*Celebrating Our Community Partnerships*


GRENADA ELECTRICITY SERVICES LTD.
ANNUAL REPORT 2017

grenlec

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# Vision

To become a world class energy service provider and to be the corporate leader in Grenada, Carriacou and Petite Martinique, exceeding the expectations of all stakeholders.

# Mission

To deliver excellent energy services in Grenada, Carriacou and Petite Martinique at the least possible cost while maintaining the highest standards and values.

# Corporate Information

## CORPORATE PROFILE

The Grenada Electricity Services Ltd. (GRENLEC), the sole licensed provider of electricity in Grenada, Carriacou and Petite Martinique, is publicly traded on the Eastern Caribbean Securities Exchange (ECSE).

With a customer base of more than 50,000, our Company has been providing integrated services of generation, transmission and distribution of electricity since 1960. With total installed capacity of 50.87MW and peak demand of 32MW, GRENLEC generates from three locations in Grenada, Carriacou and Petite Martinique. A 33kV transmission network and two substations at Queen's Park and Grand Anse ensure reliability in the south of Grenada. Since privatisation in 1994, GRENLEC has risen to the challenge of providing safe, reliable service by continually investing in service enhancement, its employees, infrastructure and communities.

## DIRECTORS

G. Robert Blanchard Jr. – Chairman
Alister Bain
Robert Blenker
Robert Curtis
Anthea Debellotte
Ashton Frame
Linda George-Francis
Duane Noel
Edward Parry
Deborah Roseman
Lawrence Samuel
Murray Skeete

## GENERAL MANAGER

Collin Cover

## COMPANY SECRETARY

Benedict A. Brathwaite

## REGISTERED OFFICE

Grand Anse
St. George
Grenada

## BANKERS

**CIBC FirstCaribbean International Bank (Barbados) Limited**
Church Street
St. George's, Grenada

**Republic Bank (Grenada) Limited**
Republic House
Grand Anse
St. George, Grenada

**Cayman National Bank**
Grand Cayman
Cayman Islands

**RBTT Bank Grenada Limited**
Cnr. Cross & Halifax Streets
St. George's, Grenada

**Bank of Nova Scotia**
Cnr. Granby and Halifax Streets
St. George's, Grenada

**Grenada Cooperative Bank Limited**
Church Street
St. George's, Grenada

**The Bank of Tampa**
Florida, U.S.A.

## ATTORNEYS-AT-LAW

Mitchell and Co.
Grand Anse
St. George, Grenada

## AUDITORS

**PKF**
Accountants and Business Advisers
Pannell House
Grand Anse
St. George's, Grenada

# Notice of Annual General Meeting

Notice is hereby given that the Fifty-ninth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Hospitality Room, Grenada National Stadium, Queen's Park, St. George's on Tuesday, 8 May 2018 at 4:30 p.m. to:

- Receive the Annual Reported Financial Statements for the year ended 31 December 2017 together with the Auditors' Report thereon.
- Appoint the Auditors and authorise the Directors to determine their remuneration.
- Elect Directors.

## Close of business

Question and answer period to discuss any other business of the Company, which may properly be considered at an Annual Meeting.

Dated Wednesday, 7 March 2018.

By order of the Board

B. A. Brathwaite

**Benedict Brathwaite**
Company Secretary

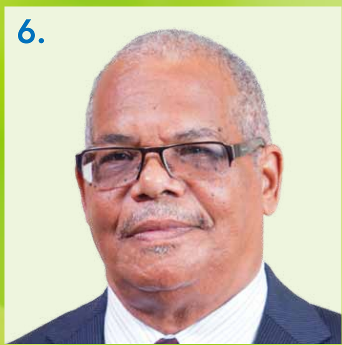
## Notes

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.
- Shareholders on record on Tuesday, 17 April 2018 are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

# Board of Directors












1. G. Robert Blanchard Jr. – Chairman
2. Alister Bain
3. Robert Blenker
4. Robert Curtis
5. Anthea Debellotte
6. Ashton Frame
7. Linda George-Francis
8. Duane Noel
9. Edward Parry
10. Deborah Roseman
11. Lawrence Samuel
12. Murray Skeete


