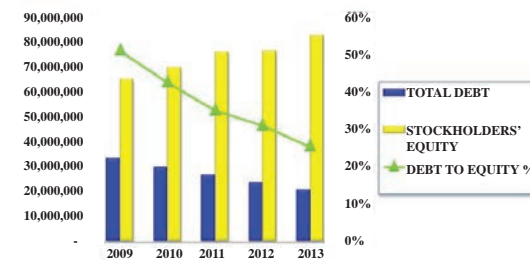
In 2013 capital expenditures of \$1.5

million were expended versus \$2.9 million in the previous year. The decrease in capital expenditure is due to the decline in new construction activity and the related new connections or infrastructure build-out.

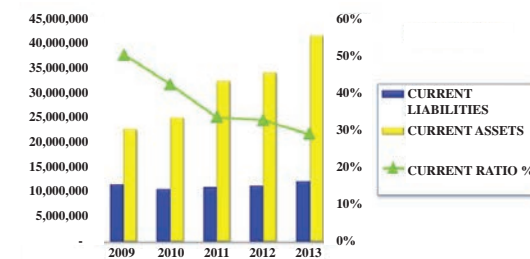
The breakdown in capital expenditure by category for the year is as follows (in millions EC\$):

	2013	2012
Plant and machinery	4.49	1.05
Buildings	0.48	-
Furniture, Fixtures and Equipment	0.12	0.06
Vehicles	0.27	0.23
Work-in-progress	(3.88)	1.60
Total	1.48	2.94

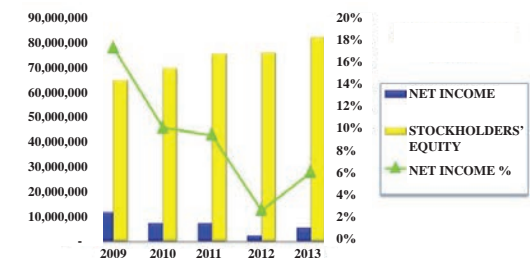
DEBT TO EQUITY RATIO



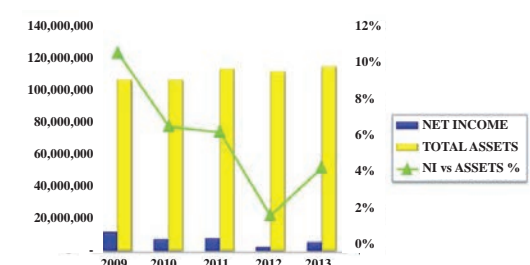
CURRENT RATIO



RETURN ON ASSETS RATIO



RETURN ON EQUITY RATIO



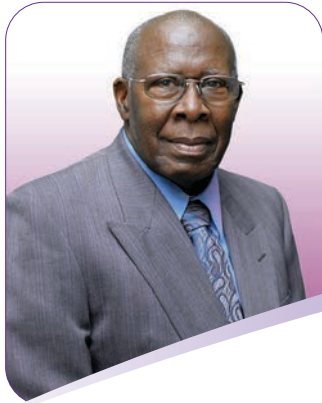


Selected Financial Information *(continued)*

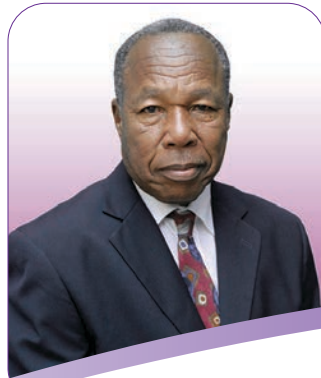
(in 000's)	2013	2012	2011	2010	2009
Income Statement Information					
Gross Operating Revenue	\$80,830	\$82,236	\$81,833	\$69,233	\$81,542
Cost of Operations	(70,265)	(72,375)	(69,836)	(57,940)	(65,166)
Gross Operating Income	\$10,565	\$9,861	\$11,997	\$11,293	\$16,376
Operating Expenses	(10,205)	(10,946)	(7,466)	(7,091)	(6,923)
Other income	5,737	4,325	4,018	3,591	3,596
Income from Operations	\$6,097	\$3,240	\$8,549	\$7,793	\$13,049
Environmental Levy	-	-	-	-	(3,653)
Finance Cost, net	(1,023)	(1,155)	(1,336)	(1,813)	(1,425)
Provision for Claims Settlement	-	-	-	-	(570)
Net Profit	\$5,074	\$2,085	\$7,213	\$5,980	\$7,401
Balance Sheet Information					
Non-current Assets	\$73,251	\$77,737	\$81,200	\$78,957	\$76,619
Current Assets	41,575	33,993	32,333	31,028	27,897
Total Assets	\$114,826	\$111,730	\$113,533	\$109,985	\$104,516
Shareholders' Equity	\$82,477	\$76,416	\$75,776	\$69,865	\$55,758
Long-term Liabilities	20,364	24,225	26,960	29,570	36,211
Current Liabilities	11,985	11,089	10,797	10,550	12,547
Total Liabilities	\$32,349	\$35,314	\$37,757	\$40,120	\$48,758
Total Liabilities & Shareholders' Equity	\$114,826	\$111,730	\$113,533	\$109,985	\$104,516
Dividends Declared	\$815	\$-	\$1,164	\$1,164	\$1,164
Statistical Information (000's)					
Units Sold - kWh	77,406	78,887	83,674	87,214	79,918
Energy Losses - kWh	8,658	7,987	8,756	9,423	10,117
Net Generation (Units Sent Out) - kWh	86,064	86,874	92,430	96,637	90,034
Station Usage - kWh	2,498	2,601	2,728	1,932	1,189
Gross Generation - kWh	88,562	89,475	95,158	98,569	91,223
Fuel Used - Imperial Gallons	4,675	4,771	5,045	5,216	4,839



Board of Directors



Mr. James Richardson
Chairman
(Until October 2013)



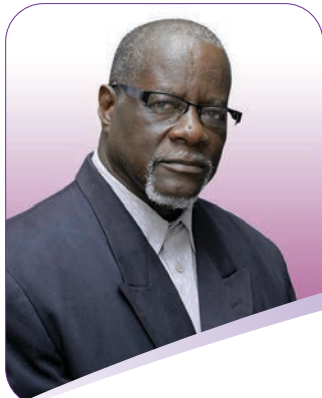
Mr. J. Artnell Richardson
Chairman
(From October 2013)



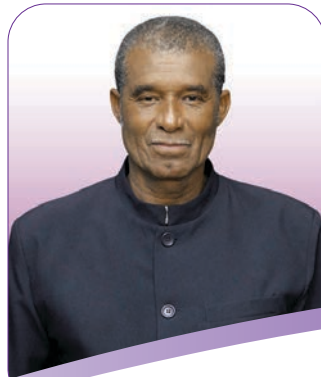
Mrs. Kathleen Rogers
Vice-Chairperson



Mr. Victor Nickeo



Mr. Desmond Richardson



Mr. Colonel Harrigan
(Appointed October 2013)



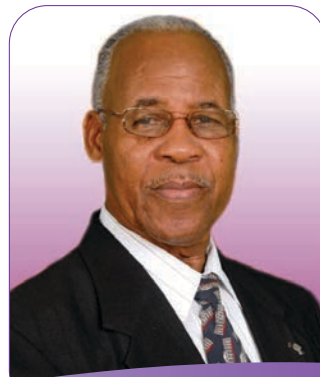
Mr. Courtney Morton



Mr. Bernard Smith



Mrs. Hertha Richardson



Rev. Dr. H. Clifton Niles
(Resigned August 2013)



Divisional Managers



Mr. Thomas Hodge
General Manager
(Until October 2013)



Mr. David Gumbs
Chief Financial Officer &
Acting General Manager
(From June 2013)



Ms. Jeri Richardson
Corporate Secretary



Mr. Steve Hodge
Network Operations Engineer



Mr. Sylvan Brooks
Systems Control Engineer



Ms. Erimel Franklin
Human Resources Manager



Mr. Damien Lloyd
Generation Superintendent



Mr. Ivor Ible
Transmission and
Distribution Superintendent



Mr. Elvin Richardson
Information Technology
Manager



Ms. Maureen Woodley
Accountant



Outgoing Chairman's Message



"Without change there is no innovation, creativity or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable" William Pollard.

During the year in review, the Board has overseen the beginning of the company's transition to alternative and renewable energy generation, in the best interest of the company and Anguilla as a whole.

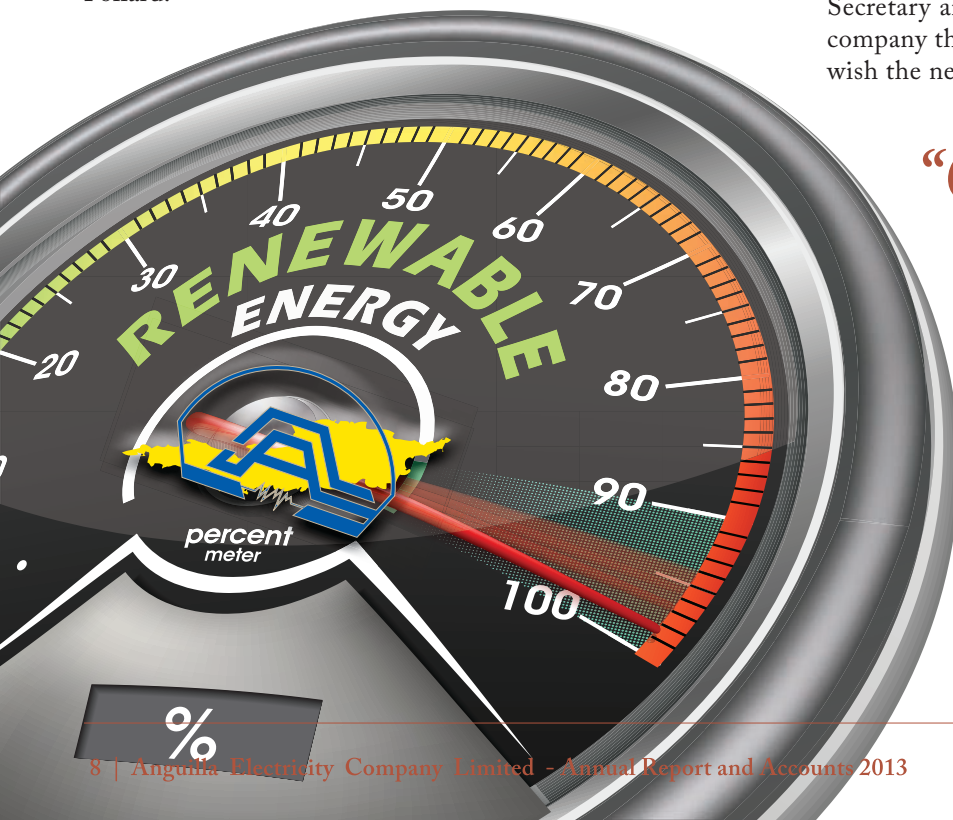
In March 2013, Global Green Energy (GGE) proposed to the Government of Anguilla to put into operation a pyrolysis processing plant in the vicinity of the Corito Landfill and Anglec's Power Generating Plant. This GGE plant will be capable of converting waste into useable electricity. ANGLEC is supporting the initiative by the Government to implement this waste-to-energy plant and will purchase the electricity produced by the plant. Not only would ANGLEC benefit from this venture through an alternate source of base load energy which would decrease our reliance on fossil fuel, but this venture would also be beneficial to Anguilla as a whole as the existing Corito landfill would be reclaimed and would become usable land and employment opportunities would be created.

