

**MANX ELECTRICITY AUTHORITY**  
*Lught-reill Lectraghys manninagh*

Annual Report 2002-2003



Back – left to right : Charles Fagher, John Taylor, Trevor Ferrer  
 Front – left to right : John McCallion (Chairman), Terry Mackay (Deputy Chairman)



Network Services underground cable jointing team completing a high voltage cable joint on a 11,000 volt cable recently installed under the Sulby river.

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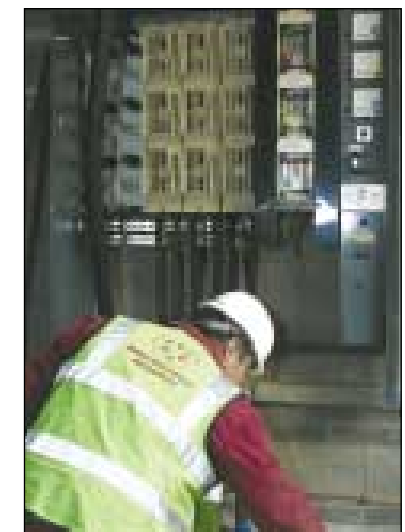
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Network Services underground cable jointing team preparing to terminate a low voltage cable to a distribution transformer to facilitate works in connection with the upgrade of the Sulby water treatment plant.



Network Services underground cable jointer constructing a new distribution sub-station to reinforce the low voltage network in the Eleanora Drive and Selbourne Drive area of Douglas.

***This gift was presented to  
HRH The Prince Philip, Duke of Edinburgh  
on 7 July 2003  
to commemorate the opening of  
Pulrose CCGT Power Station***

A commission was given to a young Manx silversmith, Shona McGavock, by the Board of the Manx Electricity Authority to design and develop a gift of unique relevance.

The engraving was undertaken by the Manx Workshop for the Disabled and the lead crystal legs were made with the help of local glass artist Christine Williams.

The gift utilises three of the actual blades from the steam turbine inside the power station. To read the engraving, the structure is rotated and rests on its legs. This exemplifies the motto of the Manx triskelion, "Quocunque Jeceris Stabit", which translates, "Whithersoever you throw it, it will stand".



Chief Executive Mike Proffitt and HRH Duke of Edinburgh in the new Turbine Hall at the CCGT Pulrose Plant.



Chairman, John McCallion, Chief Executive Mike Proffitt and HRH Duke of Edinburgh in the Control Room at the CCGT Pulrose Plant.

**MEMBERS** AT 31 MARCH 2003

Chairman	<b>W John McCallion</b>
Deputy Chairman	<b>Terry D Mackay</b>
Members	<b>Trevor Ferrer</b> BA, CEng, FIMarEST, FIIE(Elec), MINucE <b>Dr John C Taylor</b> Hon DEng UMIST, MA Cantab, FInstPI <b>J Charles Fargher</b> FCA
Chief Executive	<b>Michael J Proffitt</b> FCA

**OPERATIONAL DIRECTORS**

Electricity Generation/Procurement	Eurling <b>James A Crombie</b> BSc(Eng), CEng, FIMarEST, MIDGTE
Corporate Services	<b>Clive J Wilcox</b> ACA, CPA
Capital Projects/Network Services	<b>J Ashton Lewis</b> CEng, MIEE, MIMgt

Auditors	<b>KPMG Audit LLC</b>
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Principal Banker	<b>Isle of Man Bank</b> A Division of Royal Bank of Scotland International Limited
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Headquarters	<b>PO Box 177 Ballacottier Cooil Road DOUGLAS Isle of Man IM99 1PS</b>
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**MEMBERS' PROFILES**



**JOHN McCALLION** spent 40 years with the Shell Group, including periods in Singapore and Japan where he had responsibility for large numbers of crude and liquid natural gas carriers. In 1978 he returned to London as Senior Engineer Superintendent before taking control of fleet operations in Japan. In 1987 he moved to the Island as Chairman and Managing Director of Shell Personnel Services, providing manpower for the whole of Shell's UK fleet, and Chairman and Managing Director of Shell Ship Management, with responsibility for 14 ships. Mr McCallion is Chairman of Trustees of the International Maritime Training Trust (IoM) established in 1998 to facilitate and assist in the training of merchant marine seagoing personnel on a worldwide basis. He became Chairman of the MEA in January 1997 and is also a member of the Audit Committee, Chairman of the Remuneration Committee, Chairman of the Joint Coordinating Council and President of the MEA Sports & Social Club. Also Chairman of PGT Ltd and Chairman of Manx Cable Company Limited.



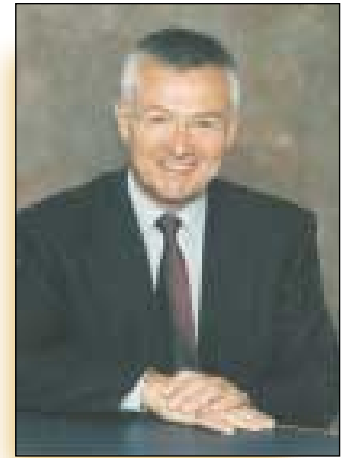
**TERRY MACKAY** established his career in design and production engineering before moving to the Island in 1968 to join Marown Engineering, a Company involved in the aircraft industry. In 1972 he established Kenmac Controls Ltd which developed a range of instrumentation equipment for the oil, gas and petrochemical industries. He sold the company in 1987 but remained as Managing Director until 1994 and became Chairman in October 1997. He has served as Chairman of the Petrol Commission, Chairman of the Manufacturing Committee of the Chamber of Commerce and is a non-executive Director of Gerrard Private Bank (IoM) Ltd, sits on the Advisory Board of Noble's Hospital and was a member of the Energy Commission. He joined the Board of the MEA in January 1997 and is also Chairman of the Audit Committee.



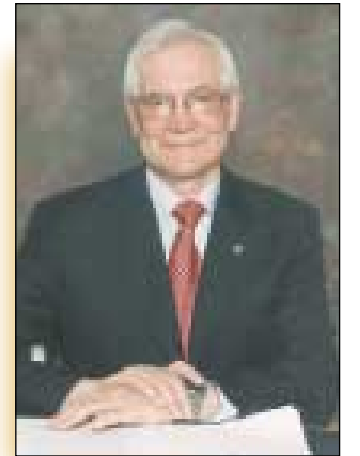
**TREVOR FERRER** held a number of senior posts while spending 15 years with the Central Electricity Generating Board, working in power stations at Fulham, Hinkley Point, West Burton, Pembroke and Drax. He spent 17 years with the China Light & Power Company in Hong Kong and, immediately before moving to the Island in 1996, was Engineering Manager at Hong Kong's Castle Peak Power Station, the world's largest conventional coal, oil and gas-fired power station. He joined the Board of the MEA in May 1997 and is also a Director of both the Manx Cable Company and PGT Limited. He also serves as the Board's Health, Safety and Environment Member.

