

ANGLEC

Anguilla Electricity Company Limited



Annual Report 2002



We Power Paradise...We Power Paradise...We Power Paradise

Corporate Information

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Rendezvous Bay Beach

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Chairman's Message



Once again, it is my pleasure to report on the highlights of Anglec's activities over the year 2002.

Undoubtedly the most significant factor was the reduced growth rate in demand and sales of electricity – an experience shared by a number of other Electric Utilities in the region where tourism activity is one of the main propellers of the economy.

Notwithstanding the adverse economic conditions that affected Anguilla, we at Anglec can feel very satisfied with our performance during the year under review. For the first time in the history of the operation a net profit of \$4,283,207 was achieved and an interim dividend of \$814,000 was paid to the principal shareholder, the Government of Anguilla, in December 2002. It was also the first time in

many years that all the machines in the Power Station were available at the same time. Restoring all generators to service is noteworthy since this objective was developed a little over two years ago and in this short time frame, the operating staff in the Power Station has been able to achieve this target.

A new paradigm was established in the Transmission & Distribution Division with the first installation of automated Load Break switches which will enhance our ability to restore supplies more expeditiously in the future.

Unfortunately during the year, one of our major consumers closed its operations thereby affecting to a limited extent, our income level and reduction in maximum demand and sales during the year.

A long-term lease was obtained from the Government of Anguilla for 1.52 acres of land for the construction of a new office building located a short distance from our rented space in the Quarter. A sum of \$715,000 was paid to the Government of Anguilla for the land. A preferred Architect was selected towards the end of the year and it is expected that design work would be completed in the New Year.

In recent years Management has been exploring the possibility of introducing a Pension Scheme for employees. In this regard, an Actuary was chosen to assist Management in the selection of a provider and it is anticipated that a pension

scheme would be established early in 2003.

A burden that has been confronting Anglec since the departure of the Commonwealth Development Corporation in the form of a multi-million dollar lawsuit was finally resolved by way of a settlement negotiated before a Master of the High Court. This therefore cleared the way for any change in ownership structure that may be contemplated in the future.

The Executive Council endorsed a decision by the Government of Anguilla to divest a percentage of its shareholding in Anglec to Anguillians. In spite of an active debate on the pros and cons of a share issue, the Government is hoping to bring finality to its proposal in 2003.

A feature of Anglec's operations that often is taken for granted is Safety, and the Board of Directors wishes to record its extreme satisfaction with the outstanding safety record of the Operating Centres where not a single accident was recorded during the year 2002. The Board exhorts Anglec's employees to strive to maintain this record which is a reflection of the high levels of safety consciousness that exist among workers as they proceed with their daily activities.

The introduction of an Environmental Management Plan and the implementation of major environmental corrective measures are

sources of satisfaction to Anglec and to most Anguillians. Reduced emissions from our exhaust stacks, reduced noise levels from our engines and the new look of the Compound in general including soil remediation and installation of containment dykes around equipment are probably the most noticeable changes.

Moderate fuel prices prevailed during the first half of 2002 but towards the end of the year prices tended to escalate, to the point where serious consideration was being given to the implementation of a fuel surcharge.

On my own behalf and on behalf of the Board of Directors, I wish to congratulate the Management and Staff of Anglec on a truly magnificent performance in 2002.

**Everet F. Romney, MBE
Chairman**

Financial Performance

REVENUE

The year 2002 saw an improved performance by the Company, although earnings fell below expectation by approximately 8.74%.

Gross Operating Revenue totalled EC\$29,015,583, an increase of 5.5% over the EC\$27,502,604 reported in 2001.

TRADING PROFITS

For the year ended 31st December, 2002, gross operating profits of EC\$9,030,622 exceeded the comparable 2001 figure by 12.1%. Net profit for the year of EC\$4,283,207 exceeded last year's figure by 41.5%.

The increase in profits was as a result of the reduction in the price of fuel during the first half of the year and our continued efforts to reduce operating costs while maintaining operational efficiency at all levels of the Organisation.

Some negative factors that militated against an even more successful year were:

1. The level of economic activity was below that for 2001.
2. Weak performance of the tourism sector.
3. Closure of one of our major hotels during the year.
4. The continuing effects of September 2001.

