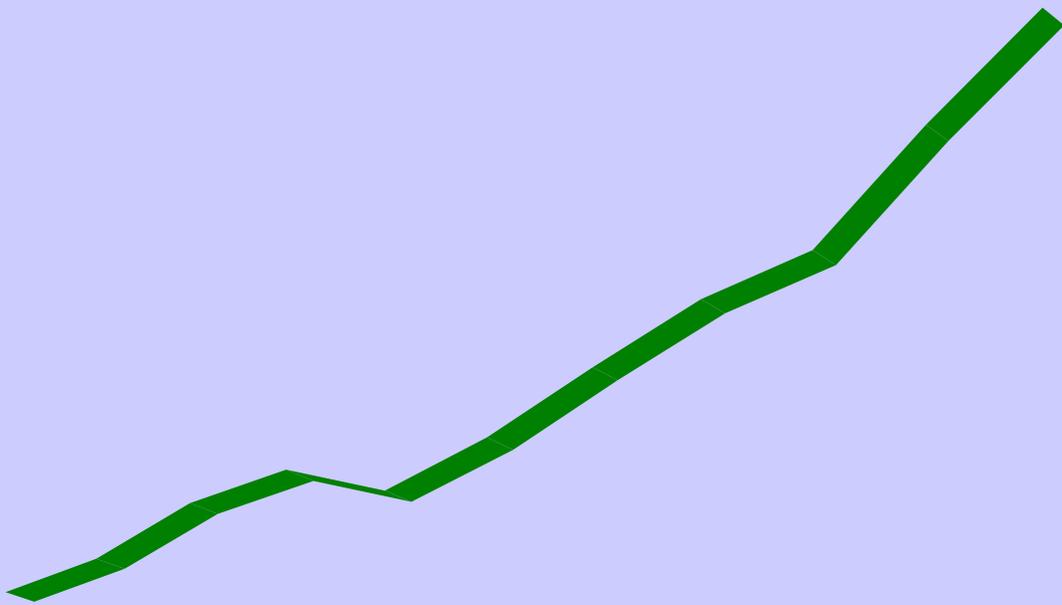


ANGLEC

ANGUILLA ELECTRICITY COMPANY LIMITED



TEN YEARS OF ELECTRICITY DEVELOPMENT



20001
ANNUAL REPORT

Cover: The graphic on the cover of this year's annual report illustrates the dramatic increase in the demand for electricity in Anguilla since Anglec was established in 1991.

MISSION STATEMENT

To meet the energy requirements of the people and businesses of Anguilla, safely, reliably and economically, and operate to the highest technical, managerial and environmental standards



CORPORATE INFORMATION

REGISTERED OFFICE

Main Office
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Anguilla

Power Station
Corito
Anguilla

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Web site: www.anglec.com

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Herbert's Commercial Centre
The Valley, Anguilla

Mailing Address
P.O. Box 136
The Valley, Anguilla

ATTORNEYS-AT-LAW

Caribbean Juris Chambers
Hannah-Waver House
The Valley, Anguilla

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P.O. Box 328
The Valley, Anguilla



Camp Be Aware (Environment is FUNdamental) visits Corito Power Station.

TABLE OF CONTENTS

CONTENTS

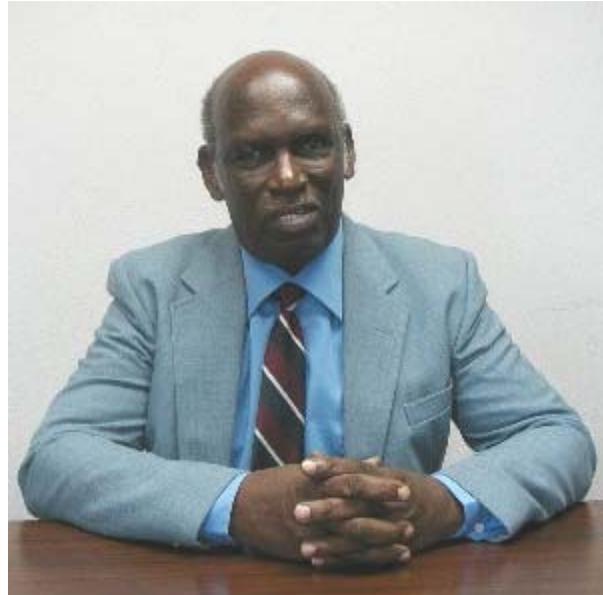
Mission Statement	2
Corporate Information	3
Chairman's Message	4
Divisional Reviews	7
Operating Statistics	18
Auditor's Report	23
Balance Sheet	24
Income Statement	25
Statement of Cash Flows	26
Notes to the Financial Statements	27
Board of Directors	37
Divisional Managers	38

CHAIRMAN'S MESSAGE

The rewards of additional generating capacity were seen in the first year of the new millennium as System reliability improved to 99.88% in 2001. Customers enjoyed longer hours of service, which resulted in higher sales and revenue generation for Anglec. Additionally, the non-occurrence of hurricane activity in 2001 favourably impacted on sales and revenue. Sales exceeded our budgeted projection by 10.2% and income exceeded our budgeted forecast by 14.6% in spite of the slowdown in the Anguillian economy during the latter half of 2001.

In addition to the negative impact on the Anguillian economy in terms of a downturn in tourism, the events of September 11 in the United States of America caused corporate asset insurance premium rates to spiral. To minimise additional cost to the Company due to increasing rates, toward the end of 2001, tenders were invited for main asset insurance coverage. The tendering process resulted in maintenance of asset insurance costs at 2001 levels.

In the national budget presentation for 2002, it was announced that with effect from 1st January 2002, the

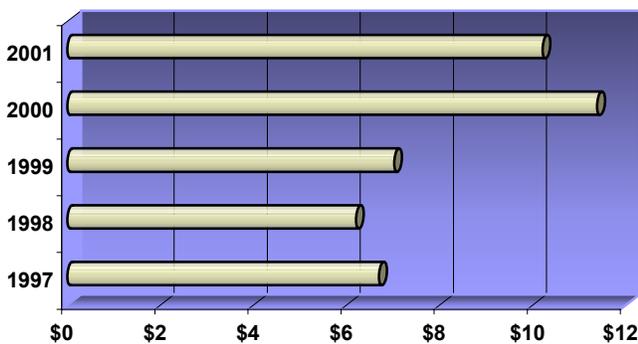


Government of Anguilla intended to impose a duty of EC \$0.40 per imperial gallon on fuel used in the Power Station. Anglec's 2002 budget reflects this additional tax. On the positive side however, in 2001 Anglec witnessed a major reduction in fuel costs as a result of favourable world oil prices and also, to some extent, due to the change in our fuel supplier from 1st March 2001. Our customers benefitted as a result of the deflated prices since the fuel surcharge which had been imposed in October 2000 was removed completely from all bills by May 2001.

Anglec continues to focus on enhancing its image to its customers. The Transmission & Distribution Department was restructured to cater for medium and long-term development of

the distribution network using in-house personnel. The restructuring means shorter waiting periods for extensions of supply and other service-oriented activities such as new

Fuel Cost
(in EC\$millions)



service connections, response time to trouble reports, meter checks, etc. The Company also developed a new approach to estimating line extensions to new customers. The intention is to reduce the cost to prospective customers, thereby encouraging the construction of more houses and removing impediments that militated against socio-economic progress.

In our commitment to the environment of Anguilla, an environmental plan was developed for the Corito Power Station in 2001. Work commenced on the installation of an oil/water separator that will serve to reduce the accumulation of waste oil

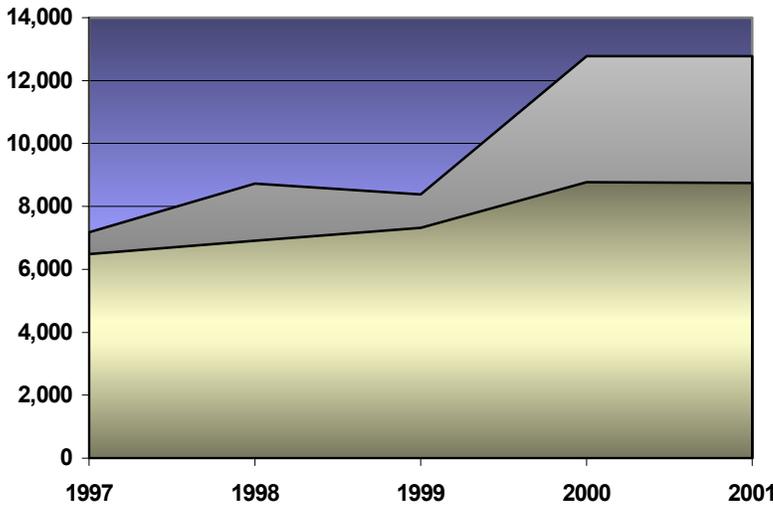
around the Power Station compound. A more intensive thrust will be made in 2002 to bring the Power Station area up to International Standards, thereby lessening the environmental impact of electricity generation whilst providing greater service to our customers.