ANGLEC is preparing for the changes in the operation of the company that would take place as a result of the introduction of alternative and renewable generation. Our employees are our greatest asset therefore one of our main objectives is to ensure that our employees are well equipped with the necessary knowledge and skills to position themselves to manage the change which inevitably would come as we plunge into the future of energy generation. In the months September to October 2013, ANGLEC engaged in an employee survey to determine the extent to which our employees were aware and committed to the organization's vision, mission and strategy, inter alia. The results of the survey revealed a disengaged staff with a poor perception of the company. Employees are looking for direction and are prepared to play their part in the "new ANGLEC". The Board is pleased that this process has begun and looks forward to seeing it through to fruition.

It was a pleasure being the Chairman of the Board of Directors from 2011 through 2013. I would like to take this opportunity to thank my fellow directors, the Corporate Secretary and management for their support in steering the company through the challenges faced while at the helm. I wish the new Chairman continued success.

*"Our employees
are our greatest
asset..."*

James Richardson
January - October, 2013



Incoming Chairman's Message



I thank the directors for the confidence they have placed in me by electing me as chairman for the next year 2013-2014. Most of us have served as directors under the past chairman, who I am happy to see has been reappointed to the board of directors for another term. It is his vision of seeing ANGLEC as a strong corporate entity that laid the foundation in 2012 for proper corporate governance, therefore we must be mindful of how we build on this foundation and with what material we build so that those who come after us would find our structure worth keeping.

We continue to take our responsibility as the sole public supplier of electricity to the Anguillan community very seriously and have a genuine concern with illegal interconnection of distributed Solar systems in the form of Photovoltaic solar systems on rooftops. This results in safety hazard and destabilization of our small grid, which was not designed to facilitate distributed interconnection. We believe that in addition to discussions with the Government on legislative changes in this regard, we must educate the Anguillan community on the issue of renewable energy and ANGLEC's initiatives.

The company has seen an improvement in its overall performance during the reporting period. A summary of the financial performance is provided below and fuller discussions

“We continue to take our responsibility as the sole public supplier of electricity to the Anguillan community very seriously...”

would be provided by our management team. Despite our challenges and external threats, the Board is confident that ANGLEC will continue on a path of sustained growth in the coming years.

*J. Arnell Richardson
October 2013 -*



Directors' Report for the year ended December 31, 2013



Principle Activities

The principle activities of the company are the generation, transmission and distribution of electricity.

The Board

The Directors who served the company since the 10th Annual General Meeting held on 3rd October 2013 are:

- Mr. J. Artnell Richardson
- Mrs. Kathleen Rogers
- Mr. James Richardson
- Mr. Bernard Smith
- Mr. Desmond Richardson
- Mrs. Hertha Richardson
- Mr. Courtney Morton
- Mr. Victor Nickeo
- Mr. Colonel Harrigan*

*Appointed October 2013

In accordance with Clause 4 of By-Law No. 3 of the company, Mr. J. Artnell Richardson, Mr. Bernard Smith and Mr. Desmond Richardson will retire by rotation, and being eligible, offer themselves for re-election.

Board and Committee Meetings

The Board has a set ordinary meeting

once per month to conduct the business of the company. The sub-committees of the Board are the Audit and Finance Committee, the Human Resources Committee and the Technical Committee. The committees of the Board meet at least once per quarter. Directors attended additional Special Meetings of the Board as required. During the year 2013 the Board met thirty-one (31) times. Nine (9) ordinary meetings and twenty-two (22) Special Meetings were held.

The Board carried out its responsibilities in accordance with the Companies Act and the By-Laws of the company and was guided by the Board Governance Policy. The Board concluded that it acted in the best interest of the company during the year 2013.

Attendance

Directors	No of meetings attended
Mr. J. Artnell Richardson	31
Mrs. Kathleen Rogers	30
Mr. James Richardson	31
Mr. Bernard Smith	29
Mr. Desmond Richardson	27

Directors	No of meetings attended
Mr. Hertha Richardson	29
Mr. Courtney Morton	29
Mr. Victor Nickeo	30
Rev. Dr. H. Clifton Niles - Resigned 15th August, 2013	10
Mr. Colonel Harrigan - Appointed October 2013	09

Board Education and Training

On 6th July 2013, Directors attended a Corporate Governance training session which focused on Governance in the Boardroom. This session was in keeping with the Board's priority to promote greater accountability, transparency and good governance within the company.

Board Evaluation

In December 2013, the Board conducted its first Annual Board Evaluation exercise. The objectives of the exercise were to understand and recognize what was working well among the Board, identify areas for improvement, understand and enhance the Board dynamics, provide an opportunity for introspection for individual Board members to evaluate their performance, as well as that of their peers, with a view to enhancing board relationships; as well as to discuss and agree on priorities for change which can be addressed in the short and long term and to agree on the action plan.

Corporate Governance

Mindful that the culture of an organization is set at the top, the Board remains committed to upholding the principles of good corporate governance in the performance of its duties.



Directors' Report for the year ended December 31, 2013 *(continued)*

With the implementation of the Board Governance Policy in June 2012, the Board has set the stage for good governance in the operation of the company as well. A key component of the Governance Policy is the Code of Conduct/Ethics for Management and Staff and the Board. All levels of the company are encouraged to ensure ethical business conduct in the execution of their duties therefore the Board and all employees must read and comply with the Code in both letter and spirit.

Summary of Financial Performance

For the fiscal year 2013, the company sold 77,406,750 kWhs of electricity which brought in revenue totaling \$80,830,584 as compared to \$82,236,260 for the fiscal year 2012, registering a decrease in sales of 1.7%. Net profit for the year totaled \$5,073,859 compared to \$2,084,660 for the fiscal year 2012.

Dividends

The Board's recommendation on the payment of a dividend is based on the performance of the company during the fiscal year and the future obligations of the company. A dividend of \$0.07 XCD per ordinary share for the 2013 financial year has been declared by the Board of Directors at its meeting on 3rd July, 2014. The Board will make a recommendation to the shareholders to pay dividends accordingly.

Change in Auditors

At the last Annual General Meeting held on October 3rd 2013, the auditors KPMG Anguilla were replaced by PricewaterhouseCoopers (PwC). KPMG Anguilla indicated that they would no longer be affiliated with KPMG and were joining the international firm BDO. The Directors take this opportunity to thank KPMG Anguilla for their services over the past nineteen (19) years. The incumbent PwC who being eligible, have signified

their willingness to continue in office, offer themselves for re-appointment. The Board recommends that PwC be re-appointed.

Shareholders' Symposium

On April 15, 2013 a Shareholders' Symposium on Renewable Energy Generation was held at La Vue Conference Room, Back Street, South Hill. The Symposium was facilitated by Reznick Think Energy, LLC. Although the Symposium was not well attended, Shareholders were enlightened about the economic and safety risks associated with interconnection of independent power producers to Anglec's Grid, the need for a grid study and the benefits of Utility Scale Renewable Energy Generation, "Cheaper Energy for All".

Shareholders' Transactions

During the period January to December 2013, twenty eight (28) shareholder transactions were processed.

Cautionary Statement

Discussions in the Annual Report relating to the company's expectations, objectives and outlook, inter alia, may constitute forward looking statements. The actual position of the company may be different from expressions made or implied, depending on factors such as economic conditions affecting demand and supply, government regulations and taxation and acts of God which may significantly affect the operations of the company and for which the company has no control.

By order of the Board of Directors

Jeri Richardson

Corporate Secretary





ANGLEC learns the three Rs - Regroup, Re-evaluate and Rebuild



The year 2013, while it presented many challenges, ANGLEC took the opportunity to take some major steps towards implementing new initiatives, which we anticipate will bring many benefits to our customers in the near future. As we reflect on 2013, we admit that it was eventful and challenging for ANGLEC. We worked with limited human resources in various sections of the company - a result of new objectives aligned with ANGLEC's Mission and Vision - for much of the year.

Despite these challenges, many objectives were met in 2013. We continued to seek alternative and renewable forms of energy, invested in our employees by facilitating a range of training opportunities, ensured the maintenance of our network through our weekly revamp program and implemented Phase II of the Clevest Mobile Workforce system. We also made connections with the community through our Horizons' Scholarship Program, and Christmas initiatives such as The Valley Christmas Tree Lighting and Baskets of Cheer.

Additionally, we tendered for, and entered into a new fuel supply agreement with a new fuel provider

(Delta Petroleum). It is ANGLEC's practice to review contracts every three years with a view to decrease overall costs or limit cost increases. This method not only benefits the company, but its consumers as well. We also signed key power purchase agreements (PPA) with Global Green Energy (GGE/GGII - Waste to Energy Plant) and Grace Capital Energy (GCE - Hydro-kinetic Energy Plant) which will assist us in implementing our alternative energy initiatives along with reducing cost.

ANGLEC also experienced a change in auditors in 2013. After a 19 year partnership with KPMG LLC, the Company decided it was prudent to carry out a request for proposals for its audit services. After careful evaluation of costs, quality of audit assurance and other key variables, the Company decided to partner with PricewaterhouseCoopers, St. Maarten.

The developments made in 2013, in particular the power purchase agreements, will allow ANGLEC to diversify its generation portfolio and reduce costs. This will not only improve the economic security for Anguilla, but will improve the environment and

help to reduce cost to ANGLEC and its consumers. Most of all, it is one of the means by which ANGLEC will achieve its Vision - to be the model energy provider of the Caribbean.