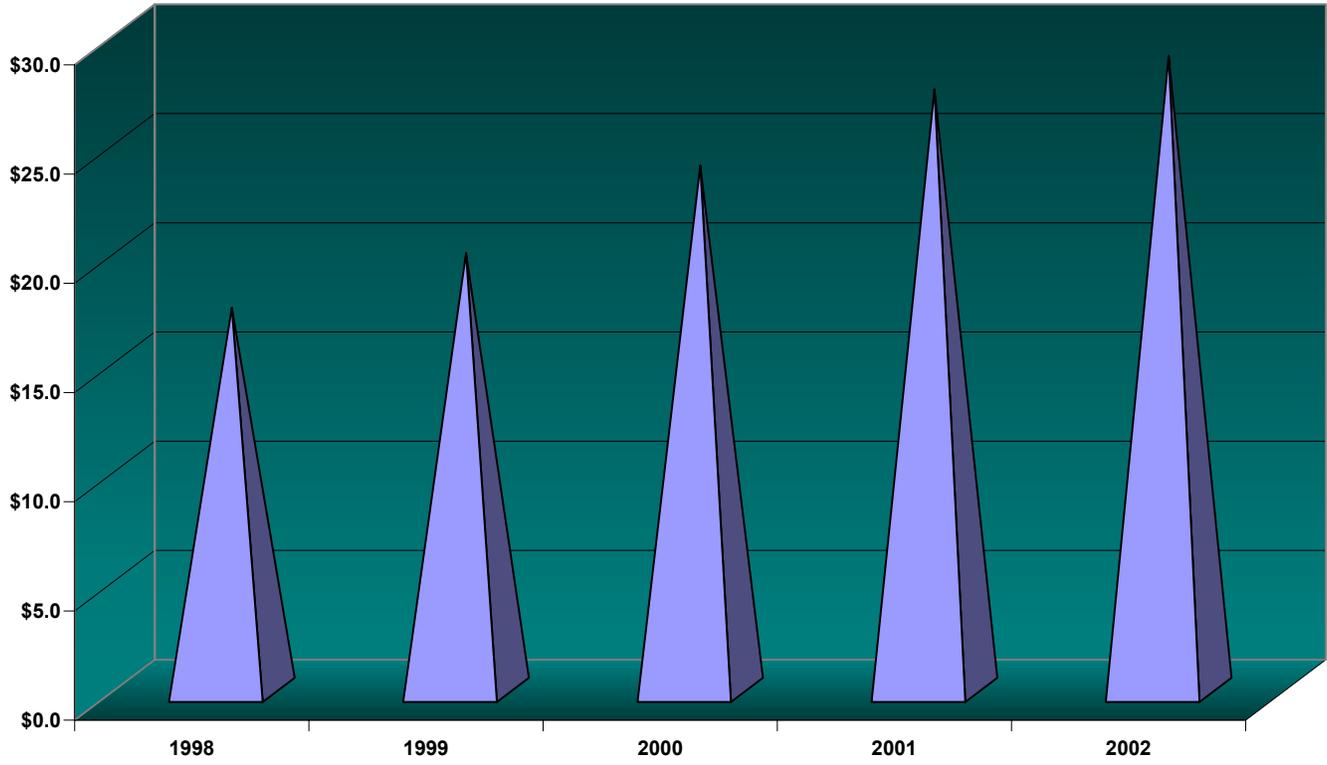
SALES

KWh sales were 48.970 million, an increase of 3% over the 47.541 million recorded in 2001. The hotel

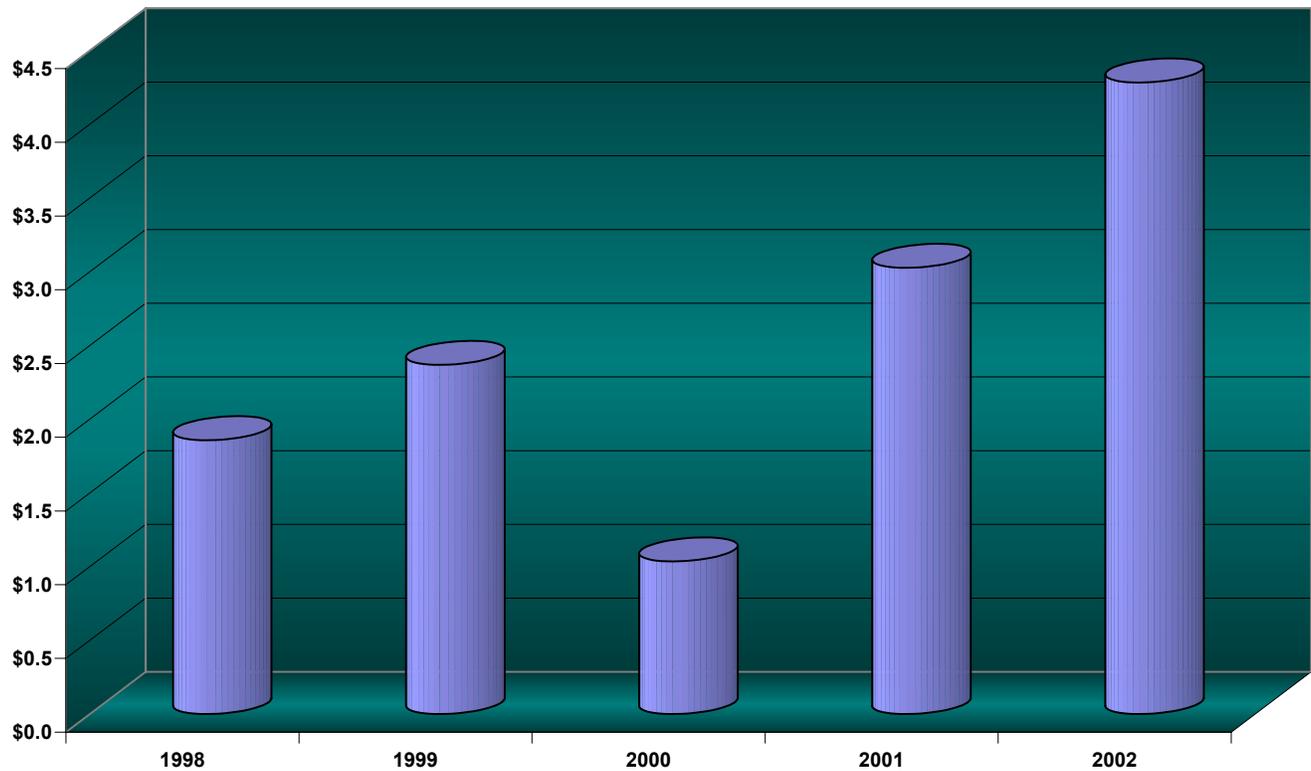


Anguilla Boat Race Sandy Ground

Gross Revenue (in \$ECmillions)