Care Institutions


Celebrating Gold with Grenada's Team to the Chelsea Flower Show

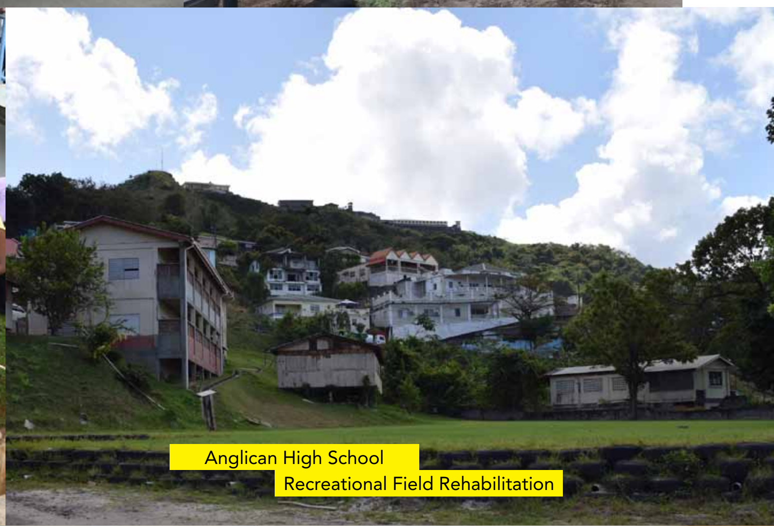

Education Institutions


Installation of Security Lighting at Quarantine Park


LaBorie Bleachers and Pavilion


Library for Calliste Government School


Opening Newly Constructed Gymnasium at St. Andrew's Anglican Secondary School


Anglican High School Recreational Field Rehabilitation


Petite Martinique Regatta


Upgrade and New Equipment for TAMCC Electrical Lab

# *GCPI 2017 Highlights*

*More than $22M invested in 23 years*

*Celebrating Our Community Partnerships 1994-2017*
*More than $22M invested in 23 years*






# *Community Development and Infrastructural Projects*

# Chairman's Report

G. Robert Blanchard Jr.
**Chairman**

2017 was a year in which your Company continued to deal with the tremendous challenges posed by the passage of the Electricity Supply Act 2016 (2016 ESA). As you know, this Act repealed and replaced the 1994 ESA and this unilateral action by the Government of Grenada (GoG) poses far-reaching and detrimental effects on GRENLEC'S long-term operations.

In response to the GoG's enactment of the 2016 ESA, Grenlec's strategic investor Grenada Private Power (GPP) elected to submit a share repurchase demand to the GoG. That demand was submitted in accordance with the 1994 Share Purchase Agreement (SPA) between the GoG and GPP/WRB Enterprises (WRB); nonetheless, Government simply refused to comply with its resulting share repurchase obligations. Having no alternative means for resolving this claim, GPP and WRB, acting in accordance with the binding dispute resolution procedures specified in the SPA, commenced an arbitration proceeding against the GoG in May 2017. That arbitration, which is being heard by the World Bank's International Centre for Settlement of Investment Disputes (ICSID), is currently ongoing.

## UPDATE ON ACTION ARISING FROM THE 2016 EXTRAORDINARY GENERAL MEETING (EGM)

GPP apprised Grenlec's management that a formal valuation of Grenlec's shares must be submitted in conjunction with GPP's submission of the repurchase demand. At the same time, the Company's management determined that assisting GPP with the prosecution of its repurchase demand was in the best interest of all electricity stakeholders, since it offered the strongest means for convincing the GoG to (i) halt the unilateral and ill-advised restructuring, and instead (ii) commit to good-faith negotiations with the Company focused on establishing a collaborative approach to sector reform.

For that reason, the Company's management recommended that the Company should engage the international accounting firm KPMG to undertake a valuation of Grenlec's shares. Acting in accordance with the authorization of its shareholders, the Company engaged KPMG to carry out this valuation service, using the valuation methodology specified in the 1994 ESA and the SPA. Through that process, KPMG determined that Grenlec should be valued at $352M.

On March 1, 2018, GPP and WRB made their initial filing with the ICSID tribunal; the GoG now has until the end of June to file its response. GPP/WRB have advised the Company that the ICSID proceedings will likely extend into 2019 before a final ruling is delivered.

## ELECTRICITY SUPPLY (AMENDMENT) ACT 2017

Following the gazetting of the 2016 ESA on 28 July 2016, with a commencement date of 1 August 2016, there has been little activity related to implementing that new legislation. For instance, regulations establishing the basis and mechanisms for calculating the Company's rates have not been produced, nor have new licences been issued to the Company.

However, the GoG did enact an amendment to the 2016 ESA on 29 December 2017 (the "2017 Amendment"). This amendment made a radical change to section 70 of the 2016 ESA, which governed the Company's previously voluntary charitable contributions. Under the 2016 ESA, all participants in the electricity sector were required to allocate 5% of gross profit to corporate social responsibility, and be responsible for disbursement of this sum, in a manner similar to the program voluntarily implemented by the Company during the past twenty-four years. In contrast, the 2017 Amendment now requires network licensees (but no other licensees) to contribute 5% of their pre-tax profits. This amendment thus singles out the Company, which is, at least for the time being, Grenada's only network licensee. Moreover, the now-mandatory 5% "contribution" must hereafter be remitted into a so-called Social Fund that will be managed by a Committee hand-picked by the Minister for Public Utilities.