Consequently, looking forward, our intention is to focus on building the values expressed in our Mission - to meet all our customers' needs through a motivated, innovated team committed to excellent service. We recognize that ANGLEC has to focus on re-engaging and re-energizing its employees so that they can re-commit to the organization and thus rally around its vision and mission.

We are confident that ANGLEC will continue to make great strides to establish the benchmark for energy in Anguilla, for years to come.

Meeting Anguilla's Generation Needs

ANGLEC began 2013 by working feverishly to restore power after the island suffered a lengthy island-wide outage on January 1st. This outage was due to the failure of a Programmable Logical Controller (PLC) which has since been resolved. Several measures have been put in place to reduce the likelihood of a reoccurrence.

A major thrust in 2013 involved the planned maintenance of critical generating units to ensure an uninterrupted flow of electricity across the island.

Unit 12's alternator, which had experienced a failure in 2012, was commissioned in March 2013. In April 2013, Unit 10 was overhauled on site, while Unit 11's alternator was sent to be overhauled by the manufacturer in France as it had shown signs of defect. The refurbished alternator returned in November and was commissioned in December 2013. Taking this precautionary measure ensured that we maintained sufficient generation capacity for the critical December and August peak periods.

Alternative Energy

“...we intend to be the model energy provider in the Caribbean...”



ANGLEC continued to explore alternative sources of energy in 2013. After closely evaluating several options, a decision was made to enter into two power purchase agreements that have high potential benefits to ANGLEC and Anguilla (GGE/GGII and GCE). These new technologies have the potential to provide continuous base load power for 24 hours, unlike solar energy which is intermittent during the day and non-existent at night. Although battery technologies could help to reduce the intermittency of solar power, the battery back-up required for the solar system is financially infeasible at this time. As a result, the solar project, initiated in 2012, was temporarily shelved. These new technologies were both economically and technically more attractive. ANGLEC continues to explore the appropriate approvals for the waste and water-based energy systems.

Waste to Energy Plant

The PPA signed with Global Green Energy (GGE) is to provide 4 megawatts of continuous power to ANGLEC. This represents about 30% of ANGLEC's peak demand.

There are many benefits to this initiative. The most impactful being –

- Reduced cost of electricity production and an anticipated reduction to consumers
- The diversification of the island's generating portfolio and reduction of ANGLEC's dependency on diesel fuel.
- Improved environment
- Reduced risk of future cost increases
- Improved generation portfolio and capacity of the island

In addition to the direct benefits to ANGLEC listed above, the plant will process and reduce the waste at the Corito landfill.

The technology used by GGE is called Pyrolysis. Pyrolysis is a process by which organic material is exposed to significant temperatures and pressure, which allows the material to thermo-chemically decompose.

Pyrolysis is a type of thermolysis, and is most commonly used in charring wood to produce coals (in Anguilla a Coal Keel). In general, pyrolysis of organic substances produces gas and liquid products and leaves a solid residue richer in carbon content, char.

Pyrolysis also plays an important role in several cooking procedures, such as baking, frying, grilling, and caramelizing. A by-product of pyrolysis is syn-gas. Under the GGE

processes, this combustible gas is used to run turbines for power generation.

Pyrolysis differs from other high-temperature processes like combustion, incineration and hydrolysis in that it usually does not involve reactions with oxygen, water, or any other reagents.

This facility will provide continuous stable generation, unlike wind and solar whose generation is sporadic in nature. Intermittent power sources reduce reliability, quality and increases the overall cost of production.

Hydro-kinetic Energy

The second type of technology being explored is a water-based system (hydro-kinetic system) where electricity is generated similarly to that of a traditional hydro-electric plant, whereby electricity is generated by channeling water at high velocities to drive a flywheel which in-turn powers a turbine. Hydro-kinetic energy is expected to supply a very stable and predictable source of energy at a reasonable cost.

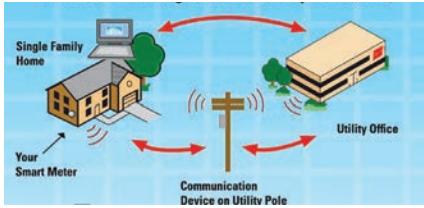
ANGLEC has signed an agreement with Grace Capital Energy (GCE) in order to execute this initiative. As of the date of this report, ANGLEC is still awaiting further action from GCE to move forward.

Heat Recovery Plant

Ongoing exploration continues into harnessing the heat exhaust from the diesel plant in order to recycle it into usable electricity.



Advanced Metering Infrastructure (AMI)



AMI plays a very critical and important step in the modernization of ANGLEC's grid. AMI allows for demand response management, improved transparency with consumers, introduction of prepaid metering and other add-on technologies, but most importantly, it will empower our customers by allowing greater control over consumption and improved efficiency.

ANGLEC has advanced its plans to implement AMI in Anguilla. The pilot phase of the AMI project was approved for exclusive frequency authorization by the Public Utilities Commission (PUC) in Anguilla and the pilot phase of the project has begun with preliminary installation of AMI meters. This has paved the way to the start of the full roll out in 2014/2015. We anticipate the full implementation of AMI over a 3 year period.

Rebuilding our Teams

To become the model energy provider in the Caribbean, ANGLEC realizes that training and developing its personnel will play a key in doing so. In 2013 the Company focused heavily on training in the Transmission and Distribution (T&D), Generation and Administrative functions with participation in financial, administrative and technical courses. Given the future demand for highly technical skill-sets, ANGLEC can only grow by developing its employees.

A robust program was put in place where employees underwent training in the "CARILEC Certified Lineman Training" program that was rolled out throughout the region in 2012. ANGLEC's employees were able to cover a large portion (75%) of the

modules during the course of 2013. The linemen will now move towards assessments in order to obtain their certification in "Lineman Level 1".

Training in the installation and use of our recently acquired Geographic Information System (GIS) was carried out in 2013. Five persons participated in the GIS training exercise which included four persons from ANGLEC and one from the Government of Anguilla's Physical Planning Department.

The training focused on geo-database management, an introduction to the GIS server and server setup.

GIS integrates the use of sophisticated hardware, software, and data for

capturing, managing, analyzing, and displaying ANGLEC's network and service. This program is currently being used to carry out surveys with use of land maps. It is one of the first steps in building and maintaining a modernized electrical grid.

Due to limited staffing in the Human Resources Department for 2013, several planned initiatives were not implemented. In 2014, it is expected that the Company's human resources initiatives will include the design and implementation of a holistic employee recognition program, a robust training program, a revision of benefits and the automation of various human resource practices, which will lead to greater efficiencies.

Building a Stronger System and Product



To better enhance our customer responsiveness and maintenance of consumer connections an additional Trouble Call shift and crew was added on 1st April 2013. The crew is used largely on routine line maintenance, street light maintenance and tree cutting. To ensure we maintain a and deliver a strong product to our consumers, the Company continues to address maintenance issues on its Transmission and Distribution (T&D) network through an aggressive revamp exercise. The revamp program was successfully conducted and covered each geographic area of the island throughout 2013. It occurred

routinely on Wednesdays. As a result, ANGLEC's customers would have experienced some longer than normal planned power outages. The company has seen the benefits of this initiative through a decline in forced, unscheduled outages and a drop in damage appliance complaints.

To better enhance our distribution network and improve its efficiency, the Company started work to relocate its North West Feeder main line from the Valley Bottom area. This line has long been the main feed to the Government

offices in the Valley areas. Relocating it will improve operations with faster restoration times following hurricanes. The relocation will also mitigate the delays caused by flooding and access issues, previously experienced.

The Company and particularly its T&D department mourned the passing of the late Oliver "Tom" Connor (Groundsman) on the 13th August 2013. Tom worked with the Company since its inception and made many contributions over the years. We will miss him dearly.



Using Technology as a Bridge to the Future

The Company continues to develop its information technology infrastructure which is the key to modernizing its services. Today, the Company maintains over 60 computers and 12 servers. Improving this infrastructure will enable the Company to complete tasks more efficiently through automation, reduce paper usage and improve communication. Our IT resources continue to play its part in modernizing the Company as it strives to provide an improved quality of service to its customers.

During the year, we were able to complete the implementation of phases 2 and 3 of the Clevest Mobile Workforce Management (MWFM) system with the introduction of the Mobile Field Force (MFF) on three of ANGLEC's vehicles. This involved outfitting the vehicles with laptops and integrating the Customer Information System (CIS). Mobile Field Force allows personnel to send work orders to vehicles and mobile workers who in turn completes and returns the work orders electronically. The Global Positioning System (GPS), which was implemented as part of the Automatic Vehicle Locator (AVL) in Phase I, provides for the real-time location of each vehicle, which enables faster and a more reliable deployment of work orders to the workforce.

Our goal is to roll out the MFF for an additional seven vehicles by the end of 2014. This phase will include the vehicles involved in additional services such as tree trimming, pole planting, trouble calls, meter testing, etc. This will also ensure a faster response time for ANGLEC's customers, as well as a reduction in operational costs, travel time and paper communication. It is planned that all ANGLEC work vehicles will be outfitted with the MFF system in future phases.

Several upgrades were made to our services including the presentation of customer bills (improved graphical display of information), and improvements to our online billing and payment system. These upgrades



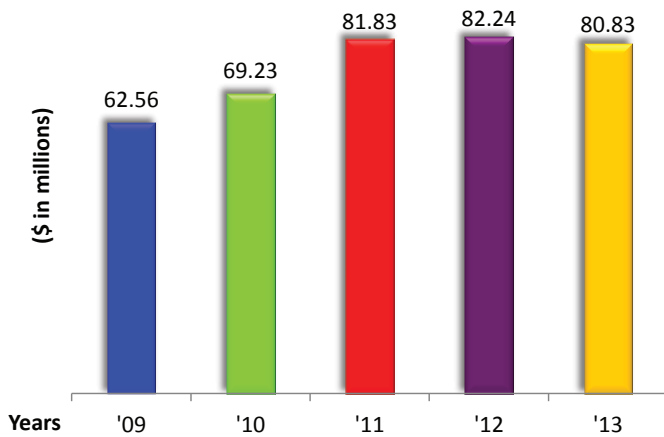
enables us to provide a more secure and user-friendly customer experience.

As pronounced in our strategic plan, we intend to be the model energy provider in the Caribbean through a motivated, innovated team committed to excellent service. Despite the challenges we faced, we are focussed on continually reevaluating, regrouping and rebuilding to achieve success in 2014 and beyond.