Operationally, the Mirreles 2.5-megawatt generating set that failed in December 2000 was returned to service in October 2001. This resulted in an increase in generating availability and afforded the power station staff the opportunity of undertaking detailed maintenance of the other units in the Power Station.

During the first week of April 2001 we celebrated Anglec's tenth anniversary with a number of activities, including radio broadcasts by members of the senior staff and a church



Firm Capacity and Peak Demand
In kiloWatts



service. Presentations were made to the Miriam Gumbs Senior Citizens Home and an appreciation day was held for our customers at the Administration Centre in the Quarter.

As we celebrated the past ten years, we made a concerted effort to plan for the future of Anglec. We entered the new millennium with enough



Anglec's headquarters in the Valley

generating capacity to meet the country's electric energy needs, which allowed us to focus on planning in 2001.

In spite of the many challenges which confronted Anglec, the organisation continues to forge ahead by prudent cost cutting measures and the utilisation of state of the art technology, which will lead to improved efficiencies in the operation of our systems.

The achievements of the organisation in 2001 would never have been a reality without the unstinting support of the employees who never lost their dedication and co-operative spirit, notwithstanding the many adversities which confronted them from time to time.

I wish to thank my fellow Board Members for their co-operation during the year. To the management and staff, I urge you to continue your efforts to elevate the standards of Anglec so that we can rightly claim in the not too distant future a leadership role of electric utilities in the region.

**Everet F. Romney,
Chairman**

FINANCIAL PERFORMANCE

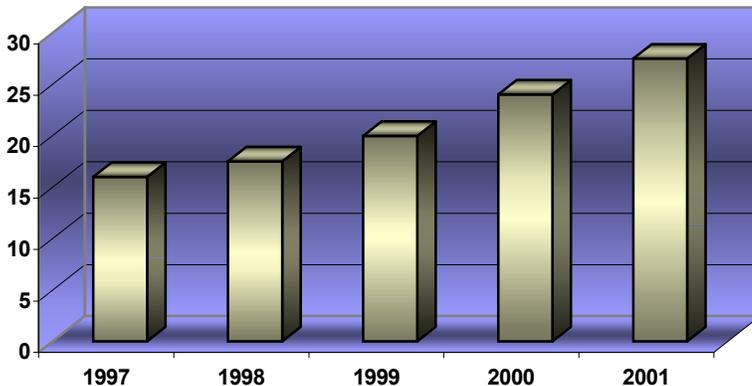
Gross Operating Revenue totalled EC\$27,502,654, an increase of 14.67% over the figure of EC\$23,984,853 for the year 2000. This increase can be attributed to various factors

Increases in sales revenue were driven in part by the 15% increase in kWh sales, from 39,561,000 kWh in 2000 to 45,508,591 kWh in 2001.

Trading Profits

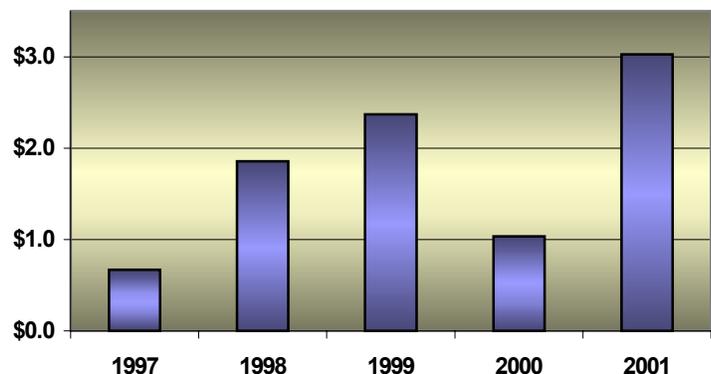
The Company recorded strong growth in profits during the first half of the year. Gross operating profits of EC\$8,053,143 exceeded the previous year's figure of EC\$3,945,405. Net profit for the period was EC\$3,026,006, surpassing the previous year's figure of EC\$1,034,592 by 192%. This growth in profits was mainly due to the increase in kWh sales from 39.5 million kWh to 45.5 million kWh. Additionally, the reduction in fuel prices that came about after Anglec entered into a contract with Delta Petroleum to supply the Company with fuel for three

Gross Revenue
(in EC\$millions)



including the improvement in reliability and efficiency of our generating operations after a full year in service of our two 3.1MW medium speed Wartsila generating sets. This investment in generating capacity resulted in less system outages, and less disruption of supplies of electricity to our customers. Additionally in 2001, all the major hotels were operating as normal after repairing the extensive damage caused to their properties in November 1999 by Hurricane Lenny .

Net Profit
(in EC\$millions)



years from 1st March 2001 contributed to profit growth. In spite of the negative effects on the economy after September 11th, this growth in profits demonstrates our commitment to seek opportunities to reduce operating costs while maintaining operational efficiency at all levels in the Organisation.

Net Profits

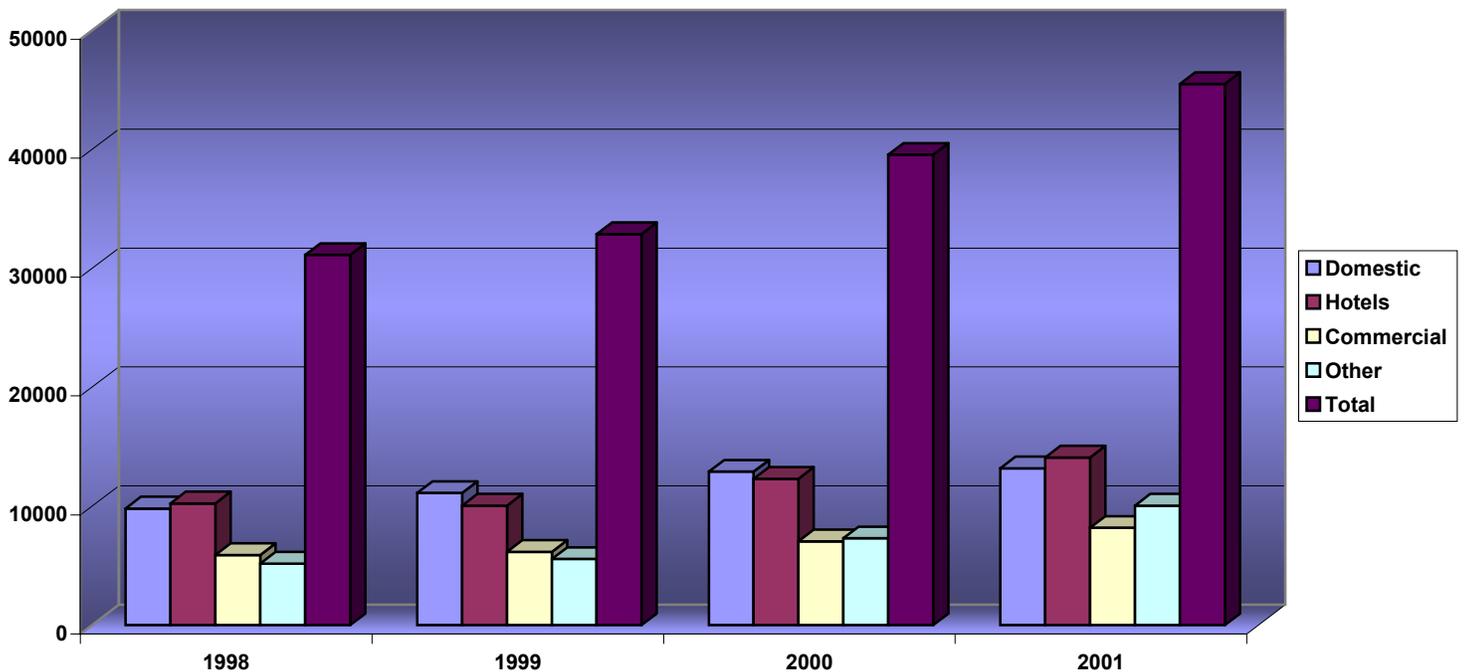
With an accumulated profit of EC\$209,376 at the beginning of 2001 and a net profit of EC \$3,026,006 at the end of the

year, retained earnings totalled EC\$3,235,382 at year end, making this a significant milestone in the history of the organisation, since this had not previously been achieved.

