

Anguilla Electricity Company Limited  
Financial Statements

December 31, 2004



**KPMG LLC**  
Caribbean Commercial Centre  
P.O. Box 136, The Valley, Anguilla, B.W.I

Telephone (264) 497 5500  
Fax (264) 497 3755  
Email [cvromney@kpmg.com](mailto:cvromney@kpmg.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, 2004 and the income statement, the statement of retained earnings and the 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 the audit to obtain reasonable assurance as to whether 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

A handwritten signature in black ink that reads 'KPMG LLC'.

Chartered Accountants  
The Valley  
Anguilla

July 12, 2005

# ANGUILLA ELECTRICITY COMPANY LIMITED

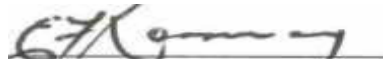
## Balance Sheet

December 31, 2004, with corresponding figures for 2003

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>			
PROPERTY, PLANT & EQUIPMENT	3	<u>30,679,429</u>	<u>32,417,564</u>
<b>CURRENT ASSETS</b>			
Investments	4	885,003	844,767
Inventories	5	3,581,464	3,917,718
Trade Receivables	6	7,001,759	7,043,322
Other Receivables	7	1,487,662	934,431
Cash and Cash Equivalent	8	<u>3,967,665</u>	<u>351,433</u>
		<u>16,923,553</u>	<u>13,091,671</u>
<b>Total Assets</b>		<u>47,602,982</u>	<u>45,509,235</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	9	14,536,147	14,536,147
Retained Earnings		<u>16,010,556</u>	<u>10,868,458</u>
		<u>30,546,703</u>	<u>25,404,605</u>
<b>LONG-TERM LIABILITIES</b>			
Interest-bearing Loans	10	10,264,648	11,519,475
Contribution in Aid of Construction	11	<u>2,661,370</u>	<u>2,380,510</u>
		<u>12,926,018</u>	<u>13,899,985</u>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	8	-	1,853,458
Current Portion - Interest-bearing Loans	10	1,255,926	1,551,670
Accounts Payable and Accruals		2,532,109	2,393,205
Customer Deposits		<u>342,226</u>	<u>406,312</u>
		<u>4,130,261</u>	<u>6,204,645</u>
<b>Total Equity and Liabilities</b>		<u>47,602,982</u>	<u>45,509,235</u>

On behalf of the Board



*Chairman*

**Everet Romney**



*Director*

**Ambrose Richardson**

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

## ANGUILLA ELECTRICITY COMPANY LIMITED

### **Income Statement**

#### **Year ended December 31, 2004, with corresponding figures for 2003**

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
GROSS OPERATING REVENUE	12	<u>36,592,972</u>	<u>31,664,827</u>
COST OF OPERATING REVENUE:			
Generation - Fuel		(13,336,511)	(12,408,196)
Fuel Surcharge		(4,357,202)	(904,840)
Other	13	(4,395,781)	(4,498,383)
Transmission and Distribution	14	<u>(4,490,468)</u>	<u>(4,651,599)</u>
		<u>(26,579,962)</u>	<u>(22,463,018)</u>
GROSS OPERATING PROFIT		10,013,010	9,201,809
OPERATING EXPENSES:			
Administration	15	(4,097,685)	(3,746,506)
Consumer Service		<u>(436,253)</u>	<u>(377,962)</u>
		(4,533,938)	(4,124,468)
Other Income	16	<u>1,646,740</u>	<u>220,833</u>
NET OPERATING PROFIT		7,125,812	5,298,174
Finance Cost		<u>(820,099)</u>	<u>(1,134,305)</u>
NET PROFIT FOR THE YEAR		<u>6,305,713</u>	<u>4,163,869</u>

### **EARNINGS PER SHARE FIGURES**

	EC\$	EC\$
Earnings per share	0.54	0.36
Dividends per share	0.15	0.10

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

**ANGUILLA ELECTRICITY COMPANY LIMITED**

**Statement of Retained Earnings**  
**Year ended December 31, 2004, with corresponding figures for 2003**

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>2004</u>	<u>2003</u>
Retained earnings at beginning of year	10,868,458	6,704,589
Net profit for the year	6,305,713	4,163,869
Dividends paid	<u>(1,163,615)</u>	<u>-</u>
<b>Retained earnings at end of year</b>	<b><u><u>16,010,556</u></u></b>	<b><u><u>10,868,458</u></u></b>
Dividends declared after 12/31/04 and not yet sanctioned by the shareholders	<u>(1,745,422)</u>	<u>(1,163,615)</u>
Balance after dividend declared	<u><u>14,265,134</u></u>	<u><u>9,704,843</u></u>