After obtaining a legal opinion on this amendment, Grenlec decided to file a legal challenge on the grounds that the 2017 Amendment constitutes an unconstitutional taking of the Company's property. Section 6 of Grenada's Constitution protects persons and companies from such action by the Government. This matter is due for its first hearing in Grenada's High Court on 3 May 2018.

The GoG's passage of the 2017 Amendment has jeopardised the continuation of Grenlec's Community Partnership Initiative (GCPI), which has funded projects across the length and breadth of the tri-island state since privatisation in 1994. Your Company has been an exemplary corporate citizen over the years, actually contributing more than 5% of its pre-tax profit each year, with incidentally the highest percentage contributions occurring in the two financially-challenging years following Hurricane Ivan. These donations, and the work done through the GCPI as a consequence, have enhanced lives in communities throughout Grenada, Carriacou and Petite Martinique; this should bring well-deserved satisfaction to you as a shareholder because your contribution has made a difference.

Given that Grenlec is now obligated to remit 5% of pre-tax profits to the "Social Fund", the Company no longer sees it as feasible to continue contributing an additional 5% of shareholders' money towards charitable donations (GCPI); to do so would impair the resources that the Company needs to continue growing and improving the essential services it provides. Hence, due to the "Social Fund" legislation and the subsequent litigation, Grenlec must suspend its GCPI grant awards until the matter is resolved in the judicial system.

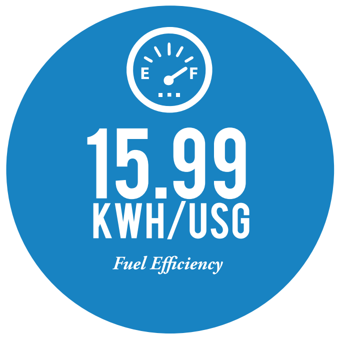
## ADDRESSING INACCURATE PUBLIC STATEMENTS ABOUT THE COMPANY

On a related note, your Company has also found it necessary to address a number of inappropriate public assertions made by Government officials. To set the record straight, Grenlec issued media releases explaining the facts.

## PUBLIC UTILITIES REGULATORY COMMISSION (PURC)

Together with the 2016 ESA, the GoG enacted the accompanying Public Utilities Regulatory Commission Act 2016 (the "2016 PURCA"). On 6 October 2017, more than one year after the 2016 PURCA was enacted, the GoG published a gazette notice specifying the names of three Commissioners that the Minister appointed to serve on the Public Utilities Regulatory Commission. However, as of the present date, the Company has received no contacts or communications or any requests for consultations from the new Commission, nor have we received any indication that a professionally qualified and politically independent regulatory regime has been established to determine rates and carry out the myriad functions essential to assuring that the electricity sector is operated in a safe, reliable, efficient and fair manner. Accordingly, for the time being, we reiterate our hope that the Company will be consulted in a full and open-minded manner as the Commission eventually begins drafting electricity rate regulations, operating standards, grid codes and other regulations that will govern the Company's future operations.

## FINANCIAL PERFORMANCE


Notwithstanding the continued sector upheaval and challenges already discussed, I am pleased to report that your Company achieved strong performance results for 2017. Profit before tax was $20.77M. Fuel Efficiency remained steady at 15.99 kWh/USG and system losses, another measure of efficiency, remained relatively low at 8.12%. Indeed, we have maintained system losses, which have a direct and significant impact on financial performance, near or below 8% for the past 6 years, which is well below the regional average.

Despite these favourable performance highlights, the 2017 profits were 10.8% lower than the $23.28M achieved in 2016. This reduction was due in part to higher operating costs, primarily resulting from cyclical generation maintenance. Another factor was a lower fuel cost recovery rate (this because world fuel prices continued to rise faster than the Company was able to recover through the 3-month rolling average used to calculate customers' fuel charge). These downward impacts were partially offset by increased non-fuel revenue and lower financing costs compared to 2016. However, when all of these factors are accounted for, the return on invested capital of 18.9% was below the 20% of 2016.

## DIVIDENDS

Your Company's earnings per share (EPS) of eighty cents in 2017 were less than the eighty-six cents of 2016. This drop in EPS did not have any impact on your Company's ability to sustain the regular quarterly dividend payout. The total dividend paid in 2017 of $0.52 per share was the same as the 2016 amount, after excluding the special dividend of $3.00 per share that was paid in that year.

The Company's shares traded on the ECSE at between $10.00 and $11.00 per share in 2017 and were listed at a price of $10.00 per share as of 14 March 2018.