Sales

Overall, electricity sales grew by 15% to 45.5 million kWh. Growth in the hotel sector grew by 14.5% to 14.08 million kWh. Domestic consumption grew by 2.18% over the figure for 2000, while other commercial consumption grew by 16% to 8.19 million kWh.

Sales by Category
(in MWh)



Operating Costs

Total operating costs recorded for the year were EC\$23.7 million, an increase of 2.2% over the previous year's figure of EC\$23.2 million. Fuel costs accounted for 43.3% of operating costs and 37.3% of sales, while in the previous year, fuel costs accounted for 49% of operating costs and 47.4% of sales. Administrative and customer care costs accounted for 17.8% of operating costs and 15.3% of sales.

Capital Expenditure

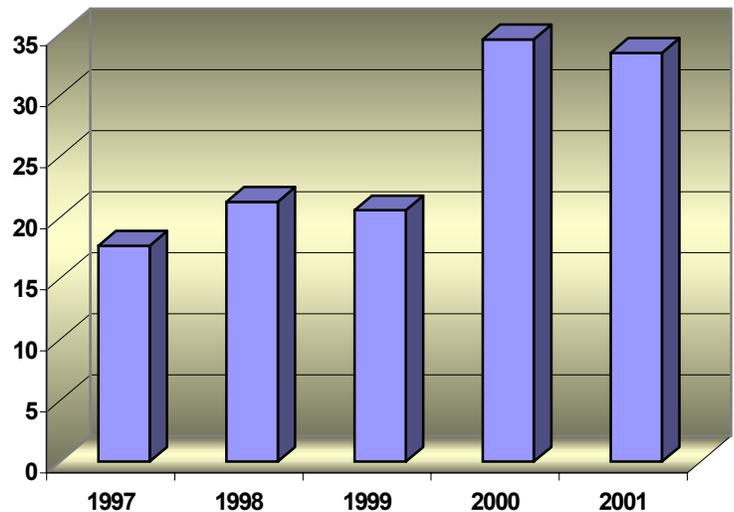
During the year we continued our capital investment programme. Capital Investment of EC\$2.8 million was made in the following areas: -

Plant & Equipment	EC\$ 394,247
Transmission & Distribution	EC\$1,531,409
Information Systems	EC\$ 274,155
Buildings	EC\$ 533,136
Vehicles	EC\$ 89,034
Total	EC\$2,821,981



Meter readers and their vehicles

Net Fixed Assets (in EC\$millions)



Ramona Richardson—Customer Service

GENERATION

The two new 3.1MW Wärtsilä sets completed one year of operation in December 2001 and the benefits of integrating them with the Generation system were immediately seen. Fuel efficiency rose from 16.07 kWh/gal in 2000 to 18.21 kWh/gal in 2001. Generation reliability improved in 2001 with the consequent result that units generated reached an all-time high of 53,605,830 kWh.

In June 2001, Unit #6, an 850 kW set experienced engine failure. It is expected that the engine component of the unit will be replaced in 2002. The #10 2.5MW Mirrlees set was successfully reconstructed and re-commissioned in October 2001. With this set in service the available capacity totalled 16.8MW.

In an effort to reduce the level of



Reconstructed Mirrlees 2.5 MW engine

heat experienced in the 'A' Power Station, four 3.04 hp extractor fans were installed in the roof of the station.



Corito Power Station

Security

During the year, a decision was taken to increase security of the Power Station area. Cameras were installed at strategic locations to monitor activities taking place around the Power Station compound. In addition the main gate is now kept closed and can be opened via remote control from the Control Room after satisfactory identification is obtained.



Clarence Lake—Electrical Foreman



Lubricating Oil Waste Tank

Environment

Intense effort is being made to improve the environmental standards around the Power Station. An oil/water interceptor was installed to eliminate the accumulation of oil on the grounds of the Station. Paved, dyked containment areas have been installed around new fuel and oil tanks and this will be continued in 2002 with installations planned for all oil filled transformers. A concentrated effort will be made in 2002 to remove all contaminated soil from the Power Station Compound as part of a soil remediation process and also a more efficient means of collecting and storing waste oil, prior to disposal, will be introduced in the coming year.

Satellite Clock

In August 2001, a Global Positioning System (GPS) based Frequency Control Satellite System was installed in the Control room to assist in monitoring accurate system frequency levels. The new system will increase significantly the accuracy of devices whose internal calculations depend on stable and accurate frequency, e.g. electric clocks, microwaves, VCRs and computers.



Frequency Control Satellite System

Maximum Demand

The maximum demand of 8750KW was almost the same as in December 2000 principally because of the negative impact on tourist arrivals, caused by the unfortunate events on 11th September 2001 in the USA. Notwithstanding this fact however, the units generated surpassed the 2000 level by 17.03%.

TRANSMISSION & DISTRIBUTION

The most significant development within the Transmission & Distribution Division was undoubtedly the introduction of a new method of evaluating the economics of requests for extensions to the distribution system. The new arrangement has resulted in a more equitable distribution of the costs associated with these extensions and is based principally on the return on the investment which the organisation makes in providing electricity to new areas. It is anticipated that the new method would bring tremendous benefit to customers who require extensions of the distribution system in order to obtain an electricity supply.

The survey of a fifth feeder was completed during the year and it is anticipated that construction would commence in 2002. This is expected to improve the quality of supply to a large number of customers and provide additional flexibility on the system.

G.I.S.

ANGLEC and Cable & Wireless agreed to undertake a joint G.I.S. (Geographic Information System) survey of facilities in the field owned by both Utilities. This was expected to commence early in 2002 and when completed would

provide accurate information of all our poles, transformers, conductors, meters and other items of equipment which are utilised to distribute electricity to all our customers. The G.I.S. will be a tremendous boost to our Asset management and planning processes.



Ivor Ible—T&D Superintendent using an Ultraprobe instrument on an overhead line.

The T&D division was restructured in order to maximise the utilisation of human resources in the various sections. As a result, it is expected that, with the introduction of the new Technical Services Section, our customers who require new extensions would be serviced more expeditiously. The Technical section would concentrate on ways and means of reducing costs and improving methodologies.

The faculty of Engineering at the University of the West Indies in St. Augustine, Trinidad continued to co-operate with ANGLEC by undertaking certain critical studies of the system, in particular, co-ordination of system protection.

Reliability

In 2001 a target of 99.85% was established and by year-end a figure of 99.88% was achieved. The improvement can be attributed to improvement in our maintenance techniques and the effectiveness of the reconductoring programme.

Safety

Safety consciousness continued to be at a very high level when one considers that no accident reports requiring time off were received. Notwithstanding this enviable record, efforts will be continued to emphasize the importance of adequate Safety measures as day to day activities are undertaken.



Hurricane Readiness Drill

CUSTOMER SERVICE

We recognise that Customer Service will continue to be driven by our customers, of whom there were 5,953 at the end of 2001, and as such several initiatives are being contemplated with a view to achieving greater customer satisfaction.

Our response times to Trouble Calls continue to be within the target of one hour. Additionally, our response to requests for new pole-to-building connections was well within the targeted period of 2 days.

In 2002 we plan to launch our website which we hope will be used as a catalyst for dissemination of information and also give our customers the opportunity of expressing their views with regard to our services.