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



## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Statement of Cash Flows**

**Year ended December 31, 2004, with corresponding figures for 2003**

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	6,305,713	4,163,869
<b>Items not involving cash:</b>		
Depreciation	3,682,820	3,618,820
Provision for slow moving/obsolete inventory	(98,336)	182,490
Amortisation of contributions in aid of construction	(304,639)	(295,849)
Provision for bad and doubtful debts	<u>16,476</u>	<u>77,877</u>
	9,602,034	7,747,207
(Increase)/decrease in current assets:		
Trade Receivables	25,087	(371,972)
Other Receivables	(553,231)	966,117
Inventories	<u>434,590</u>	<u>(615,705)</u>
Increase/(decrease) in current liabilities:		
Accounts Payable	138,904	(121,163)
Customer Deposits	<u>(64,086)</u>	<u>57,695</u>
Net cash provided by operations	<u>9,583,298</u>	<u>7,662,179</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Property, Plant and Equipment	(1,944,685)	(4,054,615)
Interest received	<u>(40,236)</u>	<u>(38,307)</u>
Net cash used by investing activities	<u>(1,984,921)</u>	<u>(4,092,922)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest-Bearing Loans	(1,550,571)	(2,105,264)
Contributions in aid of construction	585,499	221,173
Dividends paid	<u>(1,163,615)</u>	<u>-</u>
Net cash used by financing activities	<u>(2,128,687)</u>	<u>(1,884,091)</u>
<b>NET INCREASE IN CASH RESOURCES</b>	5,469,690	1,685,166
<b>CASH &amp; CASH EQUIVALENT AT BEGINNING OF YEAR</b>	<u>(1,502,025)</u>	<u>(3,187,191)</u>
<b>CASH &amp; CASH EQUIVALENT AT END OF YEAR</b>	<u><u>3,967,665</u></u>	<u><u>(1,502,025)</u></u>

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

## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Notes to the Financial Statements December 31, 2004**

#### **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 and operates in The Valley, Anguilla. The Government of Anguilla which was the major shareholder of the Company, offered 6,600,000 shares to the general public through an Initial Public Offering on August 1, 2003.

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 authorized for issue by the Board of Directors on July 12, 2005.

#### **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"), and interpretations issued by the Standing Interpretations Committee of the IASB.

##### **(b) *Basis of preparation:***

The financial statements are presented under the historical cost basis and are presented in East Caribbean Dollars, as the majority of assets are denominated in this currency.

##### **(c) *Use of estimates:***

The preparation of the financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the amounts reported in these financial statements and the accompanying notes. These estimates are based on relevant information available at the balance sheet date and as such, actual results could differ from those estimates.

##### **(d) *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 "p"). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

###### **Impairment**

Property, plant and equipment are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are charged to the income statement.

###### **Subsequent Expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized with the carrying amount of the existing component being

written off. Other subsequent expenditures are capitalized only when they increase 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, 2004

#### 2. Significant Accounting Policies (Continued)

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

**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
Plant and Machinery	10-20 years
Furniture, Fittings and Equipment	5 years
Motor Vehicles	3-5 years

(e) *Investments:*

**Classification**

Held-to-maturity investments are financial assets with fixed or determinable payments, fixed maturity and those that the Company has a positive intent and ability to hold to maturity. These include short-term placements with banks.

**Recognition/Derecognition and Measurement**

Held-to-maturity investments are recognised/derecognised on the day they are transferred to/by the Company, respectively.

Investments are initially measured at cost, including transaction costs.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and are amortized based on the effective interest rate of the instrument.

**Impairment**

Investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are charged to the income statement.

(f) *Inventories:*

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

(g) *Trade and other receivables:*

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



## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Notes to the Financial Statements(Continued) December 31, 2004**

#### **2. Significant Accounting Policies (Continued)**

(h) ***Cash & cash equivalents:***

Cash and cash equivalents comprise cash balances and term deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

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

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

(j) ***Interest-bearing loans:***

Interest-bearing loans are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing loans are stated at amortized cost.

(k) ***Revenue:***

Revenue from the sale of electricity is recognized 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.

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

Trade and other payables are stated at their cost.

(m) ***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 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.

(n) ***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.

(o) ***Foreign currencies:***

Transactions in foreign currencies are converted to EC Dollars, the functional and reporting currency of the Company, 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 gains

and losses are recognized in the income statement in the year in which they arise. 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.



## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Notes to the Financial Statements(Continued)** **December 31, 2004**

Expressed in Eastern Caribbean Dollars (EC\$)

#### **2. Significant Accounting Policies (Continued)**

(p) ***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.

(q) ***Income tax:***

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

(r) ***Dividends:***

Dividends are recognised 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.

(s) ***Earnings per share:***

Earnings per share have been calculated by dividing the net profit for the year of \$6,305,713 (2003:\$4,163,869) by the weighted average number of issued ordinary shares of 11,636,147 (2003:11,636,147).

(t) ***Corresponding information:***

Certain corresponding figures for 2003 have been reclassified to conform to current year's presentation, where necessary.

#### **3. Property, Plant and Equipment**

	<u>Land &amp; Buildings</u>	<u>Plant &amp; Machinery</u>	<u>Furniture, Fittings &amp; Equipment</u>	<u>Motor Vehicles</u>	<u>Capital Work in Progress</u>	<u>Total</u>
<b>At Cost:</b>						
January 1,2004	6,776,521	51,575,890	2,916,844	2,336,631	100,908	63,706,794
Additions/(disposals)	<u>82,246</u>	<u>1,258,429</u>	<u>39,656</u>	<u>503,458</u>	<u>60,896</u>	<u>1,944,685</u>
December 31,2004	<u>6,858,767</u>	<u>52,834,319</u>	<u>2,956,500</u>	<u>2,840,089</u>	<u>161,804</u>	<u>65,651,479</u>
<b>Depreciation:</b>						
January 1, 2004	1,541,880	25,642,287	2,277,686	1,827,377	-	31,289,230
Charge for the year	<u>154,414</u>	<u>3,315,171</u>	<u>85,258</u>	<u>127,977</u>	<u>-</u>	<u>3,682,820</u>
December 31, 2004	<u>1,696,294</u>	<u>28,957,458</u>	<u>2,362,944</u>	<u>1,955,354</u>	<u>-</u>	<u>34,972,050</u>

**Net Book Values:**

December 31, 2004	<u>5,162,473</u>	<u>23,876,861</u>	<u>593,556</u>	<u>884,735</u>	<u>161,804</u>	<u>30,679,429</u>
December 31, 2003	<u>5,234,641</u>	<u>25,933,603</u>	<u>639,158</u>	<u>509,254</u>	<u>100,908</u>	<u>32,417,564</u>

## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Notes to the Financial Statements (Continued)** **December 31, 2004**

Expressed in Eastern Caribbean Dollars (EC\$)

#### **4. Investments**

	<u>2004</u>	<u>2003</u>
<b>Held to maturity</b>	<u>885,003</u>	<u>844,767</u>

These comprise Certificates of Deposit with Banks maturing in October 2005 and earn interest @ 4.75% per annum.

#### **5. Inventories**

	<u>2004</u>	<u>2003</u>
Generation parts and fuel	2,668,896	2,723,748
Transmission and distribution parts	1,413,127	1,779,500
Administration supplies	<u>141,862</u>	<u>155,227</u>
	4,223,885	4,658,475
Provision for slow-moving/obsolete items	<u>(642,421)</u>	<u>(740,757)</u>
	<u>3,581,464</u>	<u>3,917,718</u>

#### **6. Trade Receivables**

	<u>2004</u>	<u>2003</u>
Trade receivables	7,850,183	7,875,270
Provision for bad & doubtful debts	<u>(848,424)</u>	<u>(831,948)</u>
	<u>7,001,759</u>	<u>7,043,322</u>

#### **7. Other Receivables and Prepayments**

	<u>2004</u>	<u>2003</u>
Accounts receivable-control	56,373	137,369
Other debtors	641,966	533,036
Other prepayments	<u>1,191,572</u>	<u>716,314</u>
	1,889,911	1,386,719
Bad debt provision	<u>(402,249)</u>	<u>(452,288)</u>
	<u>1,487,662</u>	<u>934,431</u>

#### **8. Cash & Cash Equivalent - Net**

	<u>2004</u>	<u>2003</u>
Cash in hand and at bank	3,416,733	351,433

Chequing account/(bank overdraft), [secured by a debenture on assets with interest rate of 9.2% per annum and expires on 30th September, 2005]	<u>550,932</u>	<u>(1,853,458)</u>
Cash resources in the statement of cash flows	<u><u>3,967,665</u></u>	<u><u>(1,502,025)</u></u>