## AWARDS

Your Company was the proud recipient of the Grenada Chamber of Industry and Commerce's Corporate Social Responsibility Award for our Grenlec Community Partnership Initiative.

Your Company was also pleased to be recognised for its leadership in renewable energy, earning the "Best Distributed Generation Project" award from the Caribbean Renewable Energy Forum (CREF) for our multi-site solar photovoltaic installations. The award was one of seven new CREF Project Awards that recognise excellence in project execution in the Caribbean.

Grenlec remains committed to renewable energy (RE) development, and customers are continuing to invest in renewable energy installations through the Company's Customer Interconnection Programme. The result is steady growth of our overall RE capacity to 2.16 MW, representing 7.1% of peak demand. Regrettably, this growth is well short of the targets we set for RE development; unfortunately, our plans for substantial increases in installing new RE plants remain hobbled by the extreme regulatory and commercial uncertainty caused by the 2016 ESA and the 2016 PURCA.

## OUR TEAM

I say thanks to my fellow Directors, whom I have had the pleasure of serving with over the last year. We extend special thanks to Mr. Ronald Roseman who retired from the Board of Directors of your Company effective 18 September 2017, after serving since its privatization in 1994. Ron is particularly remembered for his yeoman service in the aftermath of Hurricane Ivan, when he assisted in getting materials and support to speed the rebuilding and restoration of the distribution system. Ron should take great pride for the role he played in the development of Grenlec into a world-class utility company of which every one of us can be justly proud.

As Ron leaves, we welcome Ron's wife, Mrs. Deborah Roseman to the Board, who we know will play an important role in adding value to your Company.

Finally, I am especially thankful for the highly professional and capable team at Grenlec. Our management and staff continue to lead and maintain an exceptional standard of performance. I thank the team every year, but this year I am also immensely proud of the generosity they showed in coming to the aid of people affected by Hurricanes Maria and Irma. While Grenlec responded as a corporate citizen, contributing more than $150K for relief efforts, in a matter of days our employees gave more than $18K out of their own pockets for relief supplies. An additional 20 team members volunteered, at various points to spend weeks away from their families to assist with power restoration in Anguilla, Tortola and Dominica. Our team's skill, commitment and heart endow us with confidence that Grenlec will continue to provide value for you our shareholders, our customers and all our other stakeholders.

G. Robert Blanchard Jr.
Chairman

## *Celebrating Our Community Partnerships in Education 1994-2017*

*More than $22M invested in 23 years*


*Celebrating Our Community Partnerships 1994-2017*
*More than $22M invested in 23 years*






# *10 Years of the Grenlec Debates 2008-2017*

# Management Team

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11.

1. **Collin Cover**
   General Manager
2. **Benedict Brathwaite**
   Financial Controller
3. **Dwayne Cenac**
   Manager, Planning and Engineering
4. **Wallace Collins**
   Manager, Carriacou and Petite Martinique
5. **Prudence Greenidge**
   Manager, Corporate Communications
6. **Clive Hosten**
   Chief Engineer
7. **Selcrest Husbands**
   Manager, Generation
8. **Jeffrey Neptune**
   Manager, Information Systems
9. **Casandra Slocombe**
   Manager, Customer Services
10. **Eric Williams**
    Manager, Transmission & Distribution
11. **Jacquline Williams**
    Manager, Human Resources

# Management Review and Analysis

We are grateful to our team members for yet another year of sterling service. We are particularly proud of the team members who made generous personal contributions and the teams that volunteered to serve in Anguilla, Tortola and Dominica after the devastating hurricanes of 2017. This was our opportunity to respond to our neighbours' calls as they did for Grenada and Grenlec following Hurricane Ivan. At the same time, the remaining employees must not be forgotten as they, though short-handed, worked tirelessly to ensure that there was no noticeable drop in our standards of service to our customers.

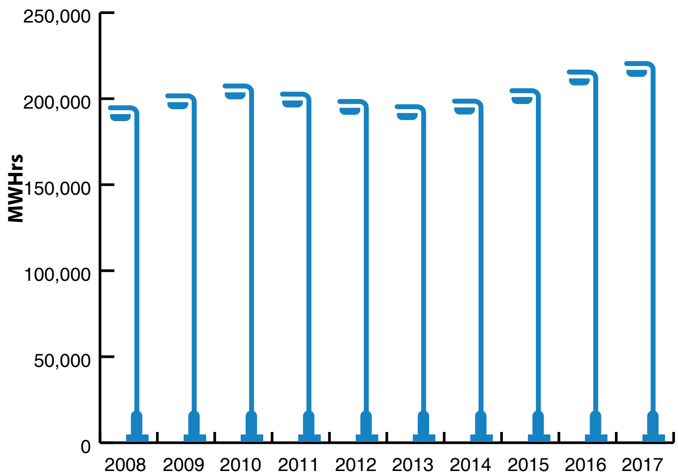
Our 2017 Annual Report celebrates the community partnerships that have afforded us the opportunity to share our resources with development organisations. These community programmes, together with our strong reliability, excellent service and communication keep Grenlec connected to our publics.