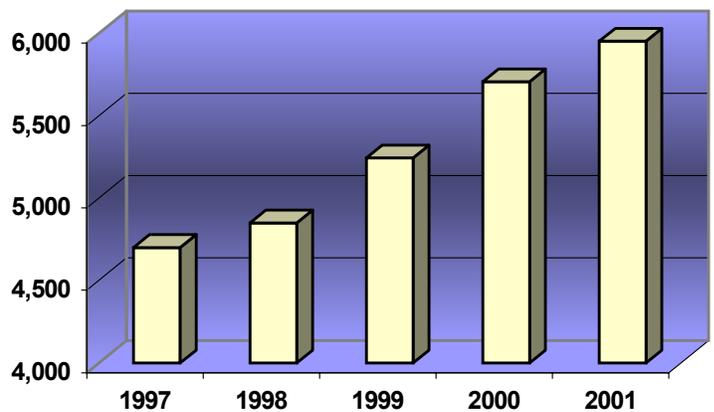


Laura Richardson, Jerome Roberts and Ramona Richardson — Customer Care

Customer Base

Over the past five years, Anglec has seen growth in its customer base from 4750 customers in 1997 to 5953 in 2001.

Customer Base



Eulalie Dupie, Meter Reader, Billing

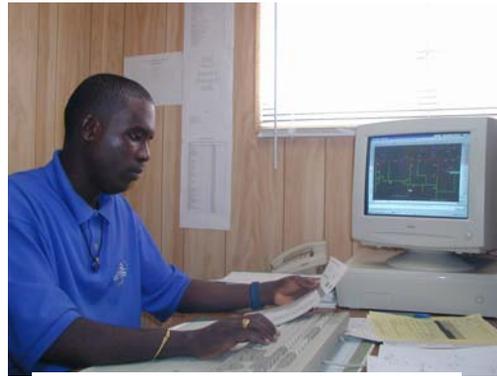
HUMAN RESOURCES

The main activity in the Human Resource Division centered around the introduction of Performance Appraisal as a means of ensuring equitable remuneration practices and application of the 'Pay for Performance' principle. The system was developed specifically for ANGLEC and one of the main focal points was the need to measure the achievement of objectives.

A necessary prerequisite to any successful organisation is the establishment of policies and procedures governing the activities in the Company. This has long been recognised as an imperative for ANGLEC and as such the Generation Procedure Handbook was developed for the Generation Department. Work also began during the year on the formulation of policies and procedures for the Personnel functions. This will be continued in 2002 until the entire spectrum of activity is completed.

The Management and staff were extremely pleased with the performance of our own Technical Services Supervisor who participated in the National Calypso Monarch competition during the Summer Festival

2001 and was crowned Calypso Monarch 2001.



Steve Hodge, Technical Services Supervisor in Transmission & Distribution Anguilla's 2001 Calypso Monarch

Four new employees were recruited during the year including a Chief Engineer. This brought the permanent staffing levels to 74 full and part time employees.

Several courses were conducted during the year and a number of employees received training abroad in various

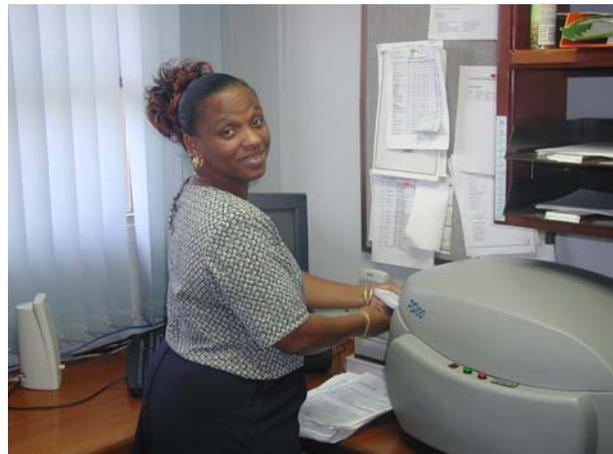


Guarionex Cabrera, Welder/Mechanic Generation Department

aspects of our operations. We also identified a need to encourage some of our employees to strive to obtain recognised academic qualifications in various fields of endeavour. In December 2001 one of our employees was awarded a scholarship, sponsored in part by ANGLEC and the Government of Anguilla, to pursue a degree in Mechanical Engineering at the Florida International University in the USA. This is in keeping with our Manpower Planning programme to ensure that sufficient professional employees are available to keep pace with the technological advancement that is taking place in the engineering field.



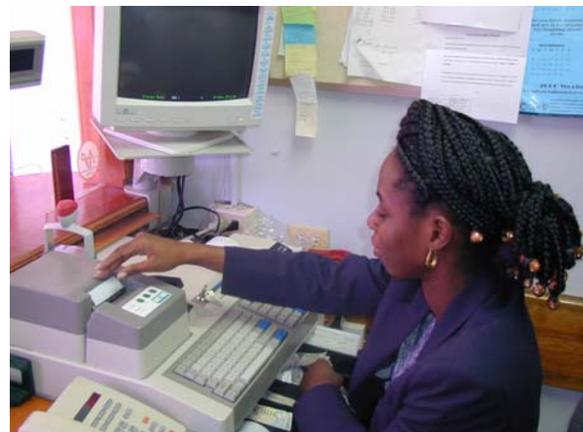
Daryl Hodge, Senior Shift Operator, Generation



Laura Richardson, Customer Care training on new billing system equipment



Damien Lloyd, Generation received a scholarship to study Engineering in the USA



Diane Gumbs, Customer Care receiving Customer Payments

INFORMATION TECHNOLOGY

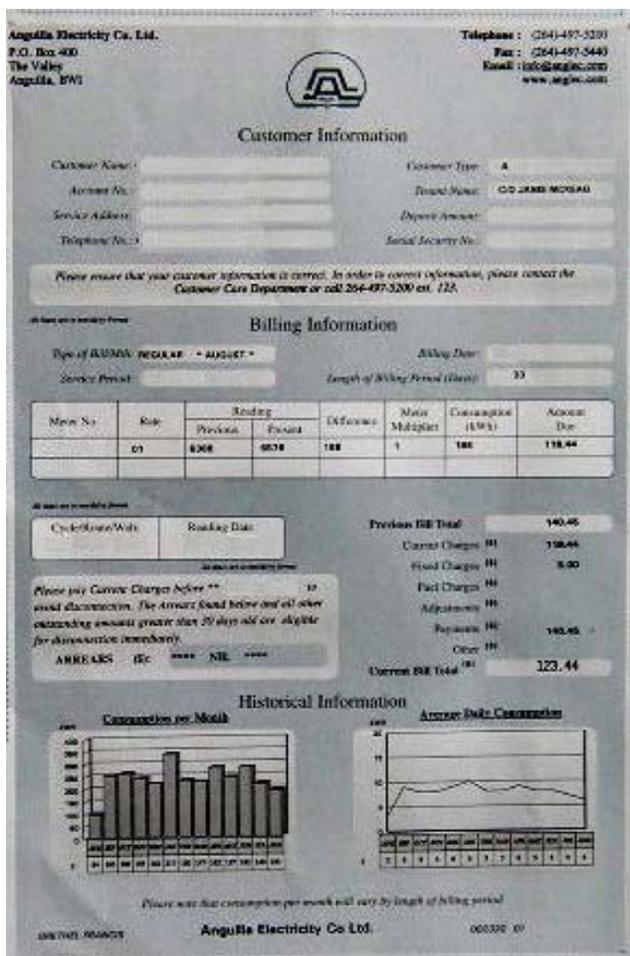
The network increased from 33 nodes in 2000 to 39 in 2001. A system of trouble reporting was introduced to enable proper diagnosis and statistical data to be obtained in order to evaluate more accurately the performance of the IT system.

In May 2001, an IT audit was conducted by KPMG for the first time. This was in compliance with the new audit standards,

which now form part of the annual audit report.

During 2001, the final design of the new Bill format was completed and the new Bill was launched on the 6th December 2001 at the Sonesta Hotel. This innovative design was developed in house and was a direct result of the Company's thrust in the area of responding to customers' needs. In addition to meeting the requirements of our customers, the new Bill format also proved to be cost effective which is the ideal objective of any new idea in a business operation. It has also reduced the billing lag time to less than one day, which is a target that we had been seeking to achieve in recent years.