**MEMBERS' PROFILES**

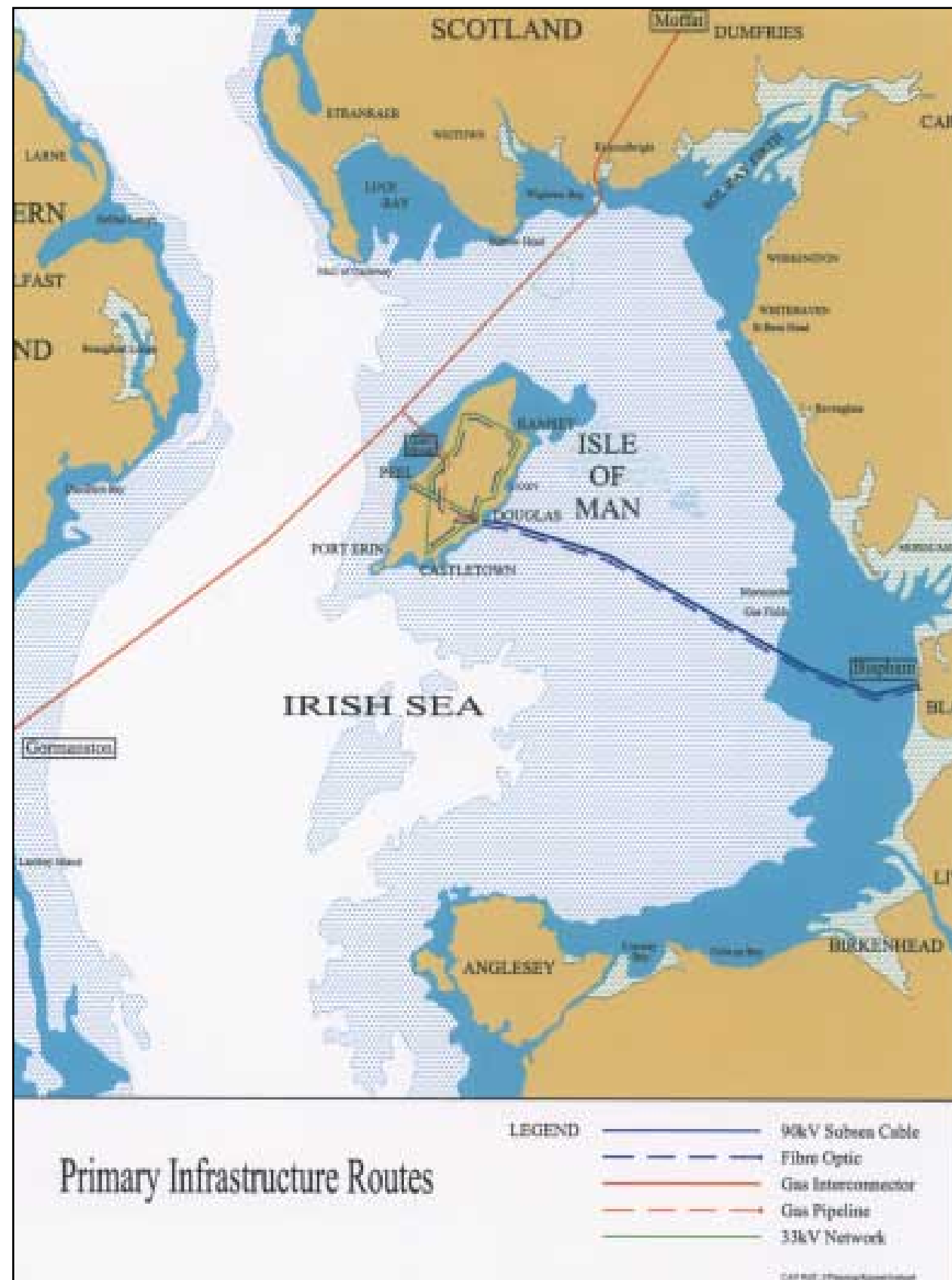
**CHARLES FARGHER** is a Manxman and was born and educated in the Isle of Man. After graduating from Nottingham University, he qualified as a Chartered Accountant in Liverpool, before returning to the Island in 1975 to join the practice of which his late father was Senior Partner. He has been in practice for over 20 years and now specialises in business advisory services, largely to Isle of Man based clients. His other commitments include, currently, those of Chairman of Manx Radio, Chairman of AIB (IoM) and Chairman of the Isle of Man Children's Centre. He also holds directorships of several other Isle of Man Companies within the commercial, finance and charitable sectors. He is also a Magistrate and Captain of the Parish of Marown. He joined the Board of the MEA in August 2000 and is also a member of the Remuneration Committee, Audit Committee and a Director of PGT Ltd.



**JOHN TAYLOR** was educated at King William's College on the Island and graduated from Corpus Christi College, Cambridge. He started in business as a Graduate Trainee with Otter Controls Ltd of Buxton Derbyshire in 1959 and became Chairman 12 years later. In 1976 he joined Castletown Thermostats Ltd on the Island as a Director later Chairman, guiding the company to independence and changing the name to Strix Ltd. His time at Strix included the design of many kettle controls that have changed the face of domestic electric kettles. This year Strix celebrate the manufacture of 500,000,000 controls under his patents. Recognition of Strix pre-eminent position started with the Manufacturing Excellence Award in 1995 and by being named British Manufacturer of the Year. His inventions helped Strix to attain 4 of the coveted Queen's Awards – in 1995, 1998 and again in 2002 for Export Achievement and in 2000 for Technical Innovation. In 2000 his personal achievement of over 150 successful inventions patented in the British Patent Office and several hundred corresponding patents overseas was recognised through the award of an Honorary Doctorate of Engineering by UMIST. Dr Taylor remains a Director of Strix Group Ltd. He is a Visiting Professor at the Manchester Science Enterprise Centre, an Honorary Fellow of Corpus Christi College Cambridge and a Freeman of the Worshipful Company of Clockmakers. He joined the Board of the MEA in August 2000.



**MAIN SYSTEMS FEATURES**



**CHAIRMAN'S STATEMENT**



This year has been a significant milestone in the history and future of the Manx Electricity Authority.

We have completed the development of a Natural Gas pipeline from Scotland, coming ashore on the West Coast and brought 19 kilometres across the Island to Pulrose where it supplies the new state of the art Power Station and the Douglas and surrounding area businesses and residences.

Despite the collapse of our main contractor to the new Power Station, Enron, we have delivered this project on time and to budget. This is an accomplishment that we are justly proud of and on behalf of the entire Board I congratulate the Chief Executive and his team.

In previous years statement's I have stated our commitment to Health & Safety and the Environment.

No projects could have possibly tested this commitment more than the new Power Station and the cross-Island Natural Gas Pipeline scheme. Lost time accidents were minimal with no serious injury in over 2.1 million man hours of labour involving heavy plant and equipment, in often difficult conditions.

Cheaper, cleaner and more reliable electricity is now available from three completely independent sources enabling us to boast the most secure supply possible and positioning the MEA as a centre of excellence within its peer group.

Corporate Governance has received much attention in the National and International press during the current reporting period. We at the MEA are proud of the high standards of Governance that we apply and can assure the consumers that this is an ongoing commitment.

Three years ago we wrote a Five Year Business Plan. Our goals therein have been achieved including a 25% tariff reduction, which with inflation has been a real 32½% reduction in the price of electricity.

Natural Gas is a "bridge to the future" and our investment in this project will secure further benefits to our customers, in the years to come.

Finally, I would like to confirm that our key values remain the honesty and integrity with which we go about our business and the respect we have for our splendid work force and for our customers.



*W John McCallion*

**W John McCallion**  
Chairman

## CHIEF EXECUTIVE'S REPORT



During this reporting period there have been several skills developed as a necessary part of managing our capital investment programme, which will now remain within the MEA management team, and indeed stand it in good stead for the years to come.

The Authority's primary generating fuel is now natural gas, the cleanest and most efficient fossil fuel available. This is good news for both environment and economy, however, an entirely new set of Health & Safety rules apply to the Authority.

To ensure that we would rise to the obvious challenge in this regard a new company-wide Health & Safety Officer has been appointed and the necessary powers vested in this new division will enable the Authority to comply with the highest standards.

Freak weather conditions in October last year, combined with plant failure resulted in a spill of Heavy Fuel Oil into the surrounding Hills Meadow area and beyond into Douglas Harbour. A rapid response to clean up and damage mitigation, led by the Government's Rapid Response Unit, and assisted by MEA engineers and contractors prevented a bad situation from becoming worse and the avoidance of a protracted negotiation with the Insurers enabled businesses to recover quickly and boats to be cleaned. This event occurred while the MEA was depleting its last delivery of Heavy Fuel Oil, which, whilst of freakish coincidence underscores the validity of the Authority's move away from this fuel, and into natural gas.