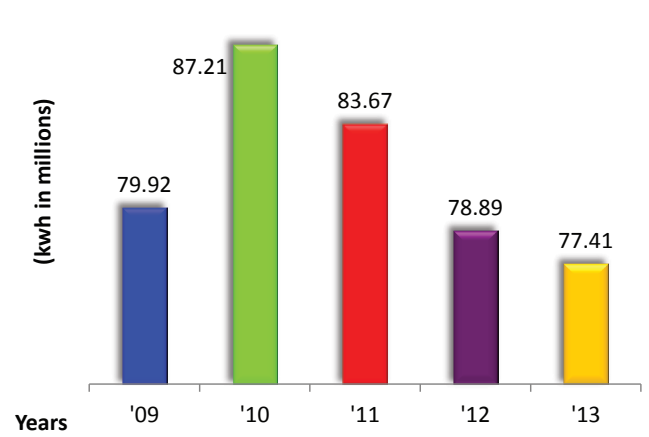


Operating Highlights



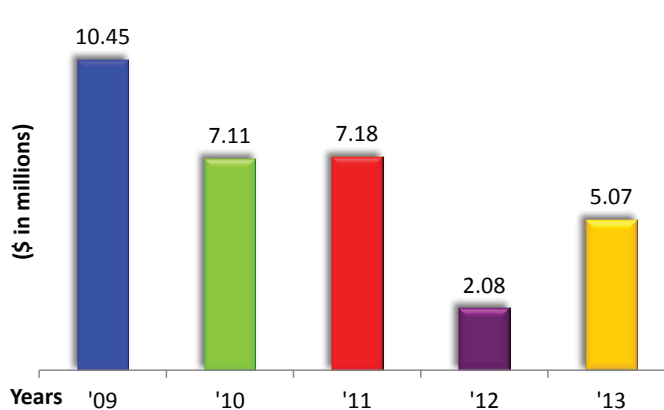
GROSS REVENUE (FROM 2009 TO 2013)

Gross revenues decreased from 82.24 million in 2012 to 80.83 million in 2013. This decrease is due to the slow global-economic recovery and its continued effects on the local Anguilla economy.



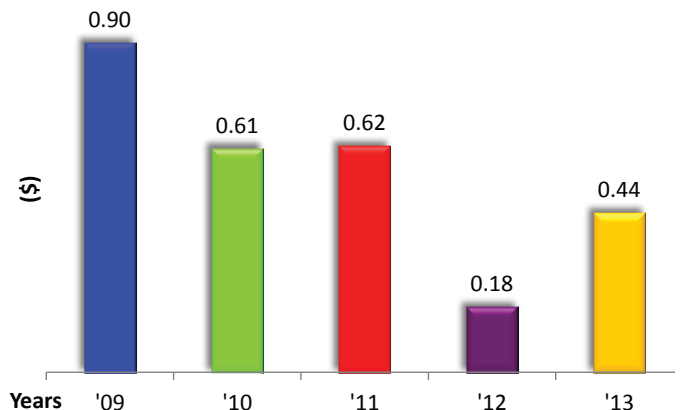
UNITS SOLD (FROM 2009 TO 2013)

Units sold decreased from 78.89 million kWh in 2012 to 77.41 million kWh in 2013 due to the slow global-economic recovery and its continued effects on the local Anguilla economy.



NET PROFIT (FROM 2009 TO 2013)

Dividends per share of EC\$0.07 were declared in 2013. This increased from EC\$0.00 in the previous year. Due to the short and long term investment needs of the Company, the existing economic conditions and the related company performance, the Board did not approve a dividend in 2012. Given the improvement in financial performance for 2013, including the available cash resources and the Company meeting its covenant obligations with various lending institutions, the Board of Directors approved a EC\$0.07 dividend per share for 2013.

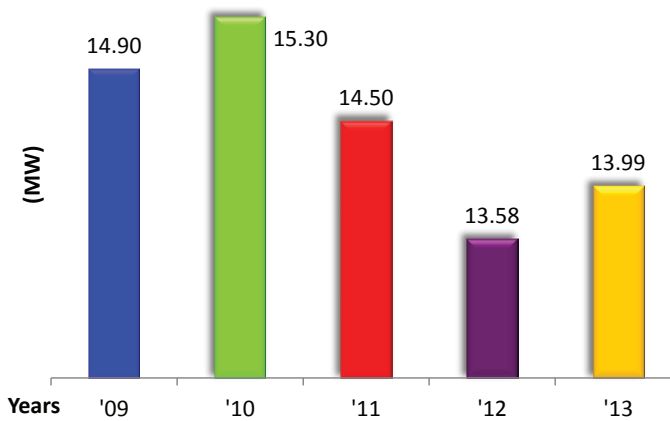


EARNINGS PER SHARE (FROM 2009 TO 2012)

Earnings per share increased from 0.18 in 2012 to 0.44 in 2013, a 144% increase. This is due to lower fuel costs, repairs and maintenance and impairment losses along with the favorable settlement of an insurance claim.

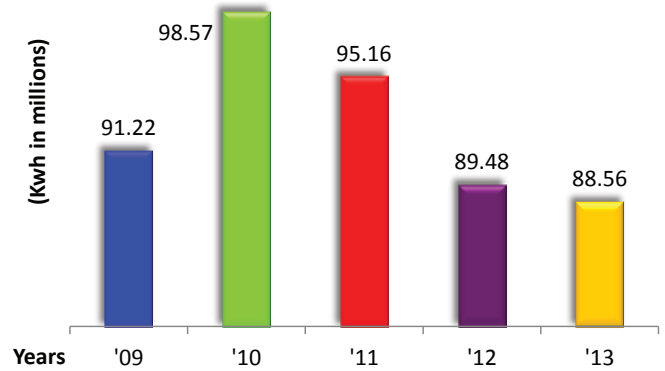


Operating Highlights *(continued)*



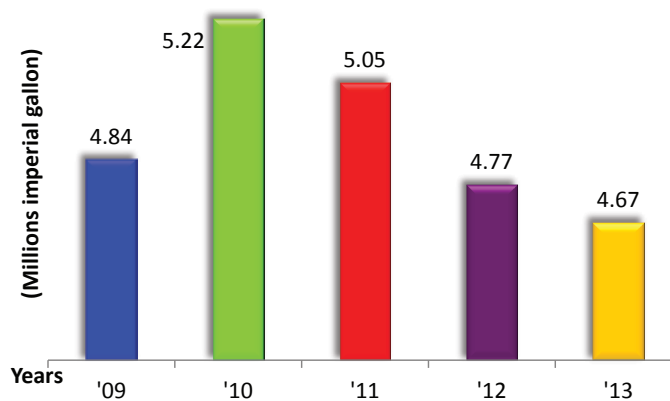
PEAK DEMAND (FROM 2009 TO 2013)

Peak demand increased from 13.58MW in 2012 to 13.99MW in 2013 a 3% increase. This is due to higher occupancy at the peak of tourist season.



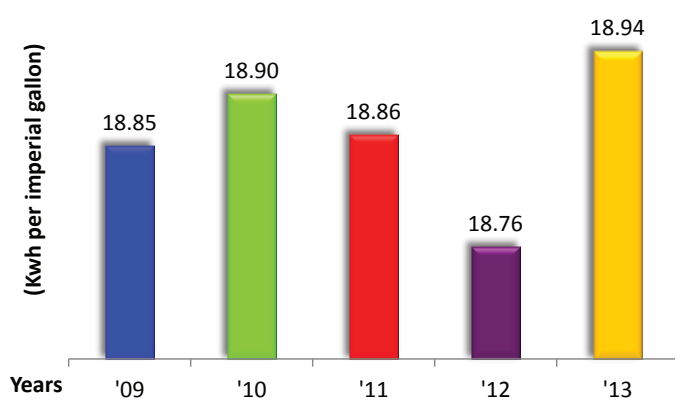
UNITS GENERATED (FROM 2009 TO 2013)

Units generated decreased from 89.48kWh million in 2012 to 88.56kWh million in 2013, a 1% decrease, due to the slow economic recovery.



FUEL CONSUMED (FROM 2009 TO 2013)

Fuel consumed decreased from 4.77 million imperial gallons in 2012 to 4.67 million imperial gallons in 2013, a 2% decrease, due to lower units generation.



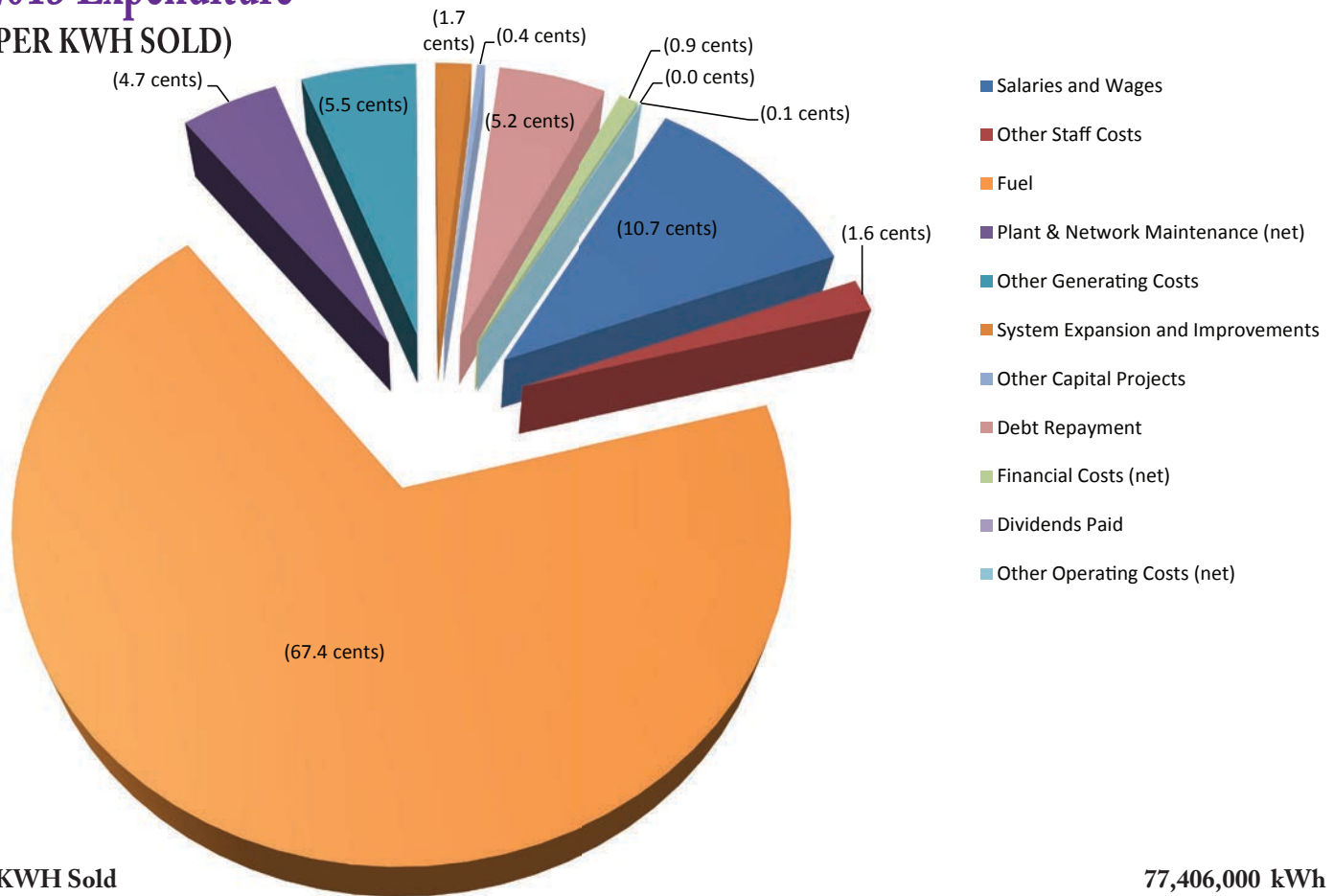
FUEL EFFICIENCY (FROM 2009 TO 2013)

Fuel efficiency increased from 18.76 kWh's per imperial gallon in 2012 to 18.94 kWh's per imperial gallon in 2013, a 1% increase due to the improved availability of the more efficient generating sets.