Towards the end of 2001, the accounting system was upgraded to version 4.1 of ACCPAC for Windows. This upgrade will lead to much improvement in the efficiency of the Stores and Accounting functions which in turn would result in reduced costs to the organisation. Whereas difficulty has always been experienced in the submission of timely financial reports with the DOS version the change to version 4.1 would enable automated reports to be generated in a much more timely manner.



Anglec's new bill format

OPERATIONAL STATISTICS

Load Factor

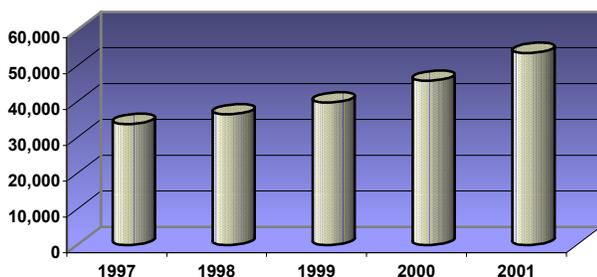
Load Factor is an important indicator of the investment return on generating equipment. It represents the level of consistency in the demand for electricity over a given period of time.

Anglec's load factor increased substantially in 2001 to 69.9%, from the 61.4% reported in 2000. When the load factor is high (the closer normal demand is to the peak demand), then the Company's investment in generating equipment is more profitable. It means that the generating equipment is being utilised more of the time.

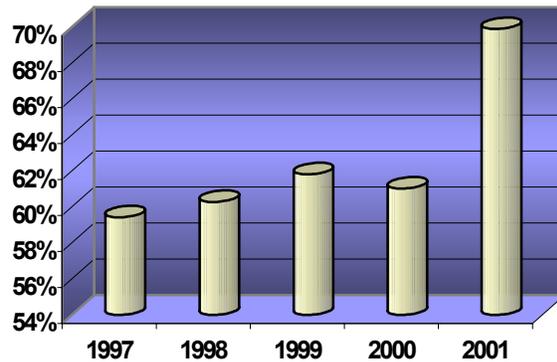
Production Passed 50M kWh

Production of electricity in 2001 exceeded 53.6 million kilowatt hours, surpassing the 2000 record output of 45.8 million kilowatt hours by 17.03%. Since 1999, production has increased by 14.6 million kilowatt hours, or 37.4%.

Units Generated (in MWh)



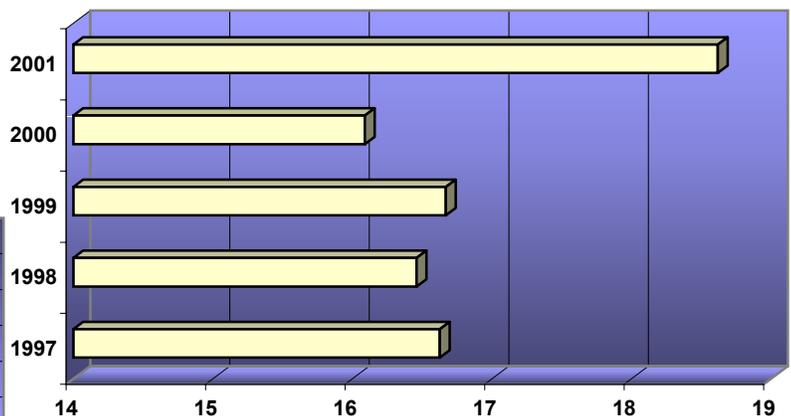
System Load Factor %



Fuel Efficiency

Fuel efficiency increased in 2001 to 18.21 kWh per Imperial Gallon from 16.07 kWh per gallon in 2000. This dramatic increase in fuel efficiency is the direct result of the technology engineered into the two Wärtsilä generating sets and less reliance on the high-speed sets.

Fuel Efficiency (kWh/IG)

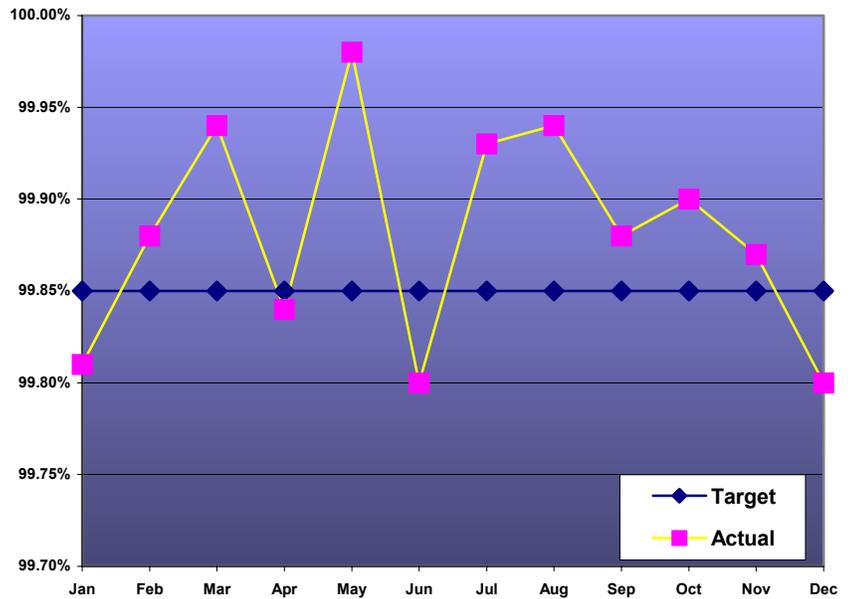


System Reliability

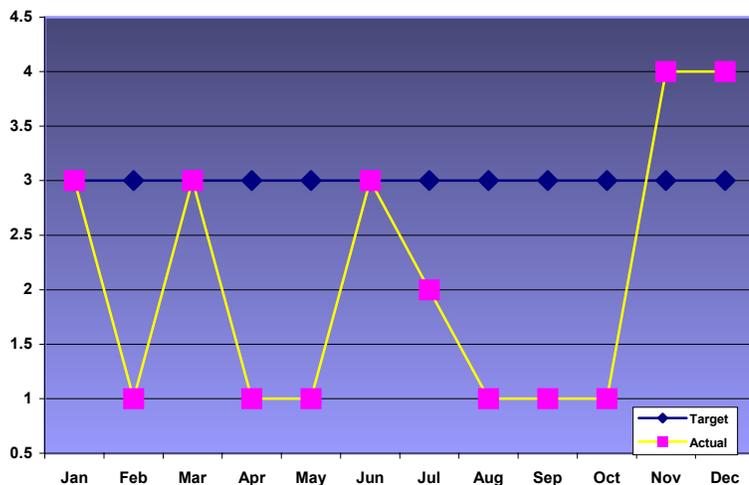
Reliability of the distribution system is an important indication of Anglec's service to its customers. It is expressed as a percentage representing the number of hours of service available during the month divided by the number of hours in the month.

On average, electricity was available to Anglec's customers 99.89% of the time. This percentage exceeded the targeted goal of 99.85%.

2001 System Reliability



Average Response Time for New Connections
(in Days)



New Connections

The average response time for installation of new connections was also reduced in 2001. The targeted response time of three days from payment of installation fees was reduced to an average of two days. This represents a 33% improvement in installation performance.

Trouble Calls

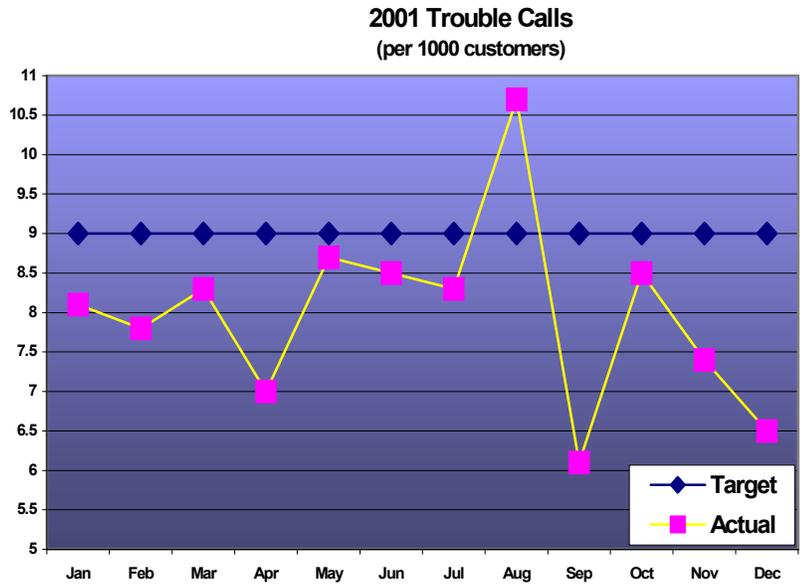
In 2001, the number of trouble call reports averaged 8.4 per 1000 customers, representing a 7% reduction from the targeted rate of 9 calls per 1000 customers.