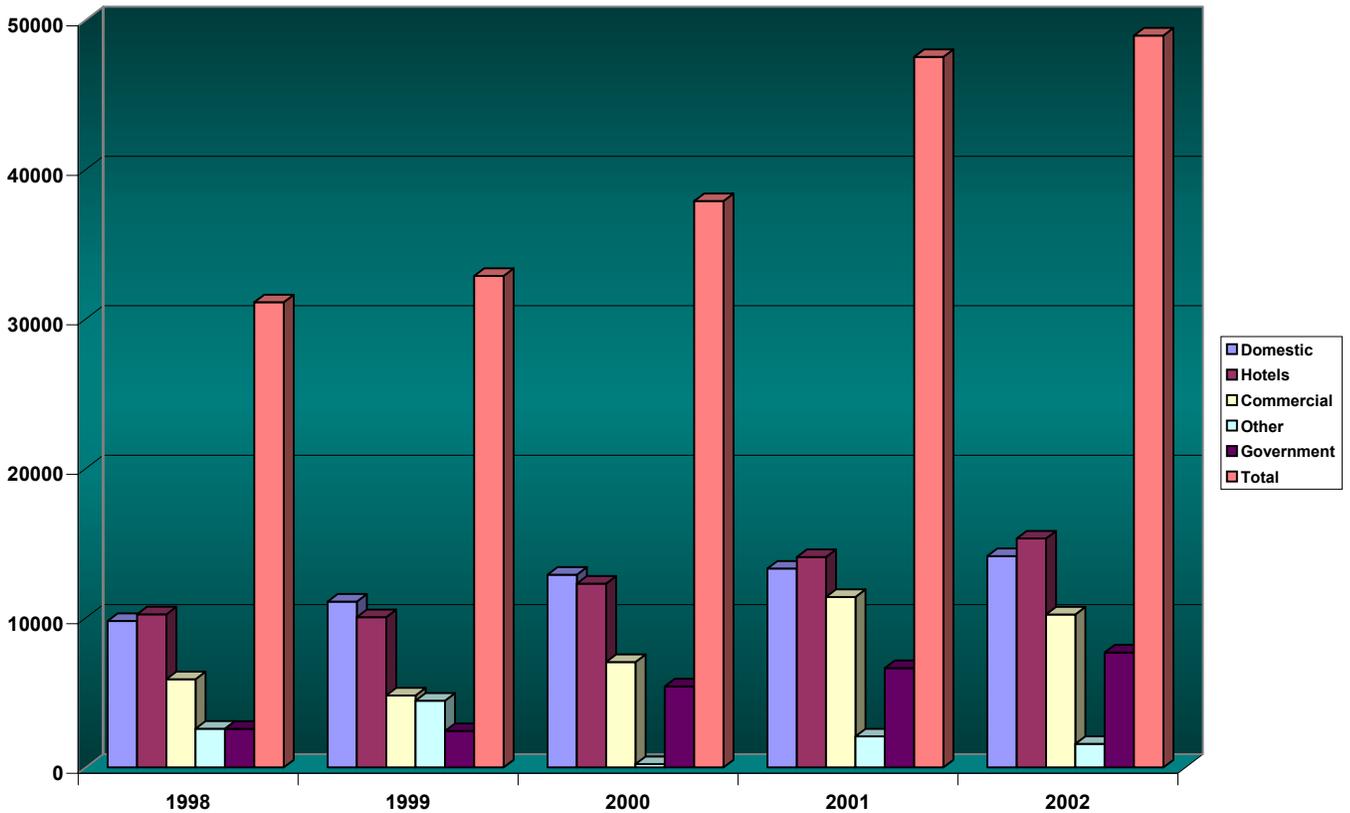


Net Profit (in \$ECmillions)



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Sales by Category (in MWh)



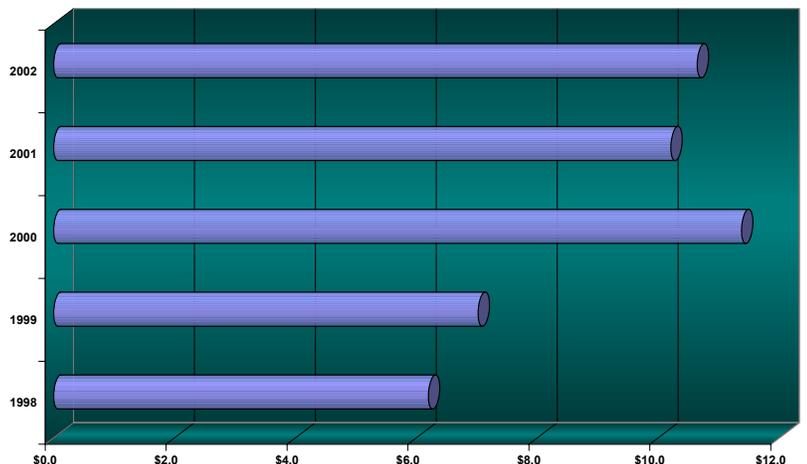
sector accounted for 15.3 million kWh or 31% of sales. Domestic customers accounted for 14.1 million kWh, or 29%. Sales to Government totaled 7.7 million kWh, or 16%. All other sectors accounted for 11.8 million kWh, or 24% of sales.

tivities associated with Operations and Maintenance. Fuel costs accounted for 44.6% of operating costs, while in the previous year, fuel costs accounted for 43% of operating costs.

OPERATING COSTS

Operating costs for the year of EC \$23.845 million was 3.68% below the figure recorded for 2001 (EC \$24.756 million). This was achieved mainly because of stringent belt tightening regarding ac-

Fuel Costs (in EC\$millions)



Administrative and customer care costs accounted for 13.3% of sales.

CAPITAL EXPENDITURE

Capital expenditures of EC\$2.68m were made in the following areas:

Plant & Equipment \$1,441,894

Land and Building \$ 782,292

Furniture & Equipment (inc Computers)\$ 454,095

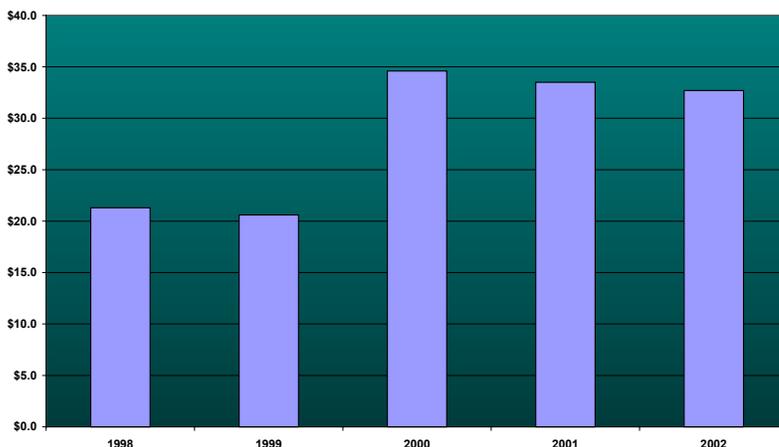
Capital Work in Progress \$ 4,990

TOTAL \$2,683,271

The strong financial performance in 2002 can be attributed to two main factors:

1. A relatively low price of fuel for most of the year.
2. Prudent purchasing of products and services and general belt-tightening by Anglec.

Net Fixed Assets
(in \$ECmillions)



Shoal Bay East

Although fuel prices tended to escalate towards the end of 2002, our cost/kWh was maintained in order to avoid application of the fuel surcharge.

In an effort to diversify our income-generating stream, several maintenance projects were undertaken on Customers' High Voltage installations by the T & D Division and, in the case of the Generation Division, one project was undertaken in St. Maarten for Port de Plaisance Hotel.

Towards the end of 2002, an interim dividend was paid to the Government of Anguilla for the first time in the history of the Utility.

EARNINGS PER SHARE

In 2002, Earnings Per Share (EPS) increased by EC\$0.11 over the prior year, to EC\$0.37. This represents an increase of 42.3%.

Generation Division

The Generation Division had one of its most successful years in 2002. This was reflected in the fact that all of the generating sets were available at the same time for the first occasion in the recent past. The re-commissioning of Unit #6, and important mainte-



Cuisinart Resort and Spa

nance activity in the Power Station as a whole, contributed in no small measure to the achievement of this long sought objective.

The fuel efficiency of the generating units declined slightly over the previous year, principally because the two Wartsila units were approaching their first major over-

hauls. The figure of 17.46 kWh/IG was still better than the average figure of 16.62 kWh/IG obtained over the period preceding the installation of the Wartsila sets. Load factor fell by 2.3% mainly because of the closure of one of the major hotels on the Island. Even so, it was still well above the average figure of 61.04% in 1998, 1999 and 2000.