On March 1, 2018, GPP and WRB made their initial filing with the ICSID tribunal; the GoG now has until the end of June to file its response. GPP/WRB have advised the Company that the ICSID proceedings will likely extend into 2019 before a final ruling is delivered.

## OVERVIEW

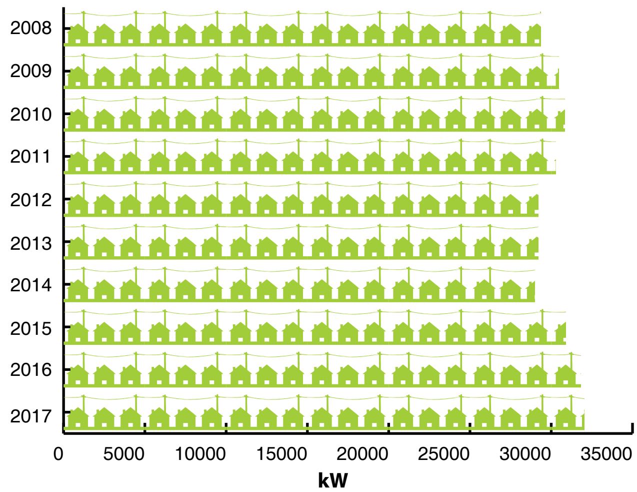
- kWh sales grew by 1.6%.
- Highest peak demand on record (32,035kW).
- Combined gross generation of 221.8GWh was the highest on record.
- Revenues were $151.54M.
- Pre-tax profits were $20.77M.
- System losses were 8.12%.
- Fuel Efficiency was 15.99 kWh.
- Return on invested capital was 18.9%.
- 5% increase in gross generation to 221.7GWh over 2016.
- CREF Regional Award for "Best Distributed Generation Project".
- More than $1.8M invested in communities.
- 10th Anniversary of Grenlec Debates.
- Grenada Chamber of Industry and Commerce Award for Corporate Social Responsibility.

**Gross Generation**




***Combined gross generation of 221.7GWh, the highest on record, was 5% higher than 2016.***

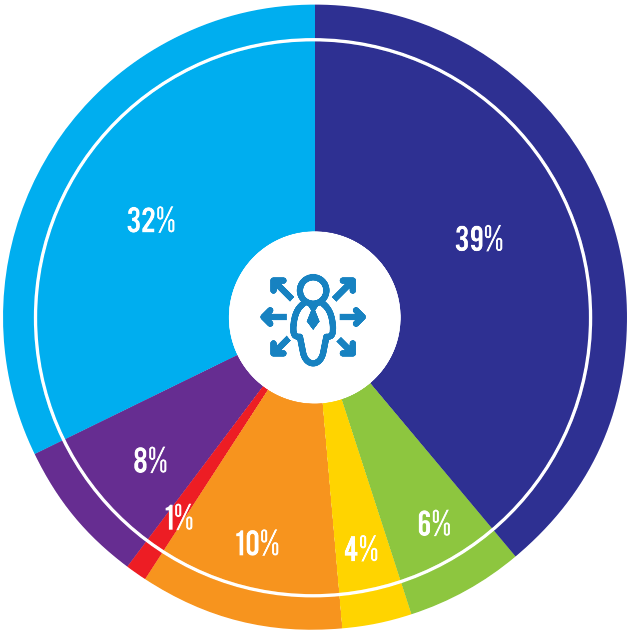
**Peak Demand**




***A new peak demand of 32,035kW, the highest on record, was achieved in August, an increase of 2.7% over 2016.***

# FINANCIAL REVIEW

**Where Your $ Was Spent In 2017**



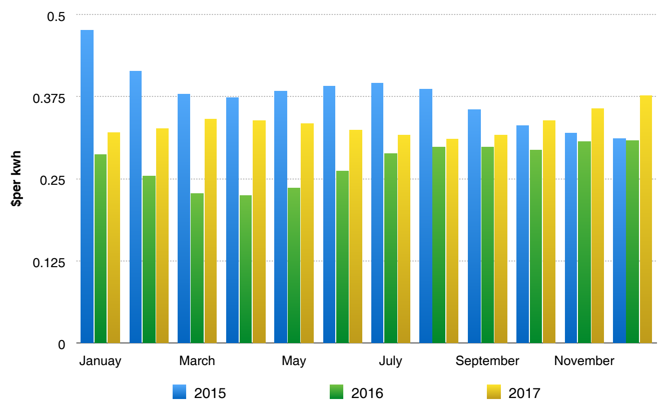

| | | |
|---|---|---|
| Fuel | $65,370,240 | 39% |
| Dividends | $9,880,000 | 6% |
| Debt Servicing | $6,072,374 | 4% |
| Taxes (Income, VAT, Env Levy) | $17,748,710 | 10% |
| Donations | $1,778,674 | 1% |
| Capital Expenditure | $12,752,969 | 8% |
| Operations | $53,480,755 | 32% |