Trouble Call Response Time

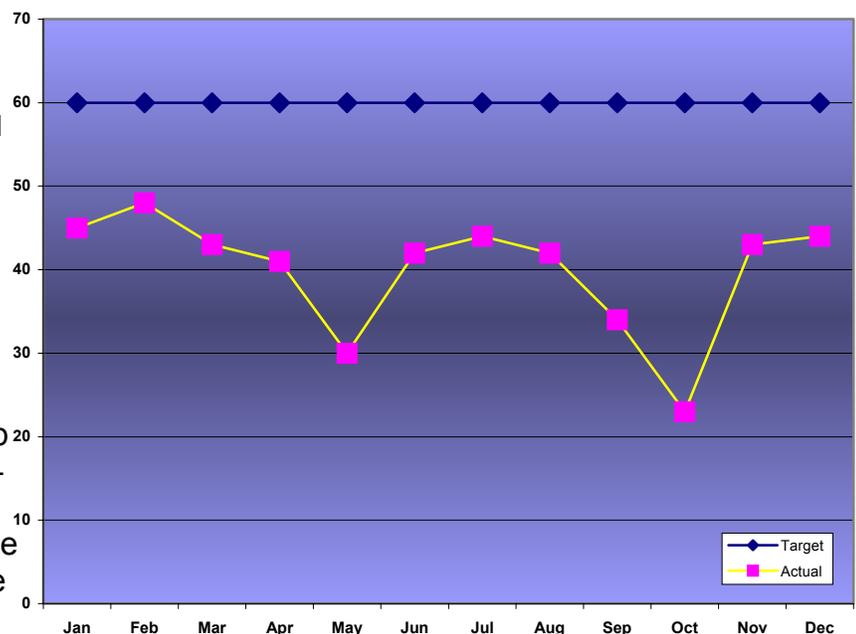
System reliability impacts directly on our revenue earning potential and therefore is one of our key operational targets. Efforts will continue to be made to investigate and research thoroughly the causes of interruptions on the system and corrective action will be taken to reduce or eliminate them. Our computerisation of trouble reports has gone a long way towards enabling detailed fault analyses to be undertaken.

The average time required to respond to a trouble call during 2001 was 40 minutes. This compares very favourably with international standards.

Cognisant of the fact that the distribution system is exposed continuously to a hostile environment, it is imperative to keep abreast of developments in material technology so that appropriate changes in material usage can be introduced to reduce the incidents of faults on the network.



Average Trouble Call Response Time
(in minutes)





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kpmg@anguillanet.com

AUDITORS' REPORT

To the Shareholders of Anguilla Electricity Company Limited

We have audited the accompanying balance sheet of Anguilla Electricity Company Limited, as at December 31, 2001 and the income statement and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

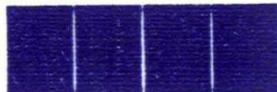
We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

KPMG LLC

Chartered Accountants
The Valley
Anguilla

August 15, 2002



KPMG LLC. KPMG LLC, a company incorporated under the Anguilla Limited Liability Companies Ordinance, is a member of KPMG International, a Swiss association.

ANGUILLA ELECTRICITY COMPANY LIMITED

Balance Sheet

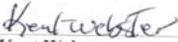
December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
ASSETS			
PROPERTY, PLANT & EQUIPMENT	3	33,484,320	34,620,195
CURRENT ASSETS			
Inventories	4	3,508,910	3,356,005
Trade Receivables	5	5,600,441	3,942,110
Other Receivables		916,418	338,759
Insurance Claim Receivable	6	-	2,285,272
Cash Resources	7	497,710	1,843,636
		<u>10,523,479</u>	<u>11,765,782</u>
Total Assets		<u>44,007,799</u>	<u>46,385,977</u>
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share Capital	8	14,536,147	14,536,147
Retained Earnings		<u>3,235,382</u>	<u>209,376</u>
		<u>17,771,529</u>	<u>14,745,523</u>
LONG-TERM LIABILITIES			
Interest-bearing Loans and Borrowings	9	14,841,846	17,458,598
Contribution in Aid of Construction	10	<u>2,369,853</u>	<u>1,932,937</u>
		<u>17,211,699</u>	<u>19,391,535</u>
CURRENT LIABILITIES			
Bank Overdraft	7	3,523,900	4,534,608
Current portion - Interest-bearing Loans and Borrowings	9	2,590,755	1,348,053
Accounts Payable		2,460,477	3,525,165
Customer Deposits		449,439	716,243
Due to Government of Anguilla		-	158,669
Deferred Hurricane Restoration	13	-	1,966,181
		<u>9,024,571</u>	<u>12,248,919</u>
Total equity and liabilities		<u>44,007,799</u>	<u>46,385,977</u>

On behalf of the Board

 _____ Chairman
Everet Romney

 _____ Director
Kent Webster

The accompanying notes form an integral part of the financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED

Income Statement **Year ended December 31, 2001**

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
GROSS OPERATING REVENUE	11	<u>27,502,654</u>	<u>23,984,853</u>
COST OF OPERATING REVENUE:			
Generation - Fuel		(10,207,649)	(10,567,983)
- Fuel Surcharge	11	(48,098)	(809,446)
- Other		(4,657,069)	(4,923,535)
Transmission and Distribution		<u>(4,536,695)</u>	<u>(3,738,484)</u>
		<u>(19,449,511)</u>	<u>(20,039,448)</u>
GROSS OPERATING PROFIT		8,053,143	3,945,405
OPERATING EXPENSES:			
Administration		(3,844,095)	(2,710,906)
Consumer Service		(362,816)	(439,919)
Employee Compensation	17	<u>(1,100,000)</u>	<u>-</u>
		<u>(5,306,911)</u>	<u>(3,150,825)</u>
NET OPERATING PROFIT		2,746,232	794,580
Finance Cost		(1,649,190)	(1,131,510)
Other Income	12	<u>420,855</u>	<u>252,553</u>
NET PROFIT/ (LOSS) FROM ORDINARY AC- TIVITIES		<u>1,517,897</u>	<u>(84,377)</u>
EXTRAORDINARY INCOME	13	<u>1,508,109</u>	<u>1,118,969</u>
NET PROFIT FOR THE YEAR		3,026,006	1,034,592
ACCUMULATED PROFIT AT BEGINNING OF YEAR		<u>209,376</u>	<u>(825,216)</u>
RETAINED EARNINGS AT END OF YEAR		<u>3,235,382</u>	<u>209,376</u>
EARNINGS PER SHARE		0.26	0.09

The accompanying notes form an integral part of the financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED

Statement of Cash Flows **Year ended December 31, 2001**

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	3,026,005	1,034,592
Items not involving cash:		
Depreciation	3,292,445	2,627,168
Amortisation of customer contributions	(316,673)	(200,554)
Provision for slow moving/Obsolete Inventory	152,365	271,193
Provision for bad and doubtful debts	345,996	15,996
	<u>6,500,138</u>	<u>3,748,395</u>
(Increase)/decrease in current assets:		
Trade Receivable	(2,004,327)	(1,504,890)
Other Receivable	(577,657)	(65,524)
Inventories	(305,270)	70,387
Insurance Claim Receivable	2,285,272	1,635,652
Increase/(decrease) in current liabilities:		
Accounts Payable	(1,064,688)	1,956,039
Customer Deposits	(266,804)	197,866
Deferred Income	(2,124,850)	(541,357)
	<u>2,441,814</u>	<u>5,496,568</u>
Net cash provided by operations		
	<u>2,441,814</u>	<u>5,496,568</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(2,156,570)	(16,221,682)
Capital work-in-progress	-	(470,463)
	<u>(2,156,570)</u>	<u>(16,692,145)</u>
Net cash used by investing activities		
	<u>(2,156,570)</u>	<u>(16,692,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans (net)	(1,374,051)	9,693,960
Contributions in aid of construction	753,589	458,475
	<u>(620,462)</u>	<u>10,152,435</u>
Net cash (used)/provided by financing activities		
	<u>(620,462)</u>	<u>10,152,435</u>
NET(DECREASE)/INCREASE IN CASH RESOURCES	(335,218)	(1,043,142)
CASH RESOURCES AT BEGINNING OF YEAR	<u>(2,690,972)</u>	<u>(1,647,830)</u>
CASH RESOURCES AT END OF YEAR	<u>(3,026,190)</u>	<u>(2,690,972)</u>

The accompanying notes form an integral part of the financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements

December 31, 2001

1. The Company

The Company was incorporated in Anguilla on January 11, 1991 under the Companies Act and is governed by the Electricity Ordinance, 1991, as amended.