The maximum demand recorded in 2002 was 9.235 Mw, an increase of 5.5% over the 2001 figure of 8.750 Mw. Although this percentage was somewhat less than the average figure of 7% to 9% recorded over the previous four years, it can be considered satisfactory considering the economic climate.

No major overhauls were necessary in 2002 so the opportunity was taken to upgrade the ancillary systems. A single quality lubricating oil is now being used for all generating sets in the Power Station, thereby enabling a centralised oil delivery system to be utilised. This is more efficient and more environmentally sound since spillage when pumping oil from 55-gallon drums is avoided.

An order was placed towards the end of 2002 for a bulk fuel tank monitoring system that would enhance our ability to monitor fuel levels, detect fuel leaks and any incorrect valve positioning.

The final installment payment on the 1.6 Mw Caterpillar diesel set and associated transformer was

due to be made during the first week of January 2003.

During the year, the Power Station log book, containing all plant operational activity, was computerised. This allowed up-to-the-minute access to information on Station performance by Management staff not located at Corito.

Station safety was at its highest level, with no recorded accidents in 2002.



Sandy Ground



Anguilla Boat Race Meads Bay

It is gratifying to note that the professionalism and skill of Anglec's staff is recognised and sought-after by other organisations, as well as providing additional revenue to the Company.

During the year, members of Generation's mechanical staff were sent to St. Maarten as consultants to a major hotel which was experiencing operational difficulties with its generating sets. Anglec's staff corrected the mechanical problems and were asked to return to St. Maarten in 2003 to perform further maintenance.



Sky Villa at Temenos Villas

Transmission & Distribution

The Transmission & Distribution Division had a very successful year. System reliability continues to improve and in 2002 a figure of 99.91% was achieved compared to 99.89% in 2001. With a weakened national economic environment, improved system reliability is of paramount importance since poor reliability equates to poor revenue returns.

Efforts continue to be concentrated on reducing the number of trouble reports experienced on the Distribution system. The figure of 6.5 reports per 1000 customers compared to 8 reports per 1000 customers the previous year was a significant improvement. The Division continues to strive to bring the report level to below 5 per 1000 customers which will rank Anglec with the best of Electric Utility companies in the USA. In this regard, a computerised system of tracking and categorising Trouble Reports was introduced in 2002.

Another noteworthy performance objective was achieved in the area of response time to trouble calls. An average response time of 41 minutes from receipt of a trouble call to arrival of technicians on site reflects a 32% improvement over the targeted time of one hour. The T & D Division will continue to strive to further improve



Local Cottage

in this area of our activities since our Service Levels and image are enhanced when the response time to trouble calls is short. It also leads to quicker return to consumption of electricity which in turn leads to more revenue.

Most of the poles for the new fifth feeder were planted in 2002. It is expected that the cabling and stringing of conductors would be completed in the 3rd quarter of 2003.

The automation of the Distribution system continues to be a focal point and during the year, two automated Load Break Switches were installed and have been operating very effectively. In 2003, additional automated switches, along with three Auto-reclosers will be installed as we move towards more

extensive use of automation on the T & D system. This will improve our service to customers and lead to higher revenue returns.

In an effort to diversify our operations, and broaden our spectrum of income generation, the T & D Division undertook maintenance activity on a number of high voltage installations throughout the system. This new dimension in our operations has proven to be quite useful to our larger type customers.

No Electric Utility is loss free. Losses are usually categorised in two classes:

1. Technical losses which occur because of impedances inherent in overhead and underground distribution systems. These losses can usually be minimised by prudent selection of transformers, capacitors, conductors, etc. which all have impedance and/or resistance values determined by the characteristics of the material used in their manufacture.
2. Non-technical losses which occur because of metering inaccuracies, billing and meter defects, meter reading errors, electricity theft, etc.

System losses in 2002 totalled 9.5% There has been steady improvement in this area over the years and the figure of 9.5% is 2.7% better than reported in



Meads Bay

2001. The figure is derived from the difference between units sent out from the Power Station versus units sold expressed as a percentage.

Human Resources

In 2002 Human Resources activities centered on the establishment of a reliable and functional Human Resource Information system. All employee files were converted to electronic format, thereby facilitating retrieval of personnel information more expeditiously.

Anglec again encouraged staff to continue academic training by introducing a study policy. Four persons who sat examinations at the CXC level were successful in the year. In addition, in keeping with projected professional requirements, Mr. Steve Hodge of the Technical Services Section was awarded a partial scholarship in Electrical Engineering at the University of West England, Bristol, England. Mr. Hodge left in

August and is expected to return in two years' time.

TRAINING

Approximately 40% of our employees were exposed to training courses that were conducted both locally and overseas. Apart from



The Cove



The Pool at Malliouhana Hotel & Spa

training courses, two employees visited Blackhills Power Corporation in South Dakota, USA, to familiarise themselves with methodologies and systems in the Administration and IT sections of a well-run Electric Utility. Three employees (the General Manger, Generation Superintendent and Electrical Engineer) attended a conference in Guadeloupe and were afforded the opportunity of seeing a Wind Power installation in operation.

Information Technology

In the area of Information Technology, the focus continued to be one which contributed to the bottom line of the organization, either directly as in the case of the new bill project of late 2001, or indirectly by providing informational content which facilitates sharper and more accurate business decisions. Most of the work undertaken in 2002 was driven by the need to comply with increasingly stringent IT Audit specifications and/or the need for more accurate, purposeful information. The criticality of IT to business processes in Anglec is clear and the reduction of any risk due to this fact continues to be an ongoing driver of projects in IT. At the same time, the use of technology to better our business processes and make them more profitable and customer friendly will also encourage projects such as website development, etc.

A Human Resource Information System was implemented in March of 2002. An antiviral solution was also put in place in 2002, enabling network management from one node. Because of the increasing threats from viruses and the vulnerability of systems due to increased Internet exposure, it became critical to find a means of ensuring up-to-date antiviral protection.

A system of telephone accounting

codes was implemented during the year. Each employee was given a unique code for telephone access. Combined with Window-based software to facilitate easier network access, report printing and data extraction, the coding system simplifies the process of monitoring telephone expenditure and employee productivity.

2002 brought numerous PC equipment replacements due to changes in user activity, indicating a greater reliance on the use of computing power in the day-to-day activities of employees. An additional node was added to the network in the Corito Power Station area.

Anglec's presence on the Web was given an overhaul in 2002. This serves as a precursor to the Company's intention to use the Internet as a further means of communication with its customers. The website now includes response forms and the means to contact Customer Care personnel. It hosts up-to-date information on the Company such as the latest annual report, active tenders and items for sale. Proposed improvements for the website include account inquiry access and online bill payment.