Our trading team has grown during the year and has achieved a high level of independence and competence following the collapse of Enron that puts the Authority among the best in the energy trading community. The team has maximised the subsea interconnector to the UK to the fullest degree, earning several £millions for the electricity consumers of the Isle of Man, and validating the decision to become 100% owner of this vital and strategic asset.

Our new portfolio of assets, linking us to the natural gas grid in the UK and beyond, our new state of the art power station and electrical connection to the UK, have been recognised by the World's industry leaders as achieving a new level of excellence. Management's commitment is to utilise these assets to the best of their engineering ability and for the benefit of the consumers in the Isle of Man.

Over the past three years we have established and continually developed an Internal Audit Division. This team addresses all aspects of our business and reports independently to the Audit Committee, a sub-committee of the Authority's main Board. This is part of our deliberate and ongoing commitment to achieving the highest standards of Corporate Governance, probity and fiscal integrity.

**Michael J Proffitt**  
Chief Executive



## SUMMARY OF RESULTS

### FINANCIAL

	2003 £000	2002 £000	% Change
Turnover	32,662	32,458	0.63
Surplus	1,734	6,633	(73.86)

### ELECTRICITY SALES

	2003		2002		% Change
	Units Millions	% of Total	Units Millions	% of Total	
Domestic	158	43.2	153	44.3	2.6
Non-Domestic	206	56.8	192	55.7	7.2
	364	100.0	345	100.0	5.2

### OPERATIONAL HIGHLIGHTS

- ◆ **Peak Demand** Highest peak demand 88.78 MW.
- ◆ **Units Distributed** Record number of 364 million kWh.
- ◆ **Revenue Collection** Direct Debit customers 16,000.
- ◆ **Capital Investment** Pulrose Combined Cycle Gas Turbine, the Natural Gas interconnector and Douglas North reinforcement scheme are all in progress.

## KEY STATISTICS

During the Financial Year to 31 March 1999 2000 2001 2002 **2003**

### FINANCIAL

Units Sold	MWh	287,400	307,422	336,638	344,722	<b>363,812</b>
Income from Energy Sales	£000	27,550	29,206	29,185	27,362	<b>27,693</b>
Expenditure:						
Fuel	£000	6,053	8,592	8,760	3,489	<b>5,941</b>
Energy Imports	£000	–	–	1,924	5,424	<b>5,284</b>
Interest	£000	1,437	1,460	1,288	1,160	<b>913</b>
Depreciation	£000	5,018	4,518	4,184	4,107	<b>4,037</b>
Surplus	£000	5,231	5,841	1,842	6,633	<b>1,734</b>
Capital Investment	£000	6,154	2,879	9,056	42,962	<b>98,225</b>
Borrowings Outstanding	£000	15,704	10,091	12,640	188,116	<b>186,874</b>

### COMMERCIAL

Customers		39,668	40,220	40,829	43,714	<b>44,299</b>
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### GENERATION

Generating Capacity	MW	98.2	98.2	82.2	82.2	<b>94.8</b>
Interconnector	MW	–	–	40.0	40.0	<b>40.0</b>
Electricity Generated:						
Interconnector	MWh	–	–	91,032	280,797	<b>274,308</b>
Diesel	MWh	324,825	340,921	271,060	101,947	<b>128,645</b>
Hydro	MWh	4,038	2,986	3,180	1,956	<b>3,567</b>
Maximum Demand	MW	67.3	71.6	77.0	77.2	<b>88.78</b>

### MANPOWER

Employees Average		260	259	259	268	<b>279</b>
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Abbreviations used: **kWh** = 1 kilowatt hour (the 'unit' of electricity)  
**MW** = 1,000 kilowatts  
**GWh** = 1,000,000 kilowatt hours

## PERFORMANCE INDICATORS

During the Financial Year to 31 March 1999 2000 2001 2002 **2003**

### FINANCIAL INDICATORS

Average Price per kWh Sold	Pence	9.59	9.50	8.67	7.93	<b>7.61</b>
Fuel/Import Costs per kWh Sold	Pence	2.11	2.79	3.01	2.59	<b>3.08</b>
Interest Costs per kWh Sold	Pence	0.50	0.47	0.38	0.34	<b>0.25</b>
Depreciation Costs per kWh Sold	Pence	1.75	1.47	1.24	1.19	<b>1.11</b>

### MANPOWER INDICATORS

Employees per GWh Sold		0.90	0.84	0.77	0.78	<b>0.77</b>
Employees per 1,000 Customers		6.55	6.44	6.34	6.13	<b>6.30</b>

### TECHNICAL INDICATORS

Average Minutes lost per Customer per annum (faults)		92	51	62	29	<b>87</b>
Thermal efficiency of diesel generating plant	%	40.7	40.6	40.4	40.3	<b>39.9</b>

## OPERATIONAL REVIEW

### GENERATION PROCUREMENT

The dominant theme throughout the year was to prepare for the new CCGT power plant whilst continuing to operate and maintain our existing diesel generation and interconnector assets.

Sixty eight percent of the Island's electrical energy was provided via the cable with, 31% from diesel generation and 1% from hydro plant. Fuel oil prices have risen significantly during this year due to geopolitical reasons and the economic benefit from the cable was therefore commensurately greater. Additional fuel cost savings from utilising the cable were achieved by raising its capacity during the winter months to further increase the level of imports.

We suffered one interruption to supply when the cable tripped on protection and much of the Island was off supply for an hour. Availability of the cable was also reduced by third-party gas-pipe laying activity across the cable route, when for safety and security reasons power flows were reduced or stopped completely.

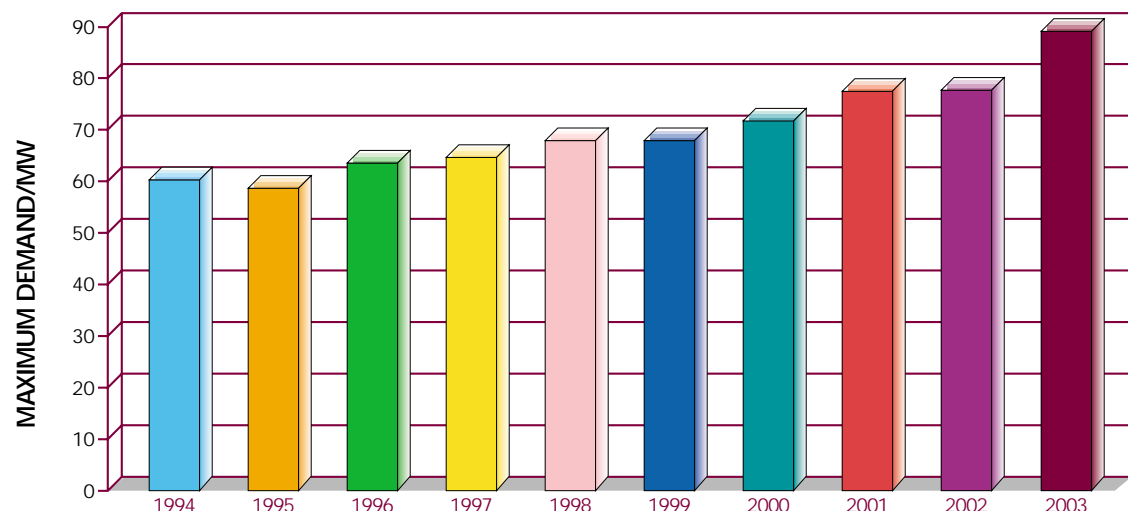
Our electricity procurement contracts ensured we had a reliable and economic source of imported energy for the Island. The United Kingdom electricity market continues to develop and offer new challenges but the trading team succeeded in securing the benefit of low wholesale electricity prices. Export revenues

were also captured albeit at a lower value to last year due to continuing growth in the Island's electricity consumption. The latter was marked by a record half-hourly Island peak of 85.4MW registered during last winter.