Grenlec had a net profit before taxes in 2017 of $20.77M, which is lower than that of each of the prior three years when world fuel prices were declining. The fuel cost recovery rate of 100.4% was well below the 103.6%, 119.3% and 112.2 % of 2016, 2015 and 2014 respectively.

Unlike prior years, there was no apparent correlation between growth in the economy and Grenlec sales. While the 2018 GoG Budget Presentation reported 4.5% growth for Grenada in 2017, Grenlec's kWh sales grew by 1.6%. However, given that the timing of the growth in the economy is uncertain, Grenlec's 2018 sales numbers may reflect a lag effect of the growth..

Over the course of 2017, world fuel prices averaged USD50.88 compared to USD43.29 in 2016. By year-end, world fuel prices had risen to USD57.88, well above the USD52.01 of December 2016. This resulted in a steady increase in fuel charge and electricity prices throughout the year.

**Changes in Fuel Charge (2015-2017)**




***The average fuel charge of 33 cents was 5 cents higher than in 2016 and the second lowest over the last five years. The fuel charge mechanism has continued to work well with the three-month rolling average slowing the rate of increases for customers from higher world fuel prices, while ensuring that customers receive the benefits of declining world fuel prices.***

## SALES

KWh sales grew by 1.6% in contrast to growth of 6.6% in 2016. While not as low as 2016, comparatively low fuel prices meant continued lower rates. Consequently, customers may not have taken conservation measures to reduce energy consumption. Overall, kWh's sold increased by 3.09M units with the commercial category accounting for 1.39M and residential 1.79M, while industrial declined by 0.21M.

| 2017 Sales | | |
|---|---|---|
| **Customer Categories** | **GWh** | **%** |
| **Domestic** | 78.68 | 39.7 |
| **Commercial** | 110.45 | 55.4 |
| **Industrial /Street light** | 10.19 | 4.9 |
| **Total** | 199.32 | |

**2.4%**

**Number of customers** increased by 2.4% from 48,853 in 2016 to 50,019.

**0.3%**

**Domestic** customer **Average Annual Consumption** increased by 0.3%.

**2.2%**

**Commercial** customer **Average Annual Consumption** decreased by 2.2%.

**1.1%**

**Industrial** customer **Average Annual Consumption** decreased by 1.1%.

This mixed movement in consumption which is generally in decline can be attributed to the general increase in the fuel charge in the second half of the year.

## TOTAL REVENUES

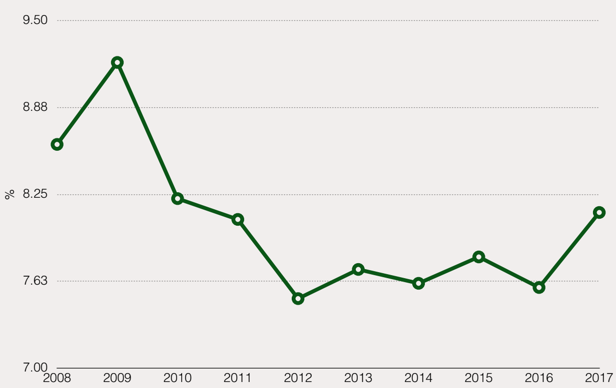
| | 2017 | 2016 | Change from 2016 - 2017 | Notes |
|---|---|---|---|---|
| **Total Revenue (EC$M)** | 151.54 | 137.60 | 13.94 (10.1%) higher | Primarily due to higher average fuel charge paid by customers. |
| **Average fuel prices/Imperial Gallon paid by Company (EC$)** | 5.63 | 4.59 | 1.04 (22.7%) higher | Impact of rising world fuel prices. |
| **Average Fuel Charge paid by customers (EC$)** | 32.91 | 27.44 | 5.47 (19.9%) higher | Resulting from higher average fuel prices paid by Company. 3-month rolling formula used to calculate monthly fuel charge: 1. Cushions customers from volatile price changes. 2. Slows the rate at which Grenlec recovers its expenses on fuel when fuel prices are rising. |
| **Revenue from non-fuel charge (EC$M)** | 83.29 | 82.04 | 12.5 (1.5%) higher | |