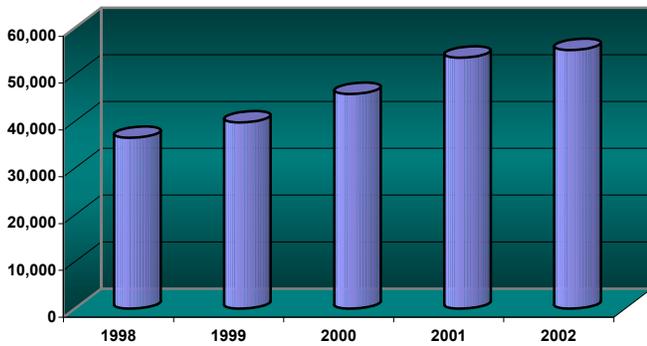
Arawak Beach Inn in Island Harbour

Operational Statistics

Production Surpassed 55M kWh

In 2002, Anglec produced 55.2 million kilowatt hours of electricity to meet the demands of the people of Anguilla. This level of production surpassed the previous record set in 2001 of 53.6 million kilowatt hours, an increase of 3%.

Units Generated (in MWh)



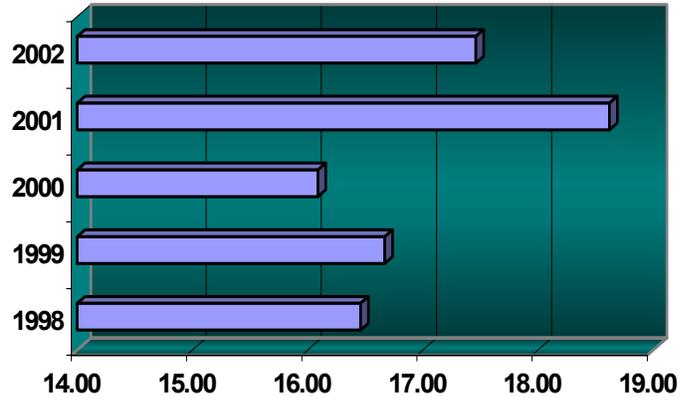
Load Factor

The level of consistency in the demand for electricity over a given period of time is reflected in load factor. It is an important indicator of the investment return on generating equipment.

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.

In 2002, Anglec's load factor decreased slightly from 69.9% in 2001 to 68.3%. This decrease is

Fuel Efficiency (kWh/IG)

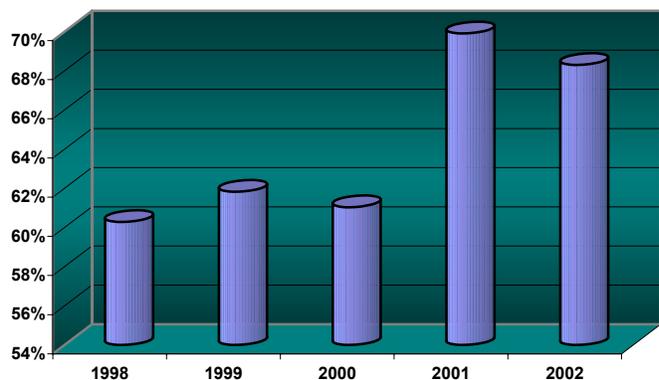


due in part to the closing of the Sonesta Beach Resort in mid 2002.

Fuel Efficiency

Fuel efficiency decreased in 2002 to 17.46 kWh per Imperial Gallon from 18.21 kWh per gallon in 2001. This decrease in fuel efficiency can be attributed to the accumulation of running hours on the Wartsila engines. As the hours accumulated toward overhaul level, fuel efficiency decreased.

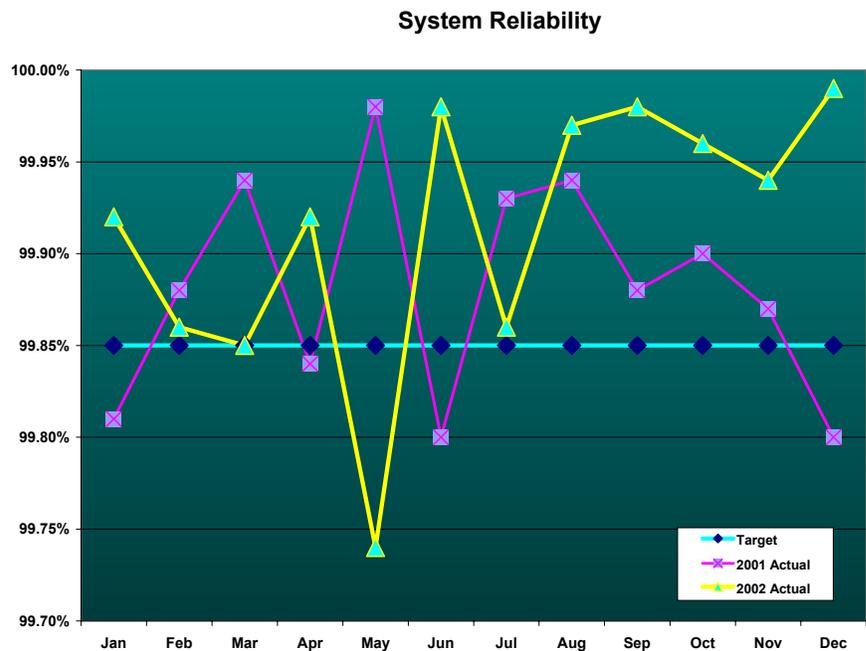
System Load Factor %



System Reliability

On average, electricity was available to Anglec's customers 99.91% of the time. This percentage exceeded the targeted goal of 99.85% and the 2001 average of 99.89%.

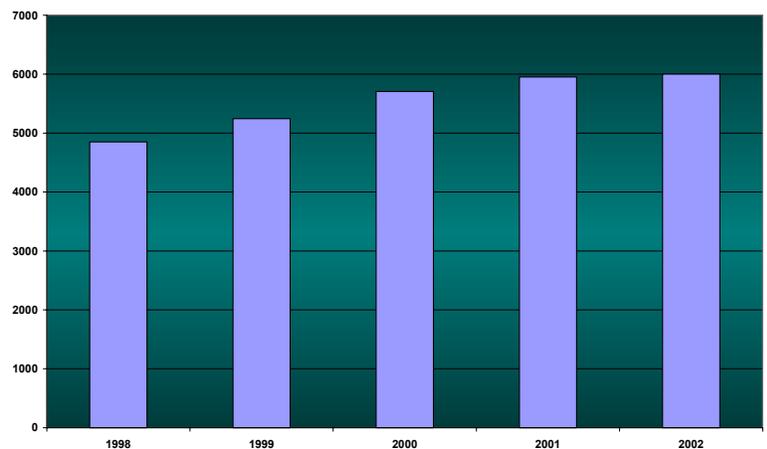
Reliability of the distribution system is an important indication of Anglec's service to its customers. It is expressed as a percentage representing the number of hours of available service during the month divided by the number of hours in the month.