Peel and Pulrose diesel stations were available throughout the year, primarily supplementing cable imports, but occasionally reverting to base load during planned and unplanned outages of the cable. Ramsey was home to 10MW of hired stand-by plant over the winter to ensure adequate capacity in the event of loss of the cable link.

On the night of Monday 21st and Tuesday 22nd October 2002, a Pulrose fuel oil service tank failed. This coincided with severe flooding at the site after the heaviest rainfalls recorded in over 35 years, which not only overwhelmed the oil interceptors but also allowed the oil to flow straight out to the drainage system. Nearly 50 tonne of heavy fuel oil escaped and caused pollution at Hills Meadow and Douglas harbour. A major clean up operation was mounted, coordinated by the Emergency Planning Officer and involving the Coastguard, Harbour Control, Department of Transport, MSPCA and other agencies.

In December we completed the changeover from the heavy fuel oil previously used for base load generation to gas oil only for all the diesel



## OPERATIONAL REVIEW

stations. This fuel is also suitable for the CCGT plant if it is necessary, for whatever reason, to switch from natural gas at some time in the future.

Last year saw the end of the vapour plume from the Pulrose wet cooling towers. New, air-cooled radiators were commissioned in August and the 'D' station diesel plant ran satisfactorily for the remainder of the year using the new coolers. The wet cooling at Peel will remain for the foreseeable future but they are of a more modern design and virtually plume-free in operation.

Provisional commercial contracts were discussed with various potential gas suppliers in preparation for 2003/4 when both the MEA and Manx Gas would require gas for generation and residential use respectively.

We have assembled an experienced team of CCGT operators on a short-term contract to ensure the new gas-fired station is successfully commissioned and ensure that the latter operates as smoothly as possible thereafter. Our own staff have received comprehensive training and are working together with the contract team as we prepare the plant, processes and procedures in readiness for full operations.

### ELECTRICITY NETWORK SERVICES

A number of reinforcements, modifications and additions to the electrical distribution network were necessary to meet the continuing developments in the housing, commercial and industrial sectors.

These developments required the installation of 13 new ground mounted substations, the laying of 3 Km of 33kV cable and 19.9 Km of 11kV cable. 25.9 Km of underground cable was also laid to provide new services to 769 properties, 412 of which were new properties. 2 transformers were upgraded and 7 new transformers were installed.

12.5 Km of overhead line was erected.

#### Douglas Reinforcement

Development in the Douglas area continued with the conversion of the old guest and boarding houses to large offices and apartments, some of which have installed an electric heated wet under-floor heating system. 32 applications were received for electric heating systems. Consequently the demand for electricity in the Douglas area has continued to grow at a significant rate.

To meet this demand the Douglas 33kV reinforcement programme was progressed with the commissioning of a 33kV substation at St Ninians.

#### Switchgear Replacement

The MEA has a long term programme for the systematic replacement of distribution system switchgear, which has reached the end of its economic life. During the year switchgear was replaced at a further 5 substations. During the fifteen year period to March 2003 switchgear has been replaced at a total of 187 substations.

#### Town Centre Mains Replacements

A total of 0.4 Km of surface mounted mains cables were removed during the year as part of the MEA's continuing long term programme. The new installations have brought about further improvements in the security of supply in the areas of Ramsey and Peel.

## OPERATIONAL REVIEW

### Wood Pole Replacement

The MEA replaces a proportion of its overhead line system wood poles each year on the basis of condition surveys and 45 wood poles were replaced during the year.

### Reliability of Supply

The average period of unplanned disconnection experienced by customers during this year resulting from all causes was 87 minutes compared with 29 minutes in 2001/2002. 58 minutes were due to faults on the distribution network.

26% of the minutes lost were due to third party interference and seminars have been held with contractors on the island to make them aware of the precautions that can be taken to avoid buried electric cables.

The MEA provided over 1,300 interested parties with copies of plans in response to enquiries by contractors/developers to indicate the location of our cables. This service is provided free of charge.

### Communications Network

Following notification from the Communications Commission that we are required to vacate the frequencies allocated to the MEA by the year 2004, we have been advised that the MEA will be included in the governments proposals to replace the emergency services radio system with the TETRA system.

Expansion and upgrading of the SCADA system continued throughout the year with the view to provide remote operational and data access facilities.

### Public Lighting

The MEA continued to provide public and decorative lighting services, with the provision of 182 new installations, 58 replacements and maintenance of 4,463 lighting installations for 24 local authorities and other public bodies. Approximately 4 Km of decorative lighting was also maintained.

## HEALTH SAFETY & THE ENVIRONMENT

As part of The Manx Electricity Authority's ongoing commitment to Health, Safety and Environmental issues, a new post has been created, namely that of Health and Safety coordinator, to facilitate the development of a new system that conforms specifically to the Health and Safety Executive best practice model HS(G)65.

Several internal and external audits were carried out on our existing systems against the model parameters of HS(G)65 and a number of recommendations have already been made. Where the recommendations have been mandatory for emerging new legislation they have already been incorporated into our existing systems to reflect immediate improvement.

One such example is the introduction of a Vision Statement and series of Policy Documents that have been formally issued by the Board to demonstrate its commitment to Health and Safety.

During the development period of the new system and until such time the change over can take place effectively without detriment to MEA standards, it will be necessary to continue running our existing systems in parallel.

The development model we have chosen to encompass Environmental Standard ISO14000 and Quality Standard ISO9000 is the guideline OHSAS18001 (Occupational Health Self Assessment System).

## OPERATIONAL REVIEW

### RETAIL



The year 2002/2003 proved to be a rather turbulent one for retailers in general. Continuing tensions in the Middle East, along with other factors closer to home within Europe seemed to promote a continuing air of caution and reserve on consumer spending. Whilst some of our competitors within the UK and the Isle of Man were reporting somewhat indifferent trends, MEA Showrooms once again built upon a strong previous year to report encouraging growth within a cautious market.

The introduction of increased storage facilities during the year enabled our business to purchase larger quantities of appliances from our major suppliers, resulting in our improved competitiveness leading to an increased share of the local market. This, along with added promotions, and special offer discounts further increased the customer perception of MEA Showrooms as a premier retailer of electrical appliances, offering superb quality appliances with increased value for money.

Our business saw many changes over the last year all helping to promote the growth previously mentioned. Douglas showroom was subjected to a major refurbishment enabling the business to grow and compete effectively with our competitors in a modern and customer friendly environment. Castletown showroom received a much needed 'face-lift' drastically

improving the image of our business in the South, and further improvements were made to our Customer Service facilities in both our Douglas and Ramsey showrooms, along with further changes to our delivery and installation service. These changes have indeed helped to re-affirm our position as a forward thinking; constantly evolving business focused on the ever-changing needs of our customers.

Retail Division has also seen some major changes in its management structure. James Williams took over the position of Divisional General Manager from the previous incumbent, Phil Thompson in October of 2002. With any new manager comes a new drive and focus, and with James now in place, along with his management team the division will undertake further improvements to its operation and structure to enable it to continually compete effectively and deliver outstanding quality, service and value to its customers.

2003/2004 will most certainly be a challenging year; however, the future remains bright for MEA Showrooms. A strong and committed management team along with a dedicated and professional team of staff will ensure that MEA Showrooms continue to build on the achievements of the previous years whilst at all times listening and changing with the needs of our customers.

**OPERATIONAL REVIEW**

**EMPLOYEES AND TRAINING**

**Human Resources**

The number of full-time equivalent employees, including temporary and part-time staff, as at 31 March 2003 was as follows:

Chief Executive	1
Directors & Divisional Managers	12
Generation/Procurement Division	77.1
Network Services Division	96.9
Corporate Services Division	68.9
Capital Projects	37.9
Internal Audit	2
	<b>295.8</b>

Throughout the year, the development of staff continued to be encouraged through in-house training in specialised areas, using experienced tutors, and further education. The courses provided at the Isle of Man College and the International Business School and the qualifications available to both junior and more experienced staff were of great benefit, both to the individual staff members concerned by improving their skills and, to the MEA as a whole, through the increased efficiencies and higher standards of service which were made possible.