## NET FUEL COST RECOVERY

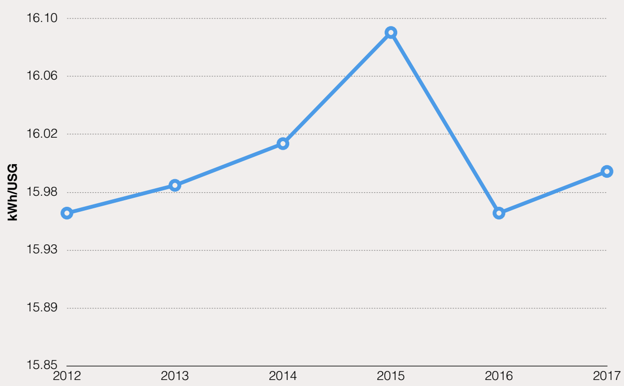
The fuel cost recovery rate in 2017 of 100.4% was markedly below that of the prior three years when it ranged from 103.6% in 2016 to as high as 119.3% in 2015. Fuel prices fluctuated over the first six months of 2017 with a steady upward trend from $4.86 per I.G in June to $6.58 per I.G in December. Given the three-month lag in the calculation of the fuel charge, it generally meant a lower fuel cost recovery rate. The net fuel revenue in 2017 of $0.27M was well below the $1.89M of 2016. The net fuel cost recovery was one of the factors responsible for the variance in the financial performance between 2016 and 2017.

Efficiency improvements are imperative for the continued sustainable development of the Company, as changes in fuel prices as well as operational efficiency movements impact Grenlec's fuel cost recovery rate. A negative movement in system losses from 7.58% to 8.12% in 2017 along with a fuel efficiency decline of 0.09% also weakened the fuel cost recovery rate.

**System Losses 2008 - 2017**




**Fuel Efficiency 2012 - 2017**




## NON-FUEL OPERATING EXPENSES AND FINANCE COSTS

In 2017, operating expenses were $5.24M higher than that of 2016. Partly, responsible for this is the natural fluctuation of expenses based on scheduled maintenance of generators. Expenses related to overhauls and planned maintenance of engines was $3.16M higher than that of 2016, with significant maintenance undertaken on two of the larger generators, units number 3 and number 12. Additionally, while below the budgeted allocation, legal expenses were $0.55M more than the $0.64M of 2016. Importantly, with legal fees below budget and expenses tightly controlled by Management, total operating expenses in 2017 were 3.3% below budget.

Finance costs decreased by $1.66M as the Company benefitted from the full impact of the 2016 borrowings from CIBC FirstCaribbean, which consolidated all prior loans at reduced rates. Management will continue to maintain its cost consciousness culture without negatively affecting the quality of services, operations or safety.

## FINANCIAL POSITION

| | 2017 | 2016 | Change from 2016 - 2017 | Notes |
|---|---|---|---|---|
| **Total Assets (EC$M)** | 163.48 | 155.36 | 8.12 increase | Primarily driven by investment in fixed assets in the amount of $12.29M. |
| **Total Liability (EC$M)** | 84.87 | 84.04 | 0.83 marginal increase | Movement due to a combination of retirement liabilities and lower borrowings resulting from repayments. |
| **Net Assets (EC$M)** | 78.61 | 73.39 | 5.22 increase | |
| **Retained Earnings (EC$M)** | 22.27 | 16.98 | 5.72 increase | |
| **Return on Invested Capital (%)** | 18.9% | 20.0% | 1.1% decrease | |
| **Debt to Equity Ratio (%)** | 54% | 61% | 7% decrease | The Company continued to operate well within all of its stipulated debt covenants such as the current and debt service coverage ratios which stood at 2.78:1 and 3.78:1 respectively. |

Trade receivables increased by $1.34M (9.1%) due to higher electricity rates towards the end of the year, with the December 2017 billing at $14.33M in comparison to $12.68M in December 2016.

Despite this, debtor days outstanding remained virtually the same, at 36.35 in comparison to the 36.37 of 2016. The GoG's receivables remained current for the entire year and ended with a balance of $1.15M, equivalent to the $1.12M of 2016. With the exception of statutory bodies, all other sectors saw increased balances, with commercial at 16.4% and domestic at 3.8%.

Grenlec's customers continued to meet their financial obligations, even in the face of the rising electricity rates, evidenced by the Company's collections team exceeding its target in 10 of the 12 months. For this, we congratulate the Customer Service team, which collected 103.1% of their target over the course of the financial year.

## CASH FLOWS

Operations generated cash flow of $19.99M, down from $26.63M in 2016, as higher fuel prices resulted in increasing trade receivables and lower profitability.