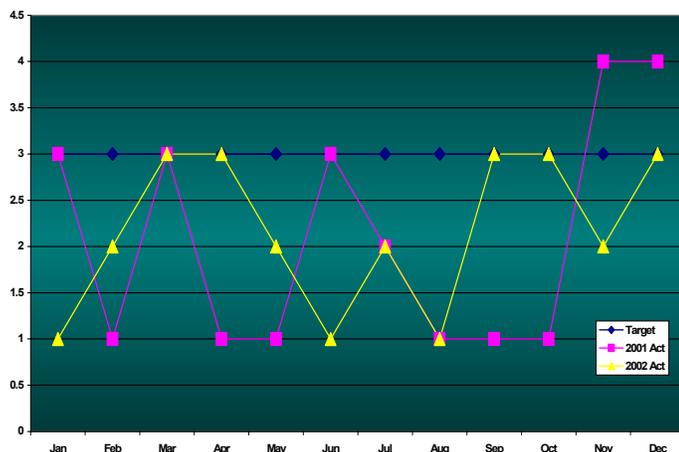
Customer Base

Anglec's customer base of 6000 was virtually unchanged in 2002. This resulted from an effort to remove inactive accounts from the system.

Customers



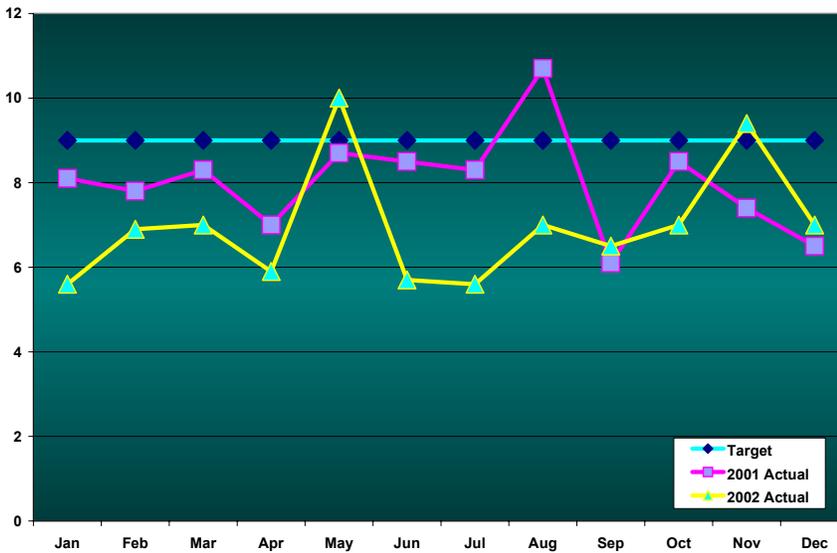
Average Response Time for New Connections (in Days)



New Connections

While average response time for installation of new connections was unchanged from 2001 to 2002, the average of two days is a 33% improvement over the targeted installation time of three days from payment of installation fees.

**Trouble Calls
(per 1000 Customers)**



Trouble Call Response Times

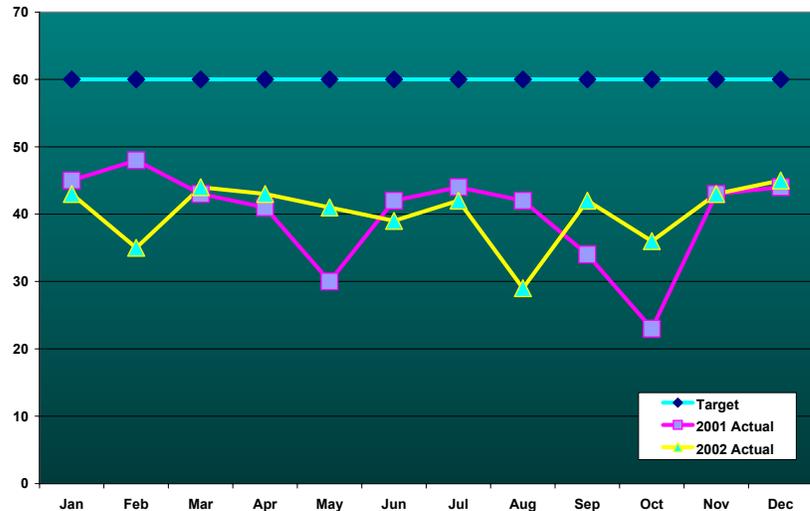
The average time required to respond to a trouble call during 2002 was 40 minutes. This compares very favourably with international standards.

As system reliability directly impacts Anglec’s revenue earning potential, it is one of our key operational targets. Efforts continue to be made to investigate the causes of interruptions on the system and corrective action taken to reduce or eliminate them.

Trouble Calls

In 2002, the number of trouble call reports decreased to 6.5 per thousand customers from the 80 per thousand reported in 2001, a reduction of 17%. This also represents a 22% reduction from the targeted rate of 9 calls per 1000 customers.

**Average Trouble Call Response Time
(in Minutes)**





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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, 2002 and the income statement, the statement of retained earnings 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, 2002 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

July 28, 2003

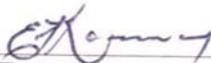
ANGUILLA ELECTRICITY COMPANY LIMITED

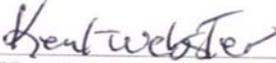
Balance Sheet December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

	Notes	2002	2001
ASSETS			
PROPERTY, PLANT & EQUIPMENT	3	32,654,507	33,484,320
CURRENT ASSETS			
Inventories	4	3,430,307	3,508,910
Trade Receivables	5	6,749,227	5,600,441
Other Receivables	6	1,227,810	916,418
Cash and Cash Equivalent	7	1,922,272	497,710
		<u>13,329,616</u>	<u>10,523,479</u>
Total Assets		<u>45,984,123</u>	<u>44,007,799</u>
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share Capital	8	14,536,147	14,536,147
Retained Earnings		6,704,589	3,235,382
		<u>21,240,736</u>	<u>17,771,529</u>
LONG-TERM LIABILITIES			
Interest-bearing Loans	9	13,346,572	14,841,846
Contribution in Aid of Construction	10	2,455,186	2,369,853
		<u>15,801,758</u>	<u>17,211,699</u>
CURRENT LIABILITIES			
Bank Overdraft	7	4,303,003	3,523,900
Current portion - Interest-bearing Loans	9	1,829,836	2,590,755
Accounts Payable and Accruals		2,460,173	2,460,477
Customer Deposits		348,617	449,439
		<u>8,941,629</u>	<u>9,024,571</u>
Total equity and liabilities		<u>45,984,123</u>	<u>44,007,799</u>