6 members of MEA staff have attained formal qualifications and examination successes throughout the year including National Vocational Qualifications, Certificate in Personnel Practice and Higher National Certificate in Computing.

Northern Ireland Electricity continued to provide specialised training and experience for MEA

staff through tailored training courses. Other in-house training was arranged through a wide variety of sources. The MEA's Training Coordinator delivered a variety of softer skills courses throughout the year including Customer Care, Telephone Techniques, Basic Computer Skills and One to One Performance Review training. The Training Coordinator was also successful in gaining an NVQ Level 5 in Training and Development.

Using the facilities of the British Red Cross Society, 12 staff were able to attend a 2-day refresher First Aid training course and these are continuing on a regular basis.

The MEA continued to place a great value on the relationship which has been developed with the Island's schools, and staff from the Human Resources Department took part in Careers conventions at St Ninian's High School, Castle Rushen High School, Queen Elizabeth II High School and Ramsey Grammar School. In addition, a number of work experience opportunities, in both the office and engineering environments, were provided for students as part of their career development education. Two staff are Business Advisors for the Young Enterprise Scheme. The HR Manager is Chairman of Young Enterprise (Isle of Man) and Life Education, an Advisor to the Engineering Committee at the Isle of Man College and a member of the Chamber of Commerce Employment and Training Committee.

In 2002 the MEA received the Investors in People award. The IIP initiative is about continuous improvement and the MEA will be assessed on a regular basis to ensure that the IIP standards are continually met.

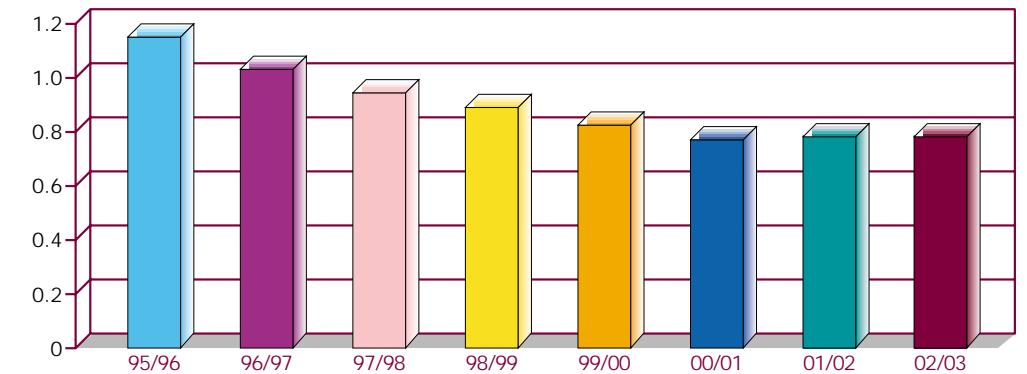


**INVESTOR IN PEOPLE**

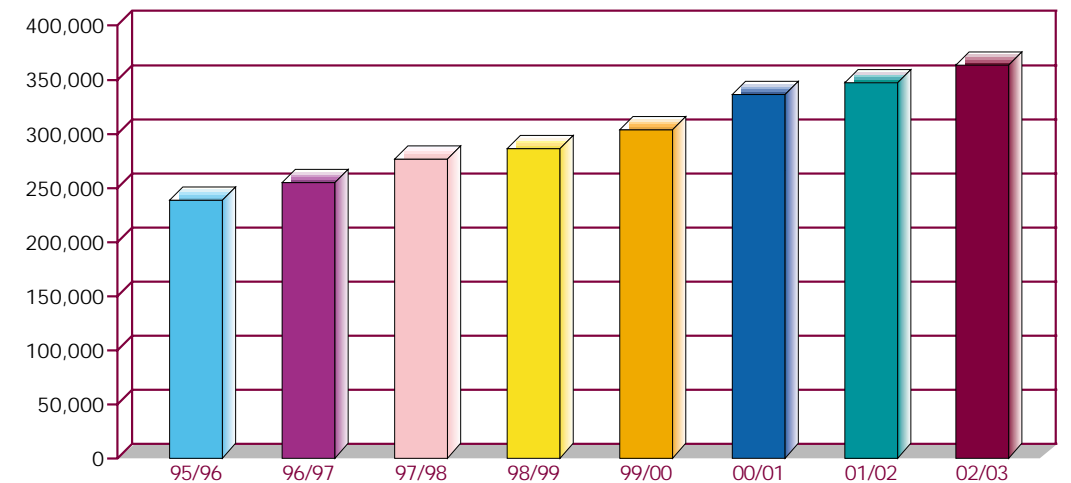
**OPERATIONAL REVIEW**

**PERFORMANCE CHARTS**

**EMPLOYEES PER GWH SOLD 1995/96 TO 2002/03**



**UNITS SOLD 1995/96 TO 2002/03 (MWh)**



## OPERATIONAL REVIEW

### SPORTS AND SOCIAL CLUB



The MEA's Sports and Social Club was established in 1984 and, at the year end its total membership was 429, made up from 251 staff and 178 associates.

The club's aims are to encourage staff from all parts of the MEA and retired members to participate in a diverse range of sporting and social activities organised by the committee and also to support all members with their charitable events.

The club has regular monthly meetings, which are open to all members who can attend and put forward suggestions. At the recent Annual General Meeting John McCallion was asked to remain in the post of club President while Jason Quayle took over as Chairman from Ann Russell. Ann has volunteered to remain on the committee to represent the views and wishes of the retired members.

### CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Board is committed to implementing high standards of corporate governance within the MEA to demonstrate effective accountability and probity throughout the organisation. The following sections describe the way the Board follows best practice in implementing good governance:

#### The Board

The Board meets monthly and consists of five independent members including the Chairman. The Chairman is responsible for the working of the Board. The Chief Executive is responsible for running the business and implementing board strategy and policy. The independent members of the Board have considerable business experience and are free from any relationships with the MEA that could significantly interfere with their judgements.

The Board has a schedule of matters that are specifically reserved for its decision thereby ensuring that it maintains control over strategy and key financial and operational issues. It has formally delegated certain responsibilities to its Audit and Remuneration Committees, which operate within written terms of reference.

#### Internal Control

The Board is responsible for the MEA's internal control arrangements and for monitoring their effectiveness. The purpose of the systems of internal control is to manage achievement of business objectives, as well as providing reasonable assurance that:

- the assets of the MEA are safeguarded
- there is compliance with procedures, regulations and legislation
- accounting records are properly maintained, and;
- management information is complete and accurate.

The effectiveness of the internal control arrangements are examined by the MEA's internal audit function which gives ongoing assurance to the Board and management on the operation of financial and operational controls,

## OPERATIONAL REVIEW

and the adequacy of monitoring procedures. Internal audit operates under the supervision of the Head of Internal Audit who reports to the Chief Executive and the Chairman of the Audit Committee.

The Head of Internal Audit prepares an annual audit plan of assignments to be performed that examine internal controls. The inclusion of an assignment in the plan is based on a process of assessing risks to the MEA and the result of discussions with the Chief Executive and senior management.

#### Audit Committee

The Committee, consisting of three Board members, has been delegated authority to monitor the work of internal audit and ensure

that there is a review of internal control arrangements. The Committee meets quarterly with the Chief Executive, Director of Corporate Services and the Head of Internal Audit in attendance. The Committee approves the internal audit charter and the annual audit plan, and considers reports on the work undertaken and matters raised by internal audit.

#### Remuneration Committee

The Committee consists of two Board members and has been delegated authority to:

- recommend the remuneration of the Chief Executive to the Board, and;
- ratify the remuneration of Operational Directors as recommended by the Chief Executive.