Investing activities had a net outflow of $10.79M with expenditure related to new assets amounting to $12.29M, which was in excess of the $6.21M depreciation charge for the year.

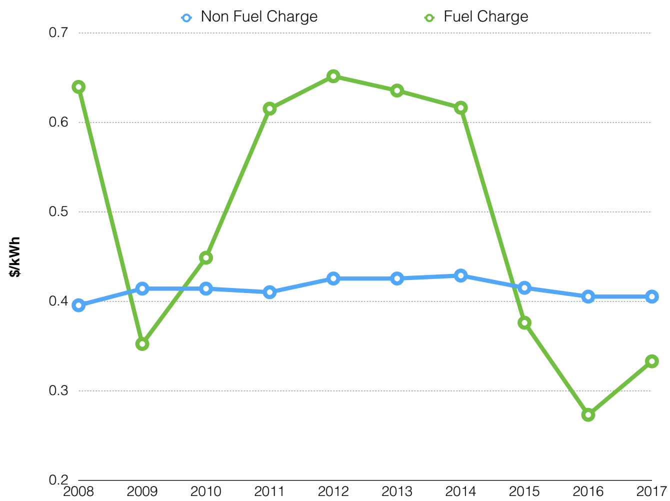
Cash utilised in financing activities of $11.88M was significantly below the $35.94M of 2016. These activities were limited to regular dividends and principal repayments on the CIBC loan, in comparison to special and regular dividends and repayment of existing and prior borrowings in 2016.

The overall decrease in cash and cash equivalents for the year was $2.69M.

## NON-FUEL RATE ADJUSTMENT

Since the 2016 ESA, the regulations guiding rate adjustments have not been enacted or disclosed, hence the non-fuel rates of the Company have remained at $0.4375 per kWh for commercial and $0.4057 for residential customers as existed at 1 January, 2016.

**Electricity Charges (2008-2017)**




***Note that the non-fuel rate has remained flat over the period since privatisation with an increase of less than three cents.***

## RISK MANAGEMENT

The Hurricane Reserve, which increased to $24M by the end of 2017, mitigates the risk of natural disasters that might affect our distribution system. The fund is now well above the level of expenses ($20M) that resulted from Hurricane Ivan. With a much more robust system, it gives some level of comfort that this risk is being minimised continuously. Additionally, all the Company's other assets are adequately covered by commercial insurance policies.

The Hurricane Reserve, which was restated since 2015 to shareholders' equity is not available for distribution to shareholders.

Given the history, hurricanes remain the primary focus. However, the Company will continue to ensure that measures are in place to mitigate all other identified areas of risk such as operational, credit, interest rate, exchange rate and liquidity. Management and or Committees of the Board monitor these risks.

## CORPORATE SOCIAL RESPONSIBILITY

The Grenlec Community Partnership Initiative (GCPI), funded through 5% of pre-tax profits, continued to enhance national development with an investment of $1,806,679.01 in a diverse range of initiatives. Recognition of your Company's work came in the form of the Grenada Chamber of Industry and Commerce's 2017 Corporate Social Responsibility Award.

Opening of Gymnasium at St. Andrew's Anglican Secondary School

### PROJECT PROPOSAL TRAINING

Noteworthy, more than sixty organisations participated in three Project Proposal Writing Workshops, one of which was hosted in Carriacou. In addition to reviewing Grenlec's grant requirements, the facilitator explained the common requirements for regional and international grant proposals and shared information about other sources of funding.

Project Proposal Writing Workshops in Grenada


Project Proposal Writing - Carriacou and Petite Martinique

### RENEWABLE ENERGY FOR CARE INSTITUTIONS

Under the GCPI, three additional care institutions received solar PV systems, following the success of a 2015-2016 project that installed solar for the Belair Home for Children, the Grand Anse Home for the Aged and the Queen Elizabeth Home.

The beneficiary homes for 2017 were the Charles Memorial Home, the Dorothy Hopkin Home and the Hills View Home. The PV systems were sized to generate enough revenue from the sale of clean energy to Grenlec to offset a significant percentage of their electricity consumption costs. The combined capacity of the three systems is 25.60kWp, each with an estimated lifetime of more than twenty years.

### IMPACT OF ESA 2016 AMENDMENT

While it pursues legal action, the Company and beneficiaries of the GCPI continue to publicly appeal to Government to reconsider Section 20 of the Electricity Supply Amendment Act 2017. This amendment, which was enacted on 29 December, requires Grenlec, the 'network licensee', to contribute 5% of its pre-tax profits to a government-controlled 'social fund'.

Grenlec is challenging the constitutionality of this Government-mandated 'social fund', which takes funds from private citizens—Grenlec's shareholders. On Monday, 