On behalf of the Board


 Everet Romney *Chairman*


 Kent Webster *Director*

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

ANGUILLA ELECTRICITY COMPANY LIMITED
Income Statement and Statement of Retained Earnings
Year ended December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

	Notes	2002	2001
Income Statement:			
GROSS OPERATING REVENUE	11	29,015,583	27,502,654
COST OF OPERATING REVENUE:			
Generation - Fuel		(10,643,394)	(10,207,649)
- Fuel Surcharge	11		(48,098)
- Other		(4,744,897)	(4,657,069)
Transmission and Distribution		(4,596,670)	(4,536,695)
		(19,984,961)	(19,449,511)
GROSS OPERATING PROFIT		9,030,622	8,053,143
OPERATING EXPENSES:			
Administration		(3,488,332)	(3,844,095)
Consumer Service		(371,879)	(362,816)
Employee Compensation	17		(1,100,000)
		(3,860,211)	(5,306,911)
NET OPERATING PROFIT		5,170,411	2,746,232
Finance Cost		(1,262,536)	(1,649,190)
Other Income	12	375,332	420,855
NET PROFIT FROM ORDINARY ACTIVITIES		4,283,207	1,517,897
EXTRAORDINARY INCOME	13		1,508,109
NET PROFIT FOR THE YEAR		4,283,207	3,026,006
Statement of Retained Earnings:			
ACCUMULATED PROFIT AT BEGINNING OF YEAR		3,235,382	209,376
NET PROFIT FOR THE YEAR		4,283,207	3,026,006
		7,518,589	3,235,382
DIVIDENDS		(814,000)	
RETAINED EARNINGS AT END OF YEAR		6,704,589	3,235,382
EARNINGS PER SHARE		0.37	0.26

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

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ANGUILLA ELECTRICITY COMPANY LIMITED

Statement of Cash Flows

Year ended December 31, 2002

Expressed in Eastern Caribbean Dollars

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	4,283,207	3,026,006
Items not involving cash:		
Depreciation	3,507,677	3,292,445
Amortisation of customer contributions		(316,673)
Provision for slow moving/obsolete inventory	134,709	152,365
Provision for bad and doubtful debts	(8,348)	345,996
	<u>7,917,245</u>	<u>6,500,139</u>
(Increase)/decrease in current assets:		
Trade Receivables	(1,140,438)	(2,004,327)
Other Receivables	(311,392)	(577,657)
Inventories	(56,105)	(305,270)
Insurance Claim Receivable		2,285,272
Increase/(decrease) in current liabilities:		
Accounts Payable	(306)	(1,064,688)
Customer Deposits	(100,822)	(266,804)
Deferred Income		(2,124,850)
	<u>6,308,182</u>	<u>2,441,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(2,677,862)	(2,156,570)
	<u>(2,677,862)</u>	<u>(2,156,570)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans (net)	(2,256,193)	(1,374,051)
Contributions in aid of construction	85,332	753,589
Dividends paid	(814,000)	
	<u>(2,984,861)</u>	<u>(620,462)</u>
Net cash used by financing activities		
	<u>645,459</u>	<u>(335,217)</u>
NET INCREASE/(DECREASE) IN CASH RESOURCES		
	<u>645,459</u>	<u>(335,217)</u>
CASH & CASH EQUIVALENT AT BEGINNING OF YEAR	<u>(3,026,190)</u>	<u>(2,690,973)</u>
CASH & CASH EQUIVALENT AT END OF YEAR	<u>(2,380,731)</u>	<u>(3,026,190)</u>

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

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements

December 31, 2002

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 is owned by the Government of 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 April 1, 1991.

The financial statements were authorised for issue by the Directors on July 28, 2003.

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 convention and are stated 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, 2002

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
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 & cash equivalent:

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

(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, 2002

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, the functional and reporting currency, 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, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

3. Property, plant and equipment

	Land & Buildings	Plant & Machinery	Furniture, Fittings & Equipment	Motor Vehicles	Capital Work in Progress	Total
At Cost:						
January 1, 2002	6,208,342	46,949,150	2,300,152	2,008,803	180,608	57,647,055
Additions/(disposals)	782,292	1,441,894	454,095	(5,409)	4,990	2,677,862
December 31, 2002	<u>6,990,634</u>	<u>48,391,044</u>	<u>2,754,247</u>	<u>2,003,394</u>	<u>185,598</u>	<u>60,324,917</u>
Depreciation:						
January 1, 2002	1,176,280	19,530,279	1,795,367	1,660,807		24,162,733
Charge for the year	169,203	3,024,630	238,567	75,277		3,507,677
December 31, 2002	<u>1,345,483</u>	<u>22,554,909</u>	<u>2,033,934</u>	<u>1,736,084</u>		<u>27,670,410</u>
Net Book Values:						
December 31, 2002	<u>5,645,151</u>	<u>25,836,135</u>	<u>720,313</u>	<u>267,310</u>	<u>185,598</u>	<u>32,654,507</u>
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>

Land and Building include freehold land at a cost of EC\$912,738. (2001: EC\$240,000)

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

4. Inventories

	2002	2001
Generation parts and fuel	2,554,331	2,493,608
Transmission and distribution parts	1,323,259	1,312,731
Administration supplies	110,984	126,129
	<u>3,988,574</u>	<u>3,932,468</u>
Provision for slow-moving/obsolete items	(558,267)	(423,558)
	<u>3,430,307</u>	<u>3,508,910</u>

5. Trade Receivables

	2002	2001
Trade receivables	7,503,298	6,362,860
Provision for bad & doubtful debts	(754,071)	(762,419)
	<u>6,749,227</u>	<u>5,600,441</u>

6. Other Receivables

	2002	2001
Accounts receivable control A/C	192,375	286,639
Other debtors	488,814	507,395
Other Prepayments	998,909	531,694
	<u>1,680,098</u>	<u>1,325,728</u>
Bad debt provision	(452,288)	(409,310)
	<u>1,227,810</u>	<u>916,418</u>