**W John McCallion**  
Chairman

30 October 2003

**Michael J Proffitt**  
Chief Executive

## STATEMENT OF THE BOARD OF THE MANX ELECTRICITY AUTHORITY'S RESPONSIBILITIES

The Manx Electricity Authority (MEA) is constituted under the Electricity Act 1996 as a statutory Board of Tynwald and it is the Board's responsibility to prepare financial statements for each financial year which are in accordance with the Audit Act 1983 and all other enactment's applicable to the accounts. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the MEA will continue in business.

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the MEA and enable it to ensure that the financial statements comply with the Accounts and Audit Regulations 1984 made under the Audit Act 1983. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the MEA and to prevent and detect fraud and other irregularities.

## REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT LLC, TO THE ISLE OF MAN TREASURY AND MANX ELECTRICITY AUTHORITY

We have audited the financial statements on pages 20 to 34.

This report is made solely to the Isle of Man Treasury and the Manx Electricity Authority in accordance with the terms of our engagement. Our audit work has been undertaken so that we can state to the Isle of Man Treasury and the Manx Electricity Authority those matters we are required to state in our auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Isle of Man Treasury and the Manx Electricity Authority for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of the Board of the Manx Electricity Authority and Auditors*

As described on page 18 the MEA's Board is responsible for the preparation of financial statements in accordance with applicable Isle of Man Law. Our responsibilities, as independent Auditors, are established in the Isle of Man by statute, the Auditing Practice Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements are prepared in accordance with the Accounts and Audit Regulations 1984 made under the Audit Act 1983.

We read the Chief Executives report and other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistent with the financial statements.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the MEA's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements for the year ended 31 March 2003 have been properly prepared in accordance with the Accounts and Audit Regulations 1984, made under the Audit Act 1983, and comply with the requirements of all other enactment's applicable to the financial statements.



Chartered Accountants

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31 MARCH 2003

Notes	2003 £000	2002 £000
<b>TURNOVER</b>		
2 Electricity Supply	27,693	27,362
3 Retail Marketing, Contracting and Rental	4,969	5,096
	<b>32,662</b>	<b>32,458</b>
<b>OPERATING COSTS</b>		
2 Electricity Supply	29,534	25,401
3 Retail Marketing, Contracting and Rental	3,233	3,175
	<b>32,767</b>	<b>28,576</b>
<b>(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES</b>		
before interest	(105)	3,882
5 Net Interest Receivable	1,839	2,751
16 Surplus for the year transferred to Asset Replacement Reserve	1,734	6,633

In both the current and preceding financial years the MEA had no other recognised gains or losses other than the surplus for the year. All the items dealt with in arriving at the surplus for the year for 2003 and 2002 relate to continuing operations.

The MEA deficit for the year, excluding subsidiaries, was £656,000 (2002: surplus of £6,476,000).

A statement of movements on reserves is set out in Note 16.

**BALANCE SHEETS**  
FOR THE YEAR ENDED 31 MARCH 2003

Notes	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>FIXED ASSETS</b>				
6 Tangible Assets	263,178	168,989	207,682	139,440
<b>OTHER ASSETS</b>				
Investment in Manx Cable Company	-	-	22,606	22,606
Investment in PGT	-	-	2	-
7 Deferred expenditure	18,796	8,853	18,796	8,853
<b>CURRENT ASSETS</b>				
8 Stocks	2,951	2,716	2,951	2,716
9 Debtors	6,227	6,307	13,076	12,279
Cash at Bank and in hand	23,798	132,442	15,767	113,955
	<b>32,976</b>	<b>141,465</b>	<b>31,794</b>	<b>128,950</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
10 Loans and Overdrafts	(1,342)	(1,242)	(1,342)	(1,242)
11 Creditors	(15,360)	(18,883)	(13,669)	(30,118)
	<b>(16,702)</b>	<b>(20,125)</b>	<b>(15,011)</b>	<b>(31,360)</b>
Net Current Assets/(Liabilities)	16,274	121,340	16,783	97,590
Total Assets less Current Liabilities	<b>298,248</b>	<b>299,182</b>	<b>265,869</b>	<b>268,489</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>				
11 Loan Payable	(30,179)	(30,398)	-	-
12 Deferred Income	(8,112)	(7,579)	(8,112)	(7,579)
13 Provision for Rebate	-	(1,640)	-	(1,640)
14 Amount due to IoM Government	(185,000)	(185,000)	(185,000)	(185,000)
15 Finance Debt	(532)	(1,874)	(532)	(1,874)
	<b>(223,823)</b>	<b>(226,491)</b>	<b>(193,644)</b>	<b>(196,093)</b>
	<b>74,425</b>	<b>72,691</b>	<b>72,225</b>	<b>72,396</b>
16 Reserves: General	12,000	12,000	12,000	12,000
16 Asset Replacement	62,425	60,691	60,225	60,396
	<b>74,425</b>	<b>72,691</b>	<b>72,225</b>	<b>72,396</b>

The financial statements on pages 20 to 34 were approved by the MEA on 30 October 2003.

W John McCallion  
Chairman

Michael J Proffitt  
Chief Executive

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2003

Notes	2003		2002	
	£000	£000	£000	£000
17a <b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>		(1,762)		8,810
Returns on investments and servicing of finance				
Interest received	2,722		3,911	
Interest paid	(10,716)		(564)	
		(7,994)		3,347
<b>CAPITAL EXPENDITURE</b>				
Purchase of subsidiary	-		(16,106)	
Payments to acquire tangible fixed assets	(98,225)		(38,682)	
Cash acquired on purchase of subsidiary	-		430	
Receipts from sales tangible fixed assets	-		-	
Deferred income received - customers' contributions	798		1,016	
		(97,427)		(53,342)
<b>FINANCING</b>				
Repayment of HSBC loan	(219)		(5,000)	
14 Repayment of borrowings to IoM Government	-		(1,986)	
New loan finance arranged	-		185,000	
7 Costs of financing	-		(2,224)	
15 Repayment of lease finance	(1,242)		(1,466)	
		(1,461)		174,324
17b (Decrease)/Increase in cash		(108,644)		133,139

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

### 1. ACCOUNTING POLICIES

The MEA is constituted under the Electricity Act 1996 as a Statutory Board of Tynwald. The financial statements are prepared in accordance with accounting standards applicable in the United Kingdom, with the exception of the treatment of deferred expenditure as stated below, and in accordance with the requirements of the Accounts and Audit Regulations 1984 made under the Audit Act 1983. The particular accounting policies adopted are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Basis of Consolidation

The Group accounts include the accounts of the Manx Electricity Authority ('the Authority') and its subsidiary companies.

#### Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost in equal annual instalments over the estimated useful lives of the assets. Depreciation is first charged in the year following that in which the expenditure was incurred or, in respect of generation plant, the year of commissioning.

The rates of depreciation are as follows:

	Years
Buildings	40
Generation plant	
Diesel stations	20
Hydro-electric station	30
Oil storage	25
Distribution systems	40
Vehicles and equipment	
Meters	10 or 20 (according to meter type)
Vehicles and other	5

#### Stocks

Engineering stocks and goods held for resale are subject to rotational usage and are valued on the basis of average invoice prices.

Fuel is valued at cost and accounted for on a 'first in first out' basis. The Strategic Fuel Reserves (Note 19) held on behalf of the Isle of Man Government are valued at market value. They are not included in the accounts of the MEA.

Provision has been made against slow-moving, obsolete and surplus stocks, which include certain engineering components that are being written off over the period remaining to planned cessation of use.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

1. **ACCOUNTING POLICIES** (Continued)

**Deferred Income**

Customer contributions in respect of fixed assets are treated as deferred income. Deferred income is released to the profit and loss account over a 40 year period.