2013 Expenditure

(PER KWH SOLD)



KWH Sold

77,406,000 kWh

Electricity Sales Earned

\$80,830,584

Earnings Cents per kWh

104.4 cents

Inflow

Proceeds from sales	
Proceeds from borrowing	
Proceeds from other operating items (net)	
Total Cash Inflow	

Cash Inflow

\$78,979,286
1,281,653
569,645
\$80,830,584

Cents per kWh

(102.0 cents)
(1.7 cents)
(0.7 cents)
(104.4 cents)

Outflow

Salaries and Wages	
Other Staff Costs	
Fuel	
Plant & Network Maintenance (net)	
Other Generating Costs	
System Expansion and Improvements	
Other Capital Projects	
Debt Repayment	
Financial Costs (net)	
Dividends Paid	
Other Operating Costs (net)	
Total Cash Outflow	

Cash Outflow

\$8,320,304
1,256,192
52,147,626
3,619,464
4,271,932
1,334,665
289,335
4,022,276
712,470
-
60,056
\$76,034,320

Cents per kWh

(10.7 cents)
(1.6 cents)
(67.4 cents)
(4.7 cents)
(5.5 cents)
(1.7 cents)
(0.4 cents)
(5.2 cents)
(0.9 cents)
(0.0 cents)
(0.1 cents)
(98.2 cents)



Independent Auditor's Report

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

Reference number: PP/CR/67.004.0/41029

Report on the financial statements

We have audited the accompanying financial statements 2013 of Anguilla Electricity Company Limited, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

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

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

*PricewaterhouseCoopers St. Maarten, Emmapplein Building, P.O. Box 195, Philipsburg, St. Maarten
T: +(1-721) 542 2379, F: +(1-721) 542 4788, www.pwc.com/dutch-caribbean*



Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Anguilla Electricity Company Limited as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Anguilla Electricity Company Limited for the year ended 31 December 2012 were audited by another auditor whose report, dated 29 July 2013, expressed an unmodified opinion on those statements.

St. Maarten, 04 July 2014
PricewaterhouseCoopers St. Maarten

Cees Rokx



ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Financial Position
As at 31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

<i>Notes</i>	As at December 31		As at	
	2013	2012 As restated	1 January 2012 As restated	
ASSETS				
Non-Current Assets				
Property, plant and equipment - net	6	70,221,261	74,497,733	77,150,041
Investment in certificates of deposit	7	2,827,635	3,233,606	3,969,740
Net pension asset	23	190,392	-	-
Other assets		11,492	5,892	80,165
		73,250,780	77,737,231	81,199,946
Current Assets				
Investment in certificates of deposit - current portion	7	6,211,312	4,843,888	2,965,308
Inventories - net	8	7,018,492	5,644,475	5,234,648
Trade and other receivables - net	9	19,568,541	19,528,419	19,341,801
Prepayments and other current assets	10	220,113	215,334	209,541
Cash and cash equivalents	11	8,556,684	3,760,419	4,581,998
		41,575,142	33,992,535	32,333,296
		114,825,922	111,729,766	113,533,242
STOCKHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital	12	14,536,147	14,536,147	14,536,147
Retained earnings	25	67,940,569	61,879,848	61,240,106
		82,476,716	76,415,995	75,776,253
Long-term Liabilities				
Net pension liability	23	-	734,036	287,983
Borrowings - net of current portion	13	16,627,372	19,452,979	22,418,172
Contributions in aid of construction	14	3,736,496	4,037,492	4,254,029
		20,363,868	24,224,507	26,960,184
Current Liabilities				
Borrowings - current portion	13	4,107,259	4,022,275	4,022,275
Customer deposits		1,426,356	1,400,070	1,409,068
Trade and other payables	15	6,451,723	5,666,919	5,365,462
		11,985,338	11,089,264	10,796,805
		114,825,922	111,729,766	113,533,242

These financial statements were approved on behalf of the Board of Directors on 3 July 2014 by the following:

Mr. Artnell Richardson

Mr. Artnell Richardson, Chairman

Mrs. Kathleen Rogers

Mrs. Kathleen Rogers, Vice Chairperson

The notes on pages 25 to 54 are integral part of the financial statements.



ANGUILLA ELECTRICITY COMPANY LIMITED

Statement of Comprehensive Income For the Year Ended 31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

	Notes	Year Ended December 31	
		2013	2012 As restated
Revenue			
Energy sales	16	45,999,015	46,736,837
Fuel surcharge recovered	16	34,831,569	35,499,423
		80,830,584	82,236,260
Cost of Operations			
Generation Expenses			
Fuel		(17,018,219)	(17,364,926)
Fuel surcharge	16	(35,129,407)	(36,535,603)
Total fuel expenses		(52,147,626)	(53,900,529)
Other expenses	17	(10,867,088)	(10,647,681)
Transmission and distribution expenses	18	(7,250,489)	(7,826,884)
		(70,265,203)	(72,375,094)
Gross Operating Income		10,565,381	9,861,166
Other income	19	5,736,702	4,324,648
Gross Income		16,302,083	14,185,814
Operating Expenses			
Administrative expenses	20	(9,244,300)	(10,213,011)
Customer services	21	(960,976)	(732,924)
Income from Operations		6,096,807	3,239,879
Finance cost	13	(1,022,948)	(1,155,219)
NET INCOME		5,073,859	2,084,660
Other comprehensive income			
Actuarial gain (loss)	23	986,862	(281,303)
TOTAL COMPREHENSIVE INCOME		6,060,721	1,803,357
Additional disclosures:			
Earnings per share	24	0.44	0.18
Dividends per share	25	0.07	-

The notes on pages 25 to 54 are integral part of the financial statements.



ANGUILLA ELECTRICITY COMPANY LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

	<i>Notes</i>	Share Capital	Retained Earnings	Total
Balance as at 1 January 2012, as previously reported		14,536,147	61,377,817	75,913,964
Effect of the adoption of revised IAS 19	3	-	(137,711)	(137,711)
Balance as at 1 January 2012, as restated		14,536,147	61,240,106	75,776,253
Net income for the year		-	2,084,660	2,084,660
Effect of the adoption of revised IAS 19	3,23	-	(281,303)	(281,303)
Dividends paid	25	-	(1,163,615)	(1,163,615)
Balance as at 31 December 2012, as restated		14,536,147	61,879,848	76,415,995
Net income for the year		-	5,073,859	5,073,859
Other comprehensive income	23	-	986,862	986,862
Balance as at 31 December 2013		14,536,147	67,940,569	82,476,716

The notes on pages 25 to 54 are integral part of the financial statements.



ANGUILLA ELECTRICITY COMPANY LIMITED

Statement of Cash Flows

For the Year Ended 31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

	Notes	Year Ended December 31	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		5,073,859	2,084,660
Adjustments for:			
Depreciation	6	5,739,138	5,592,718
Interest expense		1,022,948	1,155,219
Impairment losses	20	1,811,176	3,129,402
Interest income	19	(380,719)	(362,254)
Gain on sale of property, plant and equipment		(4,200)	-
Provision for slow moving/obsolete inventories	8	12,663	58,735
Operating income before working capital changes		13,274,865	11,658,480
(Increase)/decrease in assets:			
Inventories	8	(1,386,680)	(468,562)
Trade and other receivables	9	(1,793,853)	(3,479,632)
Prepayments and other current assets	10	(4,779)	(5,793)
Other assets		(5,600)	74,273
Increase/(decrease) in liabilities:			
Customer deposits		26,286	(8,998)
Net pension asset (liability)		62,434	164,750
Trade and other payables	15	797,600	325,877
Net cash provided by operating activities		10,970,273	8,260,395
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	6	(1,477,926)	(2,940,410)
Proceeds from disposal of property, plant and equipment		19,460	-
Increase in investment in certificates of deposit	7	(961,453)	(1,142,446)
Interest received		323,274	525,866
Net cash used in investing activities		(2,096,645)	(3,556,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	13	(4,022,276)	(4,022,275)
Interest paid		(1,035,744)	(1,179,639)
Dividends paid		-	(1,163,615)
Proceeds from borrowings	13	1,281,653	1,057,082
Revenues from contributions in aid of construction	14	(536,393)	(541,230)
Increase in contributions in aid of construction	14	235,397	324,693
Net cash used in financing activities		(4,077,363)	(5,524,984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,796,265	(821,579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11	3,760,419	4,581,998
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	8,556,684	3,760,419

The notes on pages 25 to 54 are integral part of the financial statements.



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

1. Reporting entity

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

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on 3 July 2014.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

3. Summary of significant accounting policies

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

(a) Property, plant and equipment

i. Recognition and measurement

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

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

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

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

ii. Subsequent costs

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

iii. Depreciation

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

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

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

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

(b) Financial instruments

i. Non-derivative financial instruments

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

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

Investment in certificates of deposit

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

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

Trade and other receivables

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

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.