7. Cash & Cash Equivalent - Net

	2002	2001
Cash in hand and at bank	1,922,272	497,710
Bank overdraft (debenture on assets, 9.2%, 30th September, 2004)	(4,303,003)	(3,523,900)
	<u>(2,380,731)</u>	<u>(3,026,190)</u>
Cash resources in the statement of cash flows	<u>(2,380,731)</u>	<u>(3,026,190)</u>

ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (Continued)
December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

8. Share Capital

	2002	2001
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
5,763,848 unclassified ordinary shares of EC\$1 each	5,763,848	5,763,848
	<u>30,000,000</u>	<u>30,000,000</u>

"A", "B" and "C" are voting shares and carry equal rights.
"D" and the unclassified 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	6,236,147	6,236,147
	<u>17,036,147</u>	<u>17,036,147</u>
Less: Treasury Stock		
5,400,000 "B" ordinary shares	(5,400,000)	(5,400,000)
Add:		
Discount on treasury stock	2,900,000	2,900,000
	<u>14,536,147</u>	<u>14,536,147</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 Discount on treasury stock.

During the year 2002, the Government of Anguilla (GOA), the sole owner of the company, received EC\$1 million to transfer 400,000 of class "A" shares to the Social Security Board (SSB). Accordingly, 400,000 shares at EC\$2.50 each were transferred to SSB on June 3, 2003.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

9. Interest-Bearing Loans

	2002	2001
Caribbean Development Bank (See I below)	144,692	225,371
Caribbean Development Bank (See II below)	1,231,724	1,484,888
Caribbean Commercial Bank (Anguilla) Ltd (See III below)	3,514,018	3,848,850
Lloyds Bank (See IV below)	561,296	1,122,593
Caribbean Development Bank (See V below)	9,724,678	10,000,104
Caterpillar Financial Services Corporation (See VI below)		750,795
	<u>15,176,408</u>	<u>17,432,601</u>
Less: Current Portions	<u>(1,829,836)</u>	<u>(2,590,755)</u>
	<u>13,346,572</u>	<u>14,841,846</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 Anguilla Electricity Company Limited on April 1, 1991. The loan is guaranteed by and 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. The loan is guaranteed by and repaid through the Government of Anguilla 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 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 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 loan is guaranteed by the Government of Anguilla. 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 was capitalised as part of the asset during set up and installation.

ANGUILLA ELECTRICITY COMPANY LIMITED
Notes to the Financial Statements (Continued)
December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

9. Interest-Bearing Loans and Borrowing (Continued)

(V) This loan (02/OR-ANL) was made to the Company by the Caribbean Development Bank 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 5.5% 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 assets (Note 3). This loan is secured by a legal charge over the company's plant and equipment as well as the freehold property of the company.

(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 was paid on December 27, 2002.

10. Contributions in Aid of Construction

	2002	2001
At beginning of the year	2,369,853	1,932,937
Contributions during the year	372,109	753,589
	<u>2,741,962</u>	<u>2,686,526</u>
Amount amortised during the year	(286,776)	(316,673)
At end of year	<u>2,455,186</u>	<u>2,369,853</u>

11. Gross Operating Revenue

	2002	2001
Amounts billed during the year	29,005,378	27,214,665
Less: unbilled revenue at beginning of the year	(1,294,327)	(1,054,436)
	<u>27,711,051</u>	<u>26,160,229</u>
Add: unbilled revenue at end of the year	1,304,532	1,294,327
	<u>29,015,583</u>	<u>27,454,556</u>
Fuel surcharge*		48,098
	<u>29,015,583</u>	<u>27,502,654</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

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

12. Other Income

	2002	2001
Reconnection fees	104,966	93,000
Miscellaneous	270,366	327,855
	<u>375,332</u>	<u>420,855</u>

13. Extraordinary Income

This represents the insurance claim received in excess of the net book value of assets relating to Hurricane Lenny that struck Anguilla on November 19, 1999.

14. Personnel Expenses

	2002	2001
Salaries & wages	3,373,371	3,350,241
Social security	148,831	145,797
Training	159,693	95,850
Other benefits	285,817	95,475
	<u>3,967,712</u>	<u>3,687,363</u>

Average number of employees in the year 2002 was 67 (2001:70).

15. Related Party Transactions and Balances

	2002	2001
Directors' Fees	213,473	213,200
Benefits to Executive Officers	525,217	505,457
	<u>738,690</u>	<u>718,657</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
- Trade receivable from GOA EC\$2,905,102 (2001: EC\$2,055,824).
- License fees paid to GOA is EC\$400,000 for the year 2002 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), CCB & Lloyds Bank loans borrowed by the Company (see note 9).

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

16. Commitments

The directors have approved approximately EC\$1,780,000 (2001: EC\$68,107) for capital expenditure which had not been spent at December 31, 2002.

17. Employee Compensation

In 2001, a former employee brought an action against the Company claiming EC\$7,000,000 as general damages for wrongful dismissal. On May 02, 2002, the case was withdrawn and settled at EC\$900,000 being damages and at EC\$200,000 being legal fees.

18. 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 and accruals and claims payable.

(a) Credit Risk

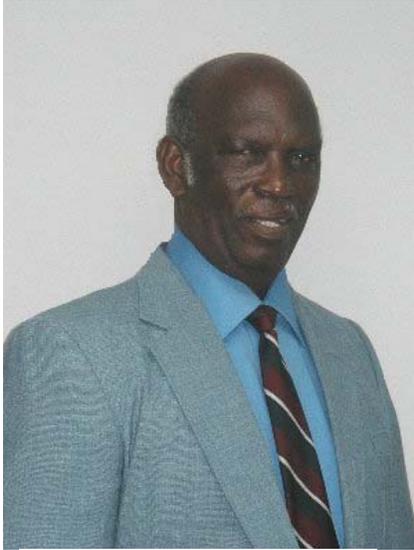
Credit risk on receivables is concentrated in the Government of Anguilla, the largest consumer and also the largest debtor. Credit risk is reflected in the provision for bad and doubtful receivables. (Refer to notes 5 and 15).

(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 judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. All non-financial instruments such as prepaid expenses, and deferred revenue are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

Board of Directors



*Everet Romney
Chairman*



Kent Webster



Jerome Roberts



Leonard Carty



Franklyn Hughes



Roderick Webster



Harold Ruan



Kennedy Hodge

Division Managers



*Neil McConnie
General Manager*



*Erville Hughes
Secretary/Financial Controller*



*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*



In Memory of
Guarionex Cabrera
Mechanic/Welder, Generation
1951—2002

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