**Deferred Expenditure**

The MEA has borrowed £185 million from the Isle of Man Government as the financial solution within the overall re-structuring strategy. Interest is being deferred until the re-structuring is complete and will be recognised over the remaining life of the loan.

**IOM Government Rebate**

Relieved IOM Government loans and the associated relieved interest are treated as deferred provision for rebate and are released to the profit and loss account as rebates are given to customers.

**Leases**

Assets obtained under finance leases are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

**Asset Replacement Reserve**

The Asset Replacement Reserve comprises annual appropriations for the future replacement of fixed assets.

**Turnover**

Turnover represents the value of electricity consumption during the year, which includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end and the invoice value of other goods and services provided, exclusive of value added tax.

**Taxation**

The MEA is not an Isle of Man tax paying entity and accordingly a provision for Isle of Man taxation is not included in these accounts. No taxation liability is expected to arise in respect of the activities of subsidiary undertakings due to the availability of capital allowances.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

2. **ELECTRICITY SUPPLY**

**TURNOVER**

**Sales of Electricity**

	kWh Sold (Millions)	2003 £000	kWh Sold (Millions)	2002 £000
Domestic	157	12,177	153	11,479
Non-Domestic	85	6,252	84	7,929
Demand	120	7,134	101	4,435
Public Lighting	2	110	5	350
Exports of Electricity	-	264	2	1,434
Energy Sales	364	25,937	345	25,627
Rebated Standing Charges		1,756		1,735
<b>Total Sales</b>		<b>27,693</b>		<b>27,362</b>

**OPERATING COSTS**

	2003		2002	
	£000 Total	Deprec. Element	£000 Total	Deprec. Element
Generation	11,087	2,104	10,034	2,193
Importation of Electricity	5,284	-	5,424	-
Distribution Network Services	3,939	1,474	5,200	1,453
Administration and General Expenses	9,224	458	4,743	460
<b>Total Expenditure</b>	<b>29,534</b>	<b>4,036</b>	<b>25,401</b>	<b>4,106</b>
<b>OPERATING (DEFICIT)/SURPLUS</b>	<b>(1,841)</b>		<b>1,961</b>	

Administration and General Expenses include the following fees paid to Board Members in their capacity as Board Members.

	£
W J McCallion	16,500
T D Mackay	5,000
T Ferrer	5,000
J C Taylor	5,000
J C Fargher	5,000

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

3 **RETAIL MARKETING, CONTRACTING AND RENTAL**

	2003 £000	2002 £000
<b>TURNOVER</b>		
Sales, Work Done, Hire Purchase Charges & Rental Income	4,622	4,712
Fibre Optic Cable Rental on operating lease from DTI	347	384
<b>OPERATING COSTS</b>		
Cost of Sales, Salaries and Related Costs, Admin, etc.	(3,233)	(3,175)
	<b>1,736</b>	1,921

4 **SUBSIDIARY COMPANIES**

The Authority has two wholly owned subsidiaries included in the group accounts.

Manx Cable Company Limited was incorporated in the Isle of Man as a joint venture company with National Grid Company (Isle of Man) Limited on 6 May 1998. Its principal activity is to construct and then lease an electricity cable link between the United Kingdom and the Isle of Man. Manx Cable Company Limited has been accounted for using the acquisition method of accounting. In April 2001 Manx Electricity Authority agreed to acquire National Grid (Isle of Man) Limited's shareholding.

PGT Limited was incorporated in the Isle of Man on 10 December 2001. Its principal activity is to construct the Pulrose Combined Cycle Gas Turbine generating station for its customer, the Manx Electricity Authority.

5 **NET INTEREST RECEIVABLE**

	2003 £000	2002 £000
Interest receivable from Bank and other Deposits	2,722	3,911
Less: Interest payable on:		
Borrowings from IoM Government	-	(45)
Lease Finance	(209)	(308)
Bank Overdrafts and Loans	(564)	(211)
Relieved IoM Government Interest	(110)	(596)
	<b>(883)</b>	(1,160)
Net Interest receivable	<b>1,839</b>	2,751

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

6 **TANGIBLE FIXED ASSETS**

**GROUP**

	Freehold Land & Buildings £000	Generation Plant £000	Distribution Systems £000	Vehicles & Equipment £000	Total £000
<b>COST</b>					
At 1 April 2002	18,996	137,722	51,100	4,276	212,094
Additions	33	93,653	4,084	455	98,225
Disposals	(10)	-	-	(1,568)	(1,578)
At 31 March 2003	<b>19,019</b>	<b>231,375</b>	<b>55,184</b>	<b>3,163</b>	<b>308,741</b>
<b>DEPRECIATION</b>					
At 1 April 2002	4,448	20,756	14,300	3,601	43,105
Charge for the year	458	2,104	1,277	197	4,036
Disposals	(10)	-	-	(1,568)	(1,578)
At 31 March 2003	<b>4,896</b>	<b>22,860</b>	<b>15,577</b>	<b>2,230</b>	<b>45,563</b>
<b>NET BOOK VALUE</b>					
At 31 March 2003	<b>14,123</b>	<b>208,515</b>	<b>39,607</b>	<b>933</b>	<b>263,178</b>
At 31 March 2002	14,548	116,966	36,800	675	168,989

**AUTHORITY**

	Freehold Land & Buildings £000	Generation Plant £000	Distribution Systems £000	Vehicles & Equipment £000	Total £000
<b>COST</b>					
At 1 April 2002	18,996	108,173	51,100	4,276	182,545
Additions	33	67,706	4,084	455	72,278
Disposals	(10)	-	-	(1,568)	(1,578)
At 31 March 2003	<b>19,019</b>	<b>175,879</b>	<b>55,184</b>	<b>3,163</b>	<b>253,245</b>
<b>DEPRECIATION</b>					
At 1 April 2002	4,448	20,756	14,300	3,601	43,105
Charge for the year	458	2,104	1,277	197	4,036
Disposals	(10)	-	-	(1,568)	(1,578)
At 31 March 2003	<b>4,896</b>	<b>22,860</b>	<b>15,577</b>	<b>2,230</b>	<b>45,563</b>
<b>NET BOOK VALUE</b>					
At 31 March 2003	<b>14,123</b>	<b>153,019</b>	<b>39,607</b>	<b>933</b>	<b>207,682</b>
At 31 March 2002	14,548	87,417	36,800	675	139,440

Included in fixed assets at 31 March 2003 is freehold land amounting to £915,000 (2002: £915,000) which has not been depreciated.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2003

#### 6 TANGIBLE FIXED ASSETS (Continued)

In accordance with the Financial Reporting Standard 7 "Fair Values in Acquisition Accounting", the identifiable assets and liabilities of Manx Cable Company Limited have been included in the consolidated financial statements of the Authority at their fair values as at the date of acquisition (deemed to be 1 April 2001).

Authority generation plant includes £86 million (2002: £36 million), being amounts invoiced by PGT Limited. PGT Limited has incurred expenditure of £82,563,772 (2002: £9,190,000) at the year end in respect of the CCGT construction contract.

Interest capitalised in Manx Cable Company Limited during the year amounts to £855,644 (2002: £1,571,000).

The net book value of the Authority's fixed assets includes £5 million at 31 March 2003 (2002: £6 million) in respect of assets held under finance leases and hire purchase contracts. Depreciation was charged during the year on these assets of £500,000 (2002: £500,000).

#### 7 DEFERRED EXPENDITURE

Deferred expenditure comprises interest of £16,572,750 (2002: £6,620,000) and bond issue expenses of £2,224,000. These amounts will be charged to the profit and loss account in equal amounts over the period until the maturity of the bond in 2034.