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 April 1, 1991.

The financial statements were authorised for issue by the Directors on August 14, 2002.

2. Significant accounting policies

(a) *Statement of compliance:*

The financial statements have been prepared in accordance with international financial reporting standards promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the Standing Interpretations Committee of the IASB.

(b) *Basis of preparation:*

The financial statements are presented in East Caribbean Dollars.

(c) *Property, plant and equipment:*

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (refer below) and impairment losses (refer to accounting policy "o"). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (refer below) and impairment losses (refer to accounting policy "o").

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the existing component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements(Continued) December 31, 2001

2. Significant accounting policies (continued)

(d) ***Property, plant and equipment:***

Depreciation

Depreciation is charged to the income statement on the straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	40 years
Leasehold improvements	7 years
Plant and machinery	10-20 years
Furniture, fittings and equipment	5 years
Motor vehicles	3-5 years

(e) ***Inventories:***

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

(f) ***Trade and other receivables:***

Trade and other receivables are stated at their cost less impairment losses (refer to accounting policy 'o').

(g) ***Cash resources:***

Cash resources comprises cash balances and call deposits. For the purpose of the statement of cash flows, cash and cash resources are presented net of bank overdrafts.

(h) ***Repurchase of share capital:***

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are presented as a deduction from total equity.

(i) ***Interest-bearing borrowings:***

Interest-bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

(j) ***Revenue:***

Revenue from the sale of electricity is recognised in the income statement based on consumption recorded by monthly meter readings, with due adjustment made for unread consumption at year end by apportioning the consumption of the following month.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements(Continued)

December 31, 2001

2. Significant accounting policies (continued)

(k) **Trade and other payables:**

Trade and other payables are stated at their cost.

(l) **Contributions in aid of construction:**

Contributions in aid of construction are amounts received from certain customers towards the cost of providing services. These amounts are amortised over the estimated service lives of the related assets at an amount equal to the corresponding annual provision for depreciation. Contributions received in respect of unfinished construction are amortised once the assets are placed in service.

(m) **Finance Cost:**

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as a part of the cost of the asset.

(n) **Foreign currencies:**

Transactions in foreign currencies are converted to EC Dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EC Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost, are translated to EC Dollars at the foreign exchange rate ruling at the date of the transaction.

(o) **Impairment:**

The carrying amounts of the Company's assets are reviewed at each balance sheet 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.

(p) **Income tax:**

No provision is made for income tax since Anguilla does not have any form of income tax.

(q) **Comparative information:**

Comparative information has been restated to conform to current year presentation where necessary.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

3. Property, plant and equipment

	<u>Land & Building</u>	<u>Plant & Machinery</u>	<u>Furniture & Equipment</u>	<u>Motor Vehicles</u>	<u>Capital Work in Progress</u>	<u>Total</u>
At Cost:						
January 2001	5,675,205	45,023,493	2,025,994	1,919,769	846,022	55,490,483
Additions	533,137	1,925,657	274,157	89,034	-	2,821,985
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(665,415)</u>	<u>(665,415)</u>
December 2001	<u>6,208,342</u>	<u>46,949,150</u>	<u>2,300,151</u>	<u>2,008,803</u>	<u>180,607</u>	<u>57,647,053</u>
Depreciation:						
January 1, 2001	1,036,977	16,740,166	1,580,243	1,512,902	-	20,870,288
Charge for the year	<u>139,303</u>	<u>2,790,113</u>	<u>215,124</u>	<u>147,905</u>	<u>-</u>	<u>3,292,445</u>
December 31, 2001	<u>1,176,280</u>	<u>19,530,279</u>	<u>1,795,367</u>	<u>1,660,807</u>	<u>-</u>	<u>24,162,733</u>
Net Book Values:						
December 31, 2001	<u>5,032,062</u>	<u>27,418,871</u>	<u>504,784</u>	<u>347,996</u>	<u>180,607</u>	<u>33,484,320</u>
December 31, 2000	<u>4,638,228</u>	<u>28,283,326</u>	<u>445,751</u>	<u>406,867</u>	<u>846,023</u>	<u>34,620,195</u>

Land and Building include freehold land at a cost of EC\$240,000 and leasehold improvements at a cost of EC \$365,059.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

4. Inventories

	<u>2001</u>	<u>2000</u>
Generation parts and fuel	2,493,608	2,035,819
Transmission and distribution parts	1,312,731	1,497,829
Administration supplies	126,129	93,550
	<u>3,932,468</u>	<u>3,627,198</u>
Provision for Slow-Moving/Obsolete Items	<u>(423,558)</u>	<u>(271,193)</u>
	<u>3,508,910</u>	<u>3,356,005</u>

5. Trade Receivables

	<u>2001</u>	<u>2000</u>
Trade Receivables	6,362,860	4,358,533
Provision for Bad & Doubtful Debts	<u>(762,419)</u>	<u>(416,423)</u>
	<u>5,600,441</u>	<u>3,942,110</u>

6. Insurance Claim Receivable

	<u>2001</u>	<u>2000</u>
Balance at the beginning of year	2,285,272	3,920,924
Amounts claimed during the year	-	1,678,956
Amounts received during the year	<u>2,285,272</u>	<u>(3,314,608)</u>
	<u>-</u>	<u>2,285,272</u>

This represents the balance of the Insurance Claim Receivable on property damage due to Hurricane Lenny.

7. Cash Resources - Net

	<u>2001</u>	<u>2000</u>
Cash in hand and at bank	497,710	1,843,636
Bank overdraft	<u>(3,523,900)</u>	<u>(4,534,608)</u>
	<u>(3,026,190)</u>	<u>(2,690,972)</u>

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

8. Share Capital

	<u>2001</u>	<u>2000</u>
Authorised:		
5,400,000 "A" ordinary shares of EC\$1 each	5,400,000	5,400,000
5,400,000 "B" ordinary shares of EC\$1 each	5,400,000	5,400,000
7,200,000 "C" ordinary shares of EC\$1 each	7,200,000	7,200,000
6,236,152 "D" ordinary shares of EC\$1 each	6,236,152	6,236,152
5,763,000 unclassified ordinary shares of EC\$1 each	<u>5,763,848</u>	<u>5,763,848</u>
	<u><u>30,000,000</u></u>	<u><u>30,000,000</u></u>

"A", "B" and "C" are voting shares and carry equal rights. "D" are non-voting shares.