## ANGUILLA ELECTRICITY COMPANY LIMITED

### **Notes to the Financial Statements (Continued)** **December 31, 2004**

Expressed in Eastern Caribbean Dollars (EC\$)

#### 9. **Share Capital**

	<u>2004</u>	<u>2003</u>
<b>Authorized:</b>	<u>30,000,000</u>	<u>30,000,000</u>
All shares are voting shares and carry equal rights		
<b>Issued and fully paid:</b>		
17,036,147 Ordinary shares at no par value	17,036,147	17,036,147
<b>Less: Treasury Stock</b>		
5,400,000 Ordinary shares at no par value	<u>(5,400,000)</u>	<u>(5,400,000)</u>
	11,636,147	11,636,147
<b>Add:</b>		
Discount on treasury stock	<u>2,900,000</u>	<u>2,900,000</u>
	<u>14,536,147</u>	<u>14,536,147</u>

The current percentage of ownership is:

	<u>2004</u>	<u>2003</u>
Government of Anguilla	40%	40%
Social Security Board	16%	16%
National Bank of Anguilla Ltd.	14%	14%
Caribbean Commercial Bank (Anguilla) Ltd.	11%	12%
General Public	19%	18%

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 Discount on treasury stock. In June, 2003, all shares of the Company were converted to one class of Ordinary Shares to rank Pari Passu, thus removing the various stock categories.

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

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

All classes of shares have been converted to one class of ordinary shares effective June 3, 2003.

To date, the shares of the Company are not listed on any stock exchange.



## ANGUILLA ELECTRICITY COMPANY LIMITED

### Notes to the Financial Statements (Continued) December 31, 2004

Expressed in Eastern Caribbean Dollars (EC\$)

#### 10. Interest-Bearing Loans

	<u>2004</u>	<u>2003</u>
Caribbean Development Bank (See I below)	-	61,383
Caribbean Development Bank (See II below)	699,370	965,547
Caribbean Commercial Bank (Anguilla) Ltd (See III below)	2,763,211	3,152,880
Caribbean Development Bank (See IV below)	<u>8,057,993</u>	<u>8,891,335</u>
	11,520,574	13,071,145
Less: Current Portion	<u>(1,255,926)</u>	<u>(1,551,670)</u>
	<u>10,264,648</u>	<u>11,519,475</u>

- (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 Company on April 1, 1991. The loan is guaranteed by and repaid through the Government of Anguilla in equal quarterly installments of approximately US\$7,700, plus interest at the rate of 4% per annum. The final payment was made during the financial year.
- (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 Company on April 1, 1991. The loan is guaranteed by the Government of Anguilla and is repaid in equal quarterly installments 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. (CCB) on May 7, 1998 to refinance the Commonwealth Development Corporation loan. The loan is guaranteed by the Government of Anguilla. The total amount disbursed was US\$1,800,000. This loan is repaid in equal semi-annual installments 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 (02/OR-ANL) was made to the Company by the Caribbean Development Bank (CDB) 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 installments of US\$113,280 with a current interest rate of 5.75% per annum. This will be payable after two (2) years following the expiry of the first disbursement. Borrowing costs of EC\$245,743 were capitalized and included in property, plant and equipment (Note 3). This loan is secured by a legal charge over the Company's property, plant and equipment as well as the freehold property of the Company.

#### 11. Contributions in Aid of Construction

	<u>2004</u>	<u>2003</u>
At beginning of the year	2,380,510	2,455,186
Contributions during the year	<u>585,499</u>	<u>221,173</u>

Amount amortised during the year	2,966,009 <u>(304,639)</u>	2,676,359 <u>(295,849)</u>
At end of year	<u>2,661,370</u>	<u>2,380,510</u>

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**ANGUILLA ELECTRICITY COMPANY LIMITED**

**Notes to the Financial Statements (Continued)**  
**December 31, 2004**

Expressed in Eastern Caribbean Dollars (EC\$)

**12. Gross Operating Revenue**

	<u>2004</u>	<u>2003</u>
Amounts billed during the year	34,327,725	30,852,337
Less: unbilled revenue at beginning of the year	<u>(1,215,501)</u>	<u>(1,304,532)</u>
	33,112,224	29,547,805
Add: unbilled revenue at end of the year	<u>1,821,662</u>	<u>1,215,501</u>
	34,933,886	30,763,306
Fuel surcharge	<u>1,659,086</u>	<u>901,521</u>
	<u>36,592,972</u>	<u>31,664,827</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 for nine months in 2004 when fuel prices rose above EC\$3.64.