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.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

(c) Inventories

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

(d) Impairment

i. Financial assets

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

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

ii. Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

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

(e) Contributions in aid of construction

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

(f) Share capital

Ordinary shares

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

Treasury shares

When share capital recognized as equity is repurchased by the Company, the amount of the consideration paid, including directly attributable cost, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total shareholders' equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(g) Revenue

i. Sale of energy

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

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

ii. Interest income

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

(h) Employee benefits

i. Defined contribution plan

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

ii. Defined benefit plan

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

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.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

(h) Employee benefits *(continued)*

ii. Defined benefit plan *(continued)*

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 straightline basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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

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

(i) Finance cost

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

(j) Late charges

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

(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) Foreign currency transactions

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

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

3. Summary of significant accounting policies (continued)

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(o) Events after the reporting date

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

(p) New standards, interpretations and amendments adopted in 2013

The accounting policies applied in these financial statements are consistent with those of the previous financial year except for the adoption of the following new standards and interpretations effective as of 1 January 2013.

The revised IAS 19 is effective as from 1 January 2013. The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also removes the option to apply the corridor method and requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on assets. In accordance with IAS 8, the financial statements as of 31 December 2012 were restated. The effect of the restatement is set out below.

	Other comprehensive income	Net pension liability	Retained earnings
Balance as at 1 January 2012, as previously reported	-	150,272	61,377,817
Effect of revised IAS 19	(137,711)	137,711	(137,711)
Balance as at 1 January 2012, as restated	(137,711)	287,983	61,240,106
Balance as at 31 December 2012, as previously reported	-	315,022	62,298,862
Effect of revised IAS 19	(281,303)	419,014	(419,014)
Balance as at 31 December 2012, as restated	(281,303)	734,036	61,879,848

IFRS 13, "Fair Value Measurement" is effective as from 1 January 2013. This standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The adoption of IFRS 13 did not materially impact the financial statements. IFRS 13 also requires specific disclosures on fair values. Certain disclosures were already required under existing standards.

Other new standards and amendments also apply for the first time in 2013. However, they do not significantly impact the financial statements.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The impact of IFRIC 21 is not expected to be significant as the Company is accounting for the levies based on same guidance provided by IFRIC 21.

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

4. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

4. Financial risk management *(continued)*

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

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

Credit risk

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

Investment in certificates of deposit

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which its 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. The main components of this allowance are collective losses based on number of days in receivable.

Liquidity risk

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

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

Market risk

Currency risk

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

Interest rate risk

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

Fair value

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing as at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for instruments traded in the market. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The estimated fair value of cash and bank deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of term deposit accounts is based on discounted cash flows using interest rates for new term deposits with similar maturity periods.

The estimated fair value of borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

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

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

	2013	2012
Total debt	20,734,631	23,475,254
Stockholders' equity	82,476,716	76,415,995
Debt-to-equity ratio (total debt / total equity)	25%	31%
Total debt	20,734,631	23,475,254
Total assets	114,825,922	111,729,766
Debt ratio (total debt / total assets)	18%	21%
Stockholders' equity	82,476,716	76,415,995
Total assets	114,825,922	111,729,766
Equity ratio (total shareholders' equity / total assets)	72%	68%

The improvements in all performance ratios are due to repayment of debts, lower operating expenses (fuel cost and maintenance) and higher other income.

5. **Determination of fair values**

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

(a) **Held-to-maturity investment in certificates of deposit**

The fair value of held-to-maturity investment in certificates of deposit is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) **Trade and other receivables**

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

(c) **Cash and cash equivalents**

The fair value of cash and cash equivalents approximates carrying value due to its short term nature.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

5. Determination of fair values *(continued)*

(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.

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

6. Property, plant and equipment

	Land	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Capital work in progress	Total
<i>Cost</i>							
31 December 2011	914,738	14,083,125	104,268,648	3,436,754	3,692,092	3,206,352	129,601,709
Additions	-	-	1,054,929	58,254	231,081	1,596,146	2,940,410
Write-off/transfer	-	-	(13,386)	(167,842)	(120,542)	-	(301,770)
31 December 2012	914,738	14,083,125	105,310,191	3,327,166	3,802,631	4,802,498	132,240,349
Additions/(transfers)	-	476,009	4,488,810	121,925	266,368	(3,875,186)	1,477,926
Disposals	-	-	-	-	(121,510)	-	(121,510)
31 December 2013	914,738	14,559,134	109,799,001	3,449,091	3,947,489	927,312	133,596,765
<i>Accumulated depreciation</i>							
31 December 2011	-	3,651,800	43,201,366	2,434,551	3,163,951	-	52,451,668
Depreciation	-	352,089	4,759,527	249,051	232,051	-	5,592,718
Write off	-	-	(13,386)	(167,842)	(120,542)	-	(301,770)
31 December 2012	-	4,003,889	47,947,507	2,515,760	3,275,460	-	57,742,616
Depreciation	-	368,979	4,961,180	209,923	199,056	-	5,739,138
Disposals	-	-	-	-	(106,250)	-	(106,250)
31 December 2013	-	4,372,868	52,908,687	2,725,683	3,368,266	-	63,375,504
<i>Net book values</i>							
31 December 2013	914,738	10,186,266	56,890,314	723,408	579,223	927,312	70,221,261
31 December 2012	914,738	10,079,236	57,362,684	811,406	527,171	4,802,498	74,497,733

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



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

7. Investment in certificates of deposit

The Company's investment in securities comprises of certificate of deposits with the Caribbean Commercial Bank Anguilla, Ltd and National Bank of Anguilla, Ltd maturing within one year and beyond one year. Interest earned on the investments range from 3.0% to 5.0% per annum. The EC\$ deposits held with Caribbean Commercial Bank Anguilla Limited are restricted for the self insurance of the Company's transmission and distribution system. The US\$ deposit which matured on 24 February 2014 was rolled over until 24 February 2015 with an interest rate of 3.25%.

	Note	2013		2012	
		Within one year	Beyond one year	Within one year	Beyond one year
Caribbean Commercial Bank Anguilla Limited	29	3,756,235	1,490,895	1,243,181	3,233,606
National Bank of Anguilla Limited		2,455,077	1,336,740	3,600,707	-
		6,211,312	2,827,635	4,843,888	3,233,606

8. Inventories

	2013	2012
Generation parts and fuel	3,977,975	2,913,863
Transmission and distributions parts	3,242,582	2,934,981
Administration supplies	190,488	175,521
	7,411,045	6,024,365
Less: allowance for slow-moving and obsolete inventories	(392,553)	(379,890)
	7,018,492	5,644,475

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

	2013	2012
Balance at beginning of year	(379,890)	(321,155)
Additional provision during the year	(12,663)	(58,735)
Balance at end of year	(392,553)	(379,890)



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

9. Trade and other receivables

	<i>Notes</i>	<u>2013</u>	<u>2012</u>
Trade receivables	26	24,623,341	23,715,502
Insurance claim receivable	19	966,187	-
Accrued interest receivable		274,668	217,224
Customer receivable under deferred payment plan		161,184	212,141
Others		152,425	181,640
		<u>26,177,805</u>	<u>24,326,507</u>
Less: allowance for doubtful accounts	26	<u>(6,609,264)</u>	<u>(4,798,088)</u>
		<u>19,568,541</u>	<u>19,528,419</u>

The Company has a significant trade receivables balance that is required to be subjected to specific and/or collective impairment testing whenever there is objective evidence of impairment (see Note 26). The Company also offers deferred payment plans to customers with financial difficulties in settling their outstanding obligations. The plan is offered to customers interest free or with a low penalty rate and normally last for a maximum of twelve months.

As at year-end, the Government of Anguilla owes the Company amounting to \$11,622,257, which is made up of approximately \$4,421,726 in regular consumption charges and \$7,200,531 in late fees. Most of the total outstanding balance was over 120 days in arrears. During the year, the Company provided credit loss amounting to \$1,154,583 bringing the allowance for doubtful accounts from \$3,371,206 in 2012 to \$4,525,789 as at year-end. On 24 June 2014, the Executive Council of Anguilla approved the settlement agreement with the Company relating to the outstanding balance.

10. Prepayments and other current assets

	<u>2013</u>	<u>2012</u>
Prepaid insurance	165,859	130,430
Advance deposits	52,293	82,943
Other	1,961	1,961
	<u>220,113</u>	<u>215,334</u>

11. Cash and cash equivalents

	<i>Note</i>	<u>2013</u>	<u>2012</u>
Cash in banks		8,554,834	3,758,869
Cash on hand		1,850	1,550
		<u>8,556,684</u>	<u>3,760,419</u>
Total cash and cash equivalents in the statement of cash flows	26	<u>8,556,684</u>	<u>3,760,419</u>



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

12. **Share capital**

	2013	2012
Authorized:	30,000,000	30,000,000
Issued and fully paid: 17,036,147 ordinary shares at EC\$ 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:

	2013	2012
Government of Anguilla	40%	40%
Anguilla Social Security Board	16%	16%
National Bank of Anguilla Limited	12%	12%
Caribbean Commercial Bank (Anguilla) Limited	11%	11%
General Public	21%	21%
Total	100%	100%

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

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

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

13. Borrowings

	<i>Notes</i>	2013	2012
Caribbean Development Bank	<i>13.1</i>	8,184,196	9,548,240
Scotiabank Anguilla Limited - Facility B	<i>13.2</i>	9,124,485	9,124,485
Scotiabank Anguilla Limited - Facility A	<i>13.3</i>	2,659,699	3,202,936
Caribbean Development Bank	<i>13.4</i>	766,251	1,599,593
		20,734,631	23,475,254
Less: Current portion		(4,107,259)	(4,022,275)
		16,627,372	19,452,979

13.1 This loan (03/OR-ANL) was made to the Company by Caribbean Development Bank in 2005 to finance the purchase of two generators. The total amount disbursed was US\$6,089,000 (EC\$16,368,450). This loan is payable in forty eight (48) equal and consecutive quarterly installments of US\$126,855 (EC\$341,012) with a variable interest rate currently at 3.95% (2012: 3.66%) per annum commencing in January 2008. This loan will mature in October 2019. This loan is secured by a pari passu legal charge along with Scotiabank Anguilla Limited over the Company's property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2013, the current and non-current portion of this loan is \$1,364,044 and \$6,820,152 (2012: \$1,364,044 and \$8,184,196), respectively.

13.2 This loan was made to the Company by Scotiabank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire fighting project. The loan was approved for an amount up to US\$3,394,273. The total amount disbursed was US\$3,394,273 (EC\$9,124,485). This loan is repayable in lump sum amount due in August 2015. Interest is payable each month at a rate of 1 month LIBOR plus 3.0% commencing in August 2011. This loan is secured by a legal charge over all assets of the Company including its property, plant and equipment. As at 31 December 2013, the total outstanding balance of this borrowing is considered non-current.