Issued and fully paid:		
5,400,000 "A" ordinary shares	5,400,000	5,400,000
5,400,000 "B" ordinary shares	5,400,000	5,400,000
6,236,147 "D" ordinary shares	<u>6,236,147</u>	<u>6,236,147</u>
	17,036,147	17,036,147
Less: Treasury Stocks		
5,400,000 "B" ordinary shares	(5,400,000)	(5,400,000)
	17,036,147	17,036,147
Add:		
Paid-in capital from treasury stock	<u>2,900,000</u>	<u>2,900,000</u>
	<u><u>14,536,147</u></u>	<u><u>14,536,147</u></u>

During the year 1998, the Company repurchased 5,400,000 of class "B" ordinary shares at a consideration of EC \$2,500,000. The difference between the original issue price and the cost to acquire treasury stock is shown as Paid-in capital from treasury stock.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

9. Interest-Bearing Loans and Borrowing

	<u>2001</u>	<u>2000</u>
Caribbean Development Bank (See I below)	225,371	317,336
Caribbean Development Bank (See II below)	1,484,888	1,754,161
Caribbean Commercial Bank (Anguilla) Ltd (See III below)	3,848,850	4,159,041
Lloyds Bank (See IV below)	1,122,593	1,683,890
Caribbean Development Bank (See V below)	10,000,104	10,000,104
Caterpillar Financial Services Corporation (See VI below)	750,795	892,119
	<hr/>	<hr/>
	17,432,601	18,806,651
Less: Current Portions	<hr/>	<hr/>
	(2,590,755)	(1,348,053)
	<hr/>	<hr/>
	14,841,846	17,458,598

- (I) This loan (02 SFR-ANG) was made to the Government of Anguilla on July 18, 1983. The total amount disbursed was US\$1,084,751 of which US\$463,253 was transferred to the Anguilla Electricity Company Limited on April 1, 1991. The loan is repaid through the Government of Anguilla in equal quarterly instalments of approximately US\$7,700, plus interest at the rate of 4% per annum. The final payment is due in the year 2003.
- (II) This loan (03 SFR-ANG) was made to the Government of Anguilla on February 18, 1986. The total amount disbursed was US\$1,435,709 which was transferred to the Anguilla Electricity Company Limited on April 1, 1991. This loan is repaid in equal quarterly instalments of US\$24,754, plus interest at the rate of 4% per annum. The final payment is due on March 31, 2007.
- (III) This loan was made to the Company by the Caribbean Commercial Bank (Anguilla) Ltd on May 7, 1998 to refinance the Commonwealth Development Corporation loan. The total amount disbursed was US\$1,800,000. This loan is repaid in equal semi-annual instalments of US\$116,550, including interest at the rate of 7.75% per annum. The final payment is due on May 7, 2010.
- (IV) This loan was made to the Company by Lloyds Bank on September 7, 1998 to finance the purchase of a 2.5MW Mirrlees & Blackstone generator. The total amount disbursed was US\$1,044,001. This loan is repaid in equal semi-annual instalments of US\$124,364 including interest at the rate of 6.63% per annum. The final payment is due on December 15, 2003. Borrowing cost of EC\$58,382 is capitalised and shown under capital work-in-progress.
- (V) This loan (02/OR-ANL) was made to the Company in the year 2000 to finance the purchase of two generators. The total amount disbursed was US\$3,720,000 This loan is repaid in forty eight (48) equal and consecutive quarterly instalments of US\$113,280 including interest at the rate of 6.68% per annum. This will be payable after two (2) years following the expiry of the first disbursement. Borrowing cost of EC\$245,743 is capitalised and shown under fixed assts (Note 3).

Notes to the Financial Statements (Continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

9. Interest-Bearing Loans and Borrowing (Continued)

- (VI) This loan was made to the Company by Caterpillar Financial Services Corporation to finance a generator. The total amount disbursed was US\$380,000. This loan is repaid in twelve (12) quarterly instalments. The first eleven (11) shall each be paid in the sum of US\$22,245, the first of which shall be due and payable April 1, 2000. The final instalment of US\$232,245 shall be due and payable on January 1, 2003.

10. Contributions in Aid of Construction

	<u>2001</u>	<u>2000</u>
At beginning of the year	1,932,937	1,675,016
Contributions during the year	<u>753,589</u>	<u>458,475</u>
	2,686,526	2,133,491
Amount amortised during the year	<u>(316,673)</u>	<u>(200,554)</u>
At end of year	<u><u>2,369,853</u></u>	<u><u>1,932,937</u></u>

11. Gross Operating Revenue

	<u>2001</u>	<u>2000</u>
Amounts billed during the year	27,214,665	23,444,566
Less: unbilled revenue at beginning of the year	<u>(1,054,436)</u>	<u>(762,307)</u>
	26,160,229	22,682,259
Add: unbilled revenue at end of the year	<u>1,294,327</u>	<u>1,054,436</u>
	27,454,556	23,736,695
Fuel surcharge*	<u>48,098</u>	<u>248,158</u>
	<u><u>27,502,654</u></u>	<u><u>23,984,853</u></u>

* As per Electricity (rates & charges) Regulations, tariffs shall be subject to a surcharge of 1 cent per unit for every 10 cent per gallon increase in the price of fuel oil over EC\$3.64 per gallon. The company imposed the fuel surcharge from October 2000. With the reduction of fuel prices below EC\$3.64, fuel surcharge has not been imposed since June 2001.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

12. Other Income

	<u>2001</u>	<u>2000</u>
Reconnection fees	93,000	66,300
Miscellaneous	327,855	186,253
	<u>420,855</u>	<u>252,553</u>

13. Extraordinary Income

This represents the insurance claim received in excess of the net book value relating to Hurricane Lenny that struck Anguilla on November 19, 1999. The comparative figure represents the portion of the insurance claim pertaining to business interruption.

14. Personnel Expenses

	<u>2001</u>	<u>2000</u>
Salaries & Wages	3,471,229	3,063,088
Social Security	145,797	140,262
Training	95,850	81,072
Other Benefits	156,807	238,865
	<u>3,869,683</u>	<u>3,523,287</u>

15. Related Parties

	<u>2001</u>	<u>2000</u>
Directors' Fees	211,200	157,200
Benefits to Executive Officers	525,217	505,457
	<u>736,417</u>	<u>662,657</u>

The Company is fully owned by the Government of Anguilla (GOA) with which the Company has entered into the following transactions/balances:

- Amounts payable to GOA EC\$Nil (2000: EC\$158,669).
- Amounts receivable from GOA EC\$2,055,824.38.
- License fees paid to GOA is EC\$400,000 for the year 2000 and 2001.
- The Company entered into an agreement on March 28, 1991 with the GOA to take over the electricity supply system of Anguilla.
- The GOA has guaranteed the CDB (02SFR-ANG), CDB (03SFR-ANG) & Lloyds Bank loans borrowed by the Company (see note 9).

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2001

Expressed in Eastern Caribbean Dollars (EC\$)

16. **Commitments**

(a) Capital:

The directors have approved approximately EC\$68,107 (2000: EC\$899,658) for capital expenditure which had not been spent at December 31, 2001.

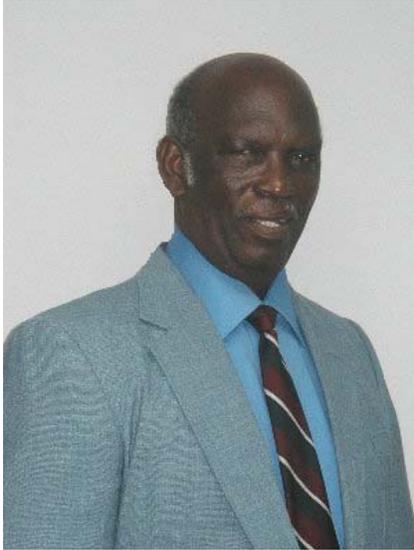
(b) Lease:

Commitment under non-cancellable operating lease expiring in 2002 amounted to EC\$25,000 at December 31, 2001 (2000: EC\$105,000). The lease charge payable for 2002 is EC\$25,000 (2001: EC\$90,000).

17. **Employee Compensation**

A former employee brought an action against the company claiming EC\$7,000,000 as general damages for wrongful dismissal. Subsequent to the year end in May 02, 2002, the case was withdrawn and settled at EC\$900,000 being damages and at EC\$200,000 being legal fees.

BOARD OF DIRECTORS



*Everet Romney
Chairman*



Kennedy Hodge



Jerome Roberts



Kent Webster



Leonard Carty



Franklyn Hughes



Roderick Webster



Harold Ruan

DIVISION MANAGERS



*Erville Hughes
Secretary/Financial Controller*



*Neil McConnie
General Manager*



*Seymour Blackman
Chief Engineer*



*Johanne Webster
Corporate Systems Officer*



*Thomas Hodge
Generation Superintendent*



*Ivor Ible
Transmission &
Distribution Superintendent*



*Sylvan Brooks
Electrical Engineer*



*Maureen Woodley
Accountant*