**13. Generation- Other Expenses**

	<u>2004</u>	<u>2003</u>
Staff costs	1,268,057	1,175,047
Repairs and maintenance	1,439,587	1,555,598
Depreciation	<u>1,688,137</u>	<u>1,767,738</u>
	<u>4,395,781</u>	<u>4,498,383</u>

**14. Transmission and Distribution Expenses**

	<u>2004</u>	<u>2003</u>
Staff costs	1,439,921	1,225,024
Repairs and maintenance	680,684	818,336
Depreciation	1,044,647	1,079,724



Insurance

<u>1,325,216</u>	<u>1,528,515</u>
<u>4,490,468</u>	<u>4,651,599</u>

## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Notes to the Financial Statements (Continued)** **December 31, 2004**

Expressed in Eastern Caribbean Dollars (EC\$)

#### **15. Administration Expenses**

	<u>2004</u>	<u>2003</u>
Salaries and wages	1,309,840	1,304,756
Office expenses	883,942	939,256
Consultancy and professional fees	585,248	468,571
Insurance	335,489	271,165
Depreciation	600,103	449,091
General	383,063	313,667
	<u>4,097,685</u>	<u>3,746,506</u>

#### **16. Other Income**

	<u>2004</u>	<u>2003</u>
Reconnection fees	66,700	92,450
Late charges	476,983	-
Upgrades and relocation of poles	585,014	-
Miscellaneous	518,043	128,383
	<u>1,646,740</u>	<u>220,833</u>

#### **17. Personnel Expenses**

	<u>2004</u>	<u>2003</u>
Salaries & wages	3,646,874	3,451,967
Social security	148,276	152,499
Training	208,630	147,597
Other benefits	144,570	83,290
Pension Expense*	305,721	247,435
	<u>4,454,071</u>	<u>4,082,788</u>

Average number of employees in the year 2004 was 75 (2003:69).

\*This represents a defined benefit plan with Barbados Mutual Life.

#### **18. Related Party Transactions and Balances**

	<u>2004</u>	<u>2003</u>
Directors' Fees	232,067	211,404
Benefits to Executive Officers	549,343	542,472
	<u>781,410</u>	<u>753,876</u>

Revenues from Government	<u>6,557,066</u>	<u>4,535,518</u>
Amounts paid to Government for the Environmental levy	<u>1,647,528</u>	<u>244,467</u>

## **ANGUILLA ELECTRICITY COMPANY LIMITED**

### **Notes to the Financial Statements (Continued)**

#### **December 31, 2004**

Expressed in Eastern Caribbean Dollars (EC\$)

#### **18. Related Party Transactions and Balances (Continued)**

The Company has entered into the following transactions/balances with the Government of Anguilla (GOA) as follows:

- The GOA imposed an environmental levy of 5% on Revenues excluding Government's usage, on the Company effective September 1, 2003. The amount payable to GOA for the month of December is \$129,919.
- Trade receivable from GOA EC\$1,672,128 (2003: EC\$2,851,451).
- License fees paid to GOA is EC\$400,000 for the years 2004 and 2003.
- The GOA has guaranteed the CDB (02SFR-ANG), CDB (03SFR-ANG) and CCB loans borrowed by the Company (see note 9).
- The Company has a loan with the Caribbean Commercial Bank (Anguilla) Ltd. (CCB) with an outstanding balance of EC\$2,763,211 (2003: EC\$3,152,880) (see note 10).

#### **19. Commitments**

During the current year, the directors have approved approximately EC\$2,965,114 (2003: EC\$3,072,000) for capital expenditure of which EC\$460,556 had not been spent at December 31, 2004.

#### **20. Credit Risk and Fair Value Disclosure of Financial Instruments**

Financial assets of the Company include cash, term deposits, investments and accounts receivable. Financial liabilities include accounts payable, accruals and loans.

##### **(a) *Credit Risk***

Credit risk on receivables is concentrated in the Government of Anguilla, one of the largest consumers and also the largest debtor. The level of credit risk is reflected in the provision for bad and doubtful receivables. (Refer to notes 6 and 7).

##### **(b) *Fair Value***

The fair values of cash, accounts receivable, accounts payable and accruals and long-term loans are not materially different from their carrying amounts.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. All non-financial instruments such as prepaid expenses, and contributions in aid of construction are excluded from fair value disclosure.

#### **21. Subsequent Event**

The Company has recently sought funding from the Caribbean Development Bank for the purchase of two new generators. The full loan amount is US\$9.038 million with CDB providing 67.4% funding and the company generating its own funds to represent the remaining 32.6%.