13.3 This loan was made to the Company by Scotiabank Anguilla Limited on 22 July 2010 to refinance the borrowings from National Bank of Anguilla, Ltd. and Caribbean Commercial Bank (Anguilla) Limited and to finance the power station fire fighting project. The loan was approved for an amount up to US\$3,394,273 (EC\$9,124,485). The total amount disbursed was US\$2,108,809 (EC\$5,668,900) as at 22 July 2010. On 15 April 2011 and 31 January 2013, the Company made draw-downs amounting to US\$330,000 (EC\$887,106) and US\$393,230 (EC\$1,057,081), respectively. This loan is repayable in equal monthly installment of US\$56,571 (EC\$152,074), plus interest at a rate of 1 month LIBOR plus 3.0% per annum commencing in August 2011. This loan will mature in August 2015. This loan is secured by a legal charge over all assets of the Company including its property, plant and equipment. As at 31 December 2013, the current and non-current portion of this loan is \$1,976,164 and \$682,735 (2012: \$1,824,890 and \$1,378,046), respectively.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

13. Borrowings *(continued)*

- 13.4 This loan (02/OR-ANL) was made to the Company by Caribbean Development Bank in 2000 to finance the purchase of two generators. The total amount disbursed was US\$3,720,000 (EC\$10,000,104). This loan is repayable in forty eight (48) equal and consecutive quarterly installments of US\$77,500 (EC\$208,336) with a current interest rate of 3.95% (2012: 3.66%) per annum commencing in October 2002. This loan will mature in July 2014. This loan is secured by a pari passu legal charge along with Scotiabank Anguilla Limited over the Company's property, plant and equipment as well as the freehold property of the Company. This loan is also guaranteed by the Government of Anguilla. As at 31 December 2013, the current and noncurrent portion of this loan is \$766,251 and nil (2012: \$833,342 and \$766,251), respectively.

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

	2013	2012
Scotiabank Anguilla Limited - Facility B	531,507	543,603
Caribbean Development Bank (03/OR-ANL)	338,061	375,175
Scotiabank Anguilla Limited - Facility A	111,340	96,103
Caribbean Development Bank (02/OR-ANL)	41,704	71,465
	1,022,612	1,086,346

14. Contributions in aid of construction

	<i>Note</i>	2013	2012
Balance at beginning of year		4,037,492	4,254,029
Contributions during the year		235,397	324,693
Amount charged to profit or loss	19	(536,393)	(541,230)
Balance at end of the year		3,736,496	4,037,492

15. Trade and other payables

	<i>Note</i>	2013	2012
Trade payables		4,282,492	4,337,940
Environmental levy payable	27	1,218,458	416,674
Accrued expenses		552,166	473,070
Accrued interest payable		101,806	114,601
Other payables		296,801	324,634
		6,451,723	5,666,919



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

16. Energy sales

	2013	2012
Amounts billed during the year	46,053,484	46,755,208
Less: Unbilled revenue at beginning of the year	(2,768,106)	(2,786,477)
	43,285,378	43,968,731
Add: Unbilled revenue at end of the year	2,713,637	2,768,106
	45,999,015	46,736,837

Based on the Electricity Regulations, tariffs shall be subject to a surcharge of EC\$0.01 per unit for every EC\$0.10 per gallon increase in the price of fuel oil over EC\$3.64 per gallon. The surcharge was fixed at EC\$0.45 per kwh since 15 May 2011 when it increased from EC\$0.34 kwh.

The Company incurred total fuel surcharge expenses of \$35,129,407 (2012: \$36,535,603) of which it recovered \$34,831,569 (2012: \$35,499,423). As the Company seeks to minimize the impact on customers, the decision was made to absorb \$297,838 (2012: \$1,036,180) rather than further increasing the fuel surcharge rate.

17. Generation - other expenses

	<i>Notes</i>	2013	2012
Repairs and maintenance		3,473,368	3,872,329
Depreciation	6	3,121,788	2,948,548
Staff costs	22	2,574,010	2,798,576
Insurance		941,086	770,101
Supplies and other expenses		756,836	258,127
		10,867,088	10,647,681

18. Transmission and distribution

	<i>Notes</i>	2013	2012
Staff costs	22	3,449,143	3,579,928
Depreciation	6	2,038,448	2,043,030
Repairs and maintenance		1,111,927	1,452,124
Supplies and other expenses		415,141	525,023
Insurance		235,830	226,779
		7,250,489	7,826,884



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

19. **Other income**

	<i>Notes</i>	2013	2012
Late charges		3,224,585	2,970,685
Income from insurance claim	19.1	965,832	-
Revenue from contributions in aid of construction	14	536,393	541,230
Interest income		380,719	362,254
Reconnection fees		278,050	302,404
Connection upgrades and other services		273,519	78,129
Relocation and rental of poles		77,604	69,946
		5,736,702	4,324,648

19.1 The Company received an insurance claim of \$965,832 for the repair of its alternator damaged from a catastrophic breakdown in 2012.

20. **Administrative expenses**

	<i>Notes</i>	2013	2012
Staff costs	22	3,093,864	3,008,830
Office expenses		1,872,917	1,737,604
Impairment losses	26	1,817,276	3,129,402
Consultancy and professional fees		1,245,462	970,540
Depreciation	6	578,902	601,140
General		399,865	484,739
Insurance		236,014	200,100
Loss from theft		-	80,656
		9,244,300	10,213,011

As a result of an investigation into a customer complaint, it was discovered that two persons employed by the Company had committed fraud over a period of several years. The Company terminated the employment of both persons involved in 2012 and 2013 and has since filed a criminal complaint with the Royal Anguilla Police Force in an effort to recover all damages. The Company has collected \$23,495 as at 31 December 2013 from the parties involved.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

21. Consumer services

	<i>Note</i>	2013	2012
Staff costs	22	459,478	460,480
Vehicle repairs and maintenance		182,952	165,349
Temporary and contract services		180,722	107,095
Other		137,824	-
		960,976	732,924

22. Staff costs

	<i>Notes</i>	2013	2012
Salaries, wages and other benefits		8,275,670	8,393,670
Social security		320,931	323,256
Pension expenses - defined contribution plan	23	292,107	272,041
Pension expenses - defined benefit plan	23	255,799	374,479
Interim stabilization levy		226,496	239,790
Training		205,492	244,578
		9,576,495	9,847,814

23. Pension expenses

The Company has two pension plans for its employees:

a. *Defined contribution Plan*

The Company uses a defined contribution plan for its non-management employees and all management employees hired after 2005. This plan is handled and administered by Zurich International. Total contributions made by the Company amounted to \$292,107 and \$272,041 in 2013 and 2012, respectively (see Note 22).

b. *Defined benefit plan*

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

Effective 1 January 2013 revised IAS 19 requires that the Company immediately recognize actuarial gains and losses in other comprehensive income and to recognize the expected return on plan assets in profit or loss. The expected return on plan assets is calculated based on the rate used to discount the defined benefit obligation.

Adoption of revised IAS 19 resulted in a restatement of EC\$419,014 based on the latest actuarial valuation report.



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

23. **Pension expenses (continued)**

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

	2013	2012 (As restated)
Present value of obligations	3,214,735	3,706,160
Fair value of plan assets	(3,405,127)	(2,972,124)
Net pension (asset)/liability	(190,392)	734,036

	2013	2012 (As restated)
Present value of obligation at beginning of year	3,706,160	3,364,456
Interest cost	272,062	229,838
Current service cost	197,384	187,946
Benefits paid	(33,877)	(32,890)
Actuarial (gain)/loss on obligation	(926,994)	(43,190)
Present value of obligation at end of year	3,214,735	3,706,160

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

	2013	2012 (As restated)
Fair value of plan assets at beginning of year	2,972,124	2,514,001
Expected return on plan assets	214,118	183,341
Contributions	192,894	209,729
Benefits paid	(33,877)	(32,890)
Actuarial gain on plan assets	59,868	97,943
Fair value of plan assets at end of year	3,405,127	2,972,124

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

	2013	2012
Equities	37%	94%
Other	63%	6%



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

23. Pension expenses *(continued)*

Pension expense recognized in profit or loss is shown below:

	2013	2012 (As restated)
Current service cost	197,384	187,946
Interest cost	272,062	229,838
Expected return on plan assets	(213,647)	(170,246)
Pension expenses - defined benefit plan	255,799	247,538
Actual return/ (loss) on plan asset	273,516	281,284

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	7.00%	7.00%
Expected return on plan assets	7.00%	7.00%
Salary increase rates	2.00%	2.00%

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

	2013	2012 (As restated)
Present value of obligation	3,214,735	3,706,160
Fair value of plan assets	(3,405,127)	(2,972,124)
Deficit/(surplus)	(190,392)	734,036
Experience adjustments arising from plan liabilities	926,994	43,190
Experience adjustments arising from plan assets	59,868	94,523

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

	2013	2012 (As restated)
(Gain) loss from experience	(926,994)	(57,669)
Expected return on plan assets	213,648	170,246
Actual return on plan assets	(273,516)	(264,769)
(Gain) loss from change in assumptions	-	14,479
Other adjustment	-	419,016
	(986,862)	281,303

The Company expects to pay EC\$129,851 (2012: EC\$176,018) in contributions to the defined benefit plan in 2014.



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

24. **Earnings per share**

The calculations of basic earnings per share as at 31 December 2013 and 2012 were based on the net income for the year and the total number of capital shares issued and outstanding as at reporting date calculated as follows:

	2013	2012
Net income for the year	5,073,859	2,084,660
Total number of shares issued at end of year	11,636,147	11,636,147
Earnings per share	0.44	0.18

25. **Dividends**

Dividends of EC\$0.07 per share were declared by the Board of Directors on 3 July 2014 but not yet sanctioned by the shareholders as of 31 December 2013. The Board of Directors recommended and the shareholders' sanctioned not to pay a dividend for the year ended 31 December 2012.