#### 8 STOCKS

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Raw Materials and Consumables:				
Fuel	-	-	-	-
Engineering	2,688	2,329	2,688	2,329
Goods for resale	263	387	263	387
	<u>2,951</u>	<u>2,716</u>	<u>2,951</u>	<u>2,716</u>

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2003

#### 9 DEBTORS

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year:				
Trade Debtors				
Electricity billed	837	1,324	837	1,324
Credit Sales	199	345	199	345
Hire Purchase instalments not yet due	235	334	235	334
Provision for Bad Debts	-	(11)	-	(11)
Provision for Unbilled Electricity	2,990	2,927	2,990	2,927
VAT	962	967	315	1,058
Manx Cable Company Limited	-	-	3,661	6,177
PGT Ltd	-	-	4,290	-
Staff Loans	65	80	65	80
	<u>5,288</u>	<u>5,966</u>	<u>12,592</u>	<u>12,234</u>
Prepayments and Accrued Income	939	333	484	37
	<u>6,227</u>	<u>6,299</u>	<u>13,076</u>	<u>12,271</u>
Amounts falling due after more than one year:				
Hire Purchase instalments not yet due	-	8	-	8
	<u>6,227</u>	<u>6,307</u>	<u>13,076</u>	<u>12,279</u>

#### 10 LOANS AND OVERDRAFTS

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year:				
Isle of Man Bank				
Finance Debt (Note 15)	1,342	1,242	1,342	1,242
	<u>1,342</u>	<u>1,242</u>	<u>1,342</u>	<u>1,242</u>

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

11 **CREDITORS**

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year:				
Trade Creditors	3,394	7,561	1,506	7,530
Accruals	1,649	938	1,849	691
Other Creditors	8,571	8,632	8,568	8,632
Provision for Rebate (Note 13)	1,746	1,752	1,746	1,752
PGT Ltd	-	-	-	11,513
	<b>15,360</b>	<b>18,883</b>	<b>13,669</b>	<b>30,118</b>

**LOAN PAYABLE**

Manx Cable Company Limited has entered into agreements with HSBC for secured finance of up to £36 Million repayable within five years.

12 **DEFERRED INCOME**

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due after more than one year:				
Deferred Income: Customers' Contributions				
At 1 April	7,579	6,802	7,579	6,802
Received in the year	798	1,016	798	1,016
Released to profit and loss account in the year	(265)	(239)	(265)	(239)
At 31 March	<b>8,112</b>	<b>7,579</b>	<b>8,112</b>	<b>7,579</b>

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

13 **ISLE OF MAN GOVERNMENT REBATE**

Under the terms of directions given by Treasury to the then Department of Industry, the MEA was relieved of Isle of Man Government Borrowings amounting to £12M (£9M 1991/92, £3M 1996/97) in order that a maximum annual rebate of £42.00 could be given to all domestic and non-domestic (including Demand) customers.

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
At 1 April	3,392	4,531	3,392	4,531
Add: Interest repayment relieved	110	596	110	596
Less: Rebates given to customers during the year (Note 2)	(1,756)	(1,735)	(1,756)	(1,735)
At 31 March	<b>1,746</b>	<b>3,392</b>	<b>1,746</b>	<b>3,392</b>
Rebates to be given within one year	1,746	1,752	1,746	1,752
Rebates to be given after more than one year	-	1,640	-	1,640
At 31 March	<b>1,746</b>	<b>3,392</b>	<b>1,746</b>	<b>3,392</b>

14 **AMOUNT DUE TO IOM GOVERNMENT**

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due after one year:				
At 1 April	185,000	1,986	185,000	1,986
Less: Repayment during the year	-	(1,986)	-	(1,986)
Add: Advanced during the year	-	185,000	-	185,000
At 31 March	<b>185,000</b>	<b>185,000</b>	<b>185,000</b>	<b>185,000</b>

The MEA arranged a bond issue in the name of the Isle of Man Treasury. £185 million nominal was issued at 5.375% per annum. The maturity date is 14 August 2034.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

15 **FINANCE/LEASE DEBT**

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Lease finance falling due after one year:				
At 1 April	3,116	4,582	3,116	4,582
Less: Repayments during the year	(1,242)	(1,466)	(1,242)	(1,466)
	1,874	3,116	1,874	3,116
Less: Amounts falling due by 31 March 2004 (Note 10)	(1,342)	(1,242)	(1,342)	(1,242)
At 31 March	532	1,874	532	1,874

The terms are for up to 10 years repayable in quarterly instalments as follows:

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
Due after one year:				
Between one and two years	532	1,343	532	1,343
Between two and five years	-	531	-	531
	532	1,874	532	1,874

16 **RESERVES**

	Group		Authority	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>GENERAL</b>				
At 1 April and 31 March	12,000	12,000	12,000	12,000
<b>ASSET REPLACEMENT</b>				
At 1 April as previously stated	60,691	54,058	60,396	54,058
Less profits reported under the gross equity method in prior periods	-	-	-	(138)
Transfer from Profit and Loss Account	1,734	6,633	(171)	6,476
At 31 March	62,425	60,691	60,225	60,396

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 MARCH 2003

17 **CASH FLOW STATEMENT**

	2003 £000	2002 £000
a. Reconciliation of operating (deficit)/surplus to net cash flow from operating activities		
Operating surplus	(105)	3,882
Depreciation charges	4,036	4,107
Profit on sale of tangible fixed assets	-	-
Deferred income release	(265)	(239)
Movements in working capital		
Stocks	(235)	497
Debtors	80	(381)
Creditors	(3,523)	2,931
Movement in provision for rebate	(1,640)	(1,391)
Relieved IoM Government Interest (Note 5)	(110)	(596)
Net cash flow from operating activities	(1,762)	8,810

	2003 £000		2002 £000	
	£000	£000	£000	£000
b. Reconciliation of net cash flow to movement in debt				
(Decrease)/Increase in cash in the period	(108,644)		133,139	
Cash used to repay short term bank loans	219		5,000	
Cash used to repay lease finances	1,242		1,466	
Cash used to repay IoM Government loan	-		1,986	
Cash received from				
IoM Government Bond Issue	-		(185,000)	
Loan acquired with subsidiary	-		(30,398)	
Movement in net debt in the period	(107,183)		(73,807)	
Net debt at 1 April	(86,072)		(12,265)	
Net debt at 31 March	(193,255)		(86,072)	

	At 31 March 2003 £000	Cash Flows £000	Other Changes £000	At 1 April 2002 £000
c. Analysis of changes in net debt				
Cash at bank and in hand	23,798	(108,644)	-	132,442
Debt due within one year	(1,342)	1,242	(1,342)	(1,242)
Debt due after one year	(215,711)	219	1,342	(217,272)
Total	(193,255)	(107,183)	-	(86,072)

**NOTES TO THE ACCOUNTS**  
 FOR THE YEAR ENDED 31 MARCH 2003

**NOTES**

18 **CAPITAL COMMITMENTS**

	2003 £000	2002 £000
Contracted	18,893	43,371
Authorised but not contracted	16,006	46,163

19 **STRATEGIC FUEL RESERVES**

The accounts do not include strategic fuel reserves held by the MEA at Peel and Pulrose on behalf of the Isle of Man Government. The value of these reserves at 31 March 2003 was £1,204,200 (2002: £1,224,000).

20 **STAFF PENSION SCHEME**

The Isle of Man Government operate a pension scheme on behalf of the MEA ("Manx Electricity Authority Superannuation Scheme 1985"). Previous employees of Douglas Corporation Electricity Department had the option to remain part of the pension scheme operated by the Douglas Corporation.

Under the provisions of the Manx Electricity Authority Superannuation Scheme 1985, the MEA contributes 7% of the Employee's pensionable pay and the employee contributes 6% of his or her pensionable pay (unless he or she has opted to buy additional years of service up to a maximum of 40 by paying a higher contribution).



Jim Crombie, Director  
(Generation/Procurement) with Tom  
Durrant of Manx Energy Natural  
Resources Society at Silverdale Glen. MEA  
are helping to renovate the water wheel.

Annual Report 2002-2003

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