	2013	2012 As restated
Retained earnings	67,940,569	61,879,848
Appropriated for dividends to be sanctioned by shareholders	814,530	-
Retained earnings unappropriated	67,126,039	61,879,848

26. **Financial instruments**

Exposure to credit risk

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

	<i>Notes</i>	2013	2012
Investment in certificates of deposit	7	9,038,947	8,077,494
Trade and other receivables - net	9	19,568,541	19,528,419
Cash and cash equivalents	11	8,556,684	3,760,419
		37,164,172	31,366,332



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

26. Financial instruments *(continued)*

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

	<i>Note</i>	2013	2012
Government		13,494,888	10,117,812
Hospitality		4,687,975	6,705,489
Residential		3,719,382	3,710,663
Commercial		2,655,537	3,151,702
Other		65,559	29,836
	9	24,623,341	23,715,502

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

	2013	2012
<i>Unimpaired trade receivables</i>		
Group 1 - Customers with no defaults	7,197,365	9,716,013
Group 2 - Customers with some defaults, full recovery	2,434,025	1,281,967
Group 3 - Customers with some defaults, partial recovery	2,802,247	3,025,485
	12,433,638	14,023,465
<i>Cash, cash equivalents and investments</i>		
Cash and cash equivalents	8,556,684	3,760,419
Investment in certificates of deposit	9,038,947	8,077,494
	17,595,631	11,837,913

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



ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (continued)
31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

26. **Financial instruments (continued)**

Impairment losses

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

The Company recognized provision for doubtful accounts as follows:

- (i) Inactive accounts - 100% provisions
- (ii) Government accounts - 2% to 50% provisions
- (iii) Accounts with payment agreements – 10% to 100% provisions
- (iv) General accounts – 5% to 40% provisions

Based on the aging report as of December 31, 2013, the past due trade receivables were provided for as follows:

	2013		2012	
	Gross	Impairment	Gross	Impairment
Current	10,886,705	61,752	8,826,065	-
Past due 30-60	1,492,465	64,022	3,509,313	27,335
Past due 60-90	986,026	116,102	1,545,536	75,390
Over 90	11,258,146	6,367,388	9,834,588	4,695,363
Total	24,623,342	6,609,264	23,715,502	4,798,088

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

	<i>Notes</i>	2013	2012
Balance at beginning of year		4,798,088	1,594,965
Additional credit losses	20	1,811,176	3,129,402
Other adjustment		-	73,721
Balance at end of year	9	6,609,264	4,798,088



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

26. Financial instruments (continued)

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 2013						
Borrowings	20,734,631	22,795,575	5,068,069	11,763,987	4,567,832	1,395,687
Customer deposits	1,426,356	1,426,356	1,426,356	-	-	-
Trade and other payables	6,451,723	6,451,723	6,451,723	-	-	-
	28,612,710	30,673,654	12,946,148	11,763,987	4,567,832	1,395,687
31 December 2012						
Borrowings	23,475,254	24,888,932	4,480,071	5,409,644	13,604,397	1,394,820
Customer deposits	1,400,070	1,400,070	1,400,070	-	-	-
Trade and other payables	5,666,919	5,666,919	5,666,919	-	-	-
	30,542,243	31,955,921	11,547,060	5,409,644	13,604,397	1,394,820

Interest rate risk

	2013		2012	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Investment in certificates of deposit	3.25%-5.00%	9,038,947	3.25%-5.00%	8,077,494
Borrowings	3.20%-5.75%	20,734,631	3.61%-5.94%	23,475,254

Cash flow and fair value interest rate risk

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

	2013			2012		
	At average rate for the year	+10%	-10%	At average rate for the year	+10%	-10%
Scotiabank - Facility B	524,447	526,265	488,504	520,995	549,750	499,566
Scotiabank - Facility A	110,852	111,526	98,046	133,165	134,454	131,909
	635,299	637,791	586,550	654,160	684,204	631,475



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

26. Financial instruments (continued)

Price risk

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

Fair values

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

	2013		2012	
	Carrying amount	Fair values	Carrying amount	Fair values
Financial assets				
Investment in certificates of deposit	9,038,947	9,038,947	8,077,494	7,882,566
Trade and other receivables	19,568,541	19,568,541	19,528,419	19,528,419
Cash and cash equivalents	8,556,684	8,556,684	3,760,419	3,760,419
	37,164,172	37,164,172	31,366,332	31,171,404
Other financial liabilities				
Borrowings	20,734,631	20,995,350	23,475,254	21,149,704
Customer deposits	1,426,356	1,426,356	1,400,070	1,400,070
Trade and other payables	6,451,723	6,451,723	5,666,919	5,666,919
	102,941,054	103,201,773	93,274,907	90,559,501

27. Related party transactions

Identification of related party

A party is related to the Company if:

- (i) Directly or indirectly the party:
 - Controls, is controlled by, or is under common control with the Company;
 - Has an interest in the Company that gives it significant influence over the Company; or
 - Has joint control over the Company.
- (ii) The party is a member of the key management personnel of the Company
- (iii) The party is a close member of the family of any individual referred to in (i) or (ii)
- (iv) The party is a post-employment benefit plan for the benefit of employees of the Company or any entity that is a related party of the Company.



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

27. Related party transactions *(continued)*

Related party transactions and balances

The Company has entered into a number of transactions with related parties in the normal course of business as at 31 December 2013 and 2012. These transactions were conducted at market rates, or commercial terms and conditions.

	2013	2012
Directors' fees and expenses	406,967	386,743
Pension expense - defined benefit plan	255,799	374,483
Pension expense - defined contribution plan	96,235	94,413
Benefits to executive officers	2,504,281	2,483,195
	3,263,282	3,338,834
Receivable from key management personnel	15,600	15,600
Accrued vacation payable to key management personnel	23,610	23,610
Revenues from the Government of Anguilla	9,432,306	9,010,344
Amount paid to the Government of Anguilla for the environmental levy	4,304,395	5,577,956
Credit loss on Government accounts	1,154,583	2,806,984
Allowance for credit loss on Government accounts	4,525,789	3,371,206

The Company has entered into the following related party transactions:

- a. The Government of Anguilla imposed an environmental levy of 7% of revenues, excluding Government's usage, on the Company effective 15 April 2010. The amount payable to the Government of Anguilla as of 31 December 2013 amounted to \$1,218,458 (2012: \$416,674).
- b. Gross trade receivables from the Government of Anguilla are \$11,622,257 (2012: \$9,845,692).
- c. License fees paid to the Government of Anguilla is \$300,000 for 2013 (2012: \$300,000).
- d. Amounts paid to the Government of Anguilla for import duties and other fees and services is \$3,956,642 (2012: \$3,705,661).
- e. Interim stabilization levy paid to the Government of Anguilla is \$370,857 (2012: \$239,790) of which \$44,586 was outstanding at year end (2012: \$58,048).
- f. There were no dividends paid to the Government of Anguilla in 2013 (2012: \$465,446).
- g. The Government of Anguilla has guaranteed the loans borrowed by the Company from Caribbean Development Bank (03/OR-ANL) (see Note 13).



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

27. Related party transactions (continued)

- h. The Company pays social security contributions for its employees to Anguilla Social Security Board in compliance with the Anguilla Social Security Act. Total contributions incurred during the year amounted to \$578,954 (2012: \$323,256) of which \$57,447 (2012: \$68,728) was outstanding at 31 December 2013.
- i. The Company has an overdraft facility with a limit of EC\$3.2 million with the National Bank of Anguilla Limited with an interest rate of 9.2% per annum.

28. Commitments

On 1 May 2013, the Company entered into a gas oil supply contract with Delta Petroleum Limited commencing on that day until 30 April 2016. This contract was held with Sol St. Lucia Ltd. prior to 1 May 2013.

The Company entered into a fire fighting contract with Regional Fire and Security Caribbean, LTD for the design and installation of a fire protection system for the Corito generating plant. The total cost committed by the Company under this contract is \$3,252,131 (US\$1,209,780). The Company completed the fire protection system in May 2013.

29. Self-Insurance fund

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

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

	<i>Note</i>	2013	2012
Balance at beginning of year		4,476,787	3,413,791
Additional provision for year		770,343	1,062,996
Balance at end of year	7	5,247,130	4,476,787

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



ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements *(continued)*

31 December 2013

Expressed in Eastern Caribbean Dollars (EC\$)

30. Alternative energy resources

On 29 August 2013 the Company has entered into an agreement with Global Green Energy Ltd (GGE) based in St. Maarten, to produce 4MW of electricity from waste for a term of 15 years. Under this agreement, the Company has agreed to purchase 100% of energy produced by GGE on a take-or-pay model at a negotiated rate per kWh. The maximum production amount is capped at 4MW. In addition to the minimum standards for quality and consistent electricity production, the Company requires GGE to adhere to certain environmental standards. The Company anticipates reducing cost of generation mostly through reduction in diesel fuel consumption and associated costs. As of the report date, GGE is under-going approval process with the Government of Anguilla to enable the plant construction and production. The Company anticipates receiving production from this plant in early 2015.

On 1 November 2013 the Company entered into an agreement with Grace Capital Energy, LTD (GCE) a company incorporated in Colorado, USA to produce all generation capacity above 4MW using Hydro-Kinetic energy generation. As of the report date, the Company is awaiting certain financial and technical commitments from GCE prior to moving to the next phase of the transaction.

31. Operating lease - rent

On 6 November, 2009, the Company renewed its lease with the lessee for another two years with an option to renew for another year. Monthly rent is EC\$8,500 commencing November 2009. The lease contract had not been renewed since. However, the Company is paying based on the old terms of the contract. Total rent expense in 2013 included in "Operating expenses Administrative expenses" in profit or loss is \$102,000 (2012: \$102,000). The lease agreement does not provide for any escalation of rent during the lease term. On 23 December 2013, the Company entered into a two year lease agreement for additional office space. Monthly rent is EC\$7,661 commencing December 2013. Total rent expense related to this lease in 2013 and included in "Operating expenses -Administrative expenses" in profit or loss is \$2,718. Total rent expense related to this lease is expected to approximate \$92,000.

The future minimum lease expense is as follows:

	2013	2012
Not later than one year	193,936	104,718
Later than one year and not later than five years	193,936	387,873
	387,873	492,591

32. Other matters

Several employees were terminated in line with the Fair Labour Standards Act, R.S.A F15 7(1)(d) on 26 January 2011, 07 October 2013 and 10 January 2014. In response to the termination, the employees have taken the matter to Labour with the intent to establish a Tribunal concerning their dismissal. No hearing has been convened and no decision has been made to date on any of the terminations.

The estate of a contractor fatally injured while providing services at the Corito Power Station site filed a claim on 10 January 2013 against the Company in the Eastern Caribbean Supreme Court pursuant to the Causes of Action (Survival) Act, R.S.A.e.C25 for damages for injury and loss due to the accident. The Company has not accepted responsibility for the accident and has filed a defense pursuant to the Causes of Action (Survival) Act, R.S.A.e.C25 and the Fatal Accidents Act FR.S.A.s.020. No provision has been made in these financial statements for any claim asserted or unasserted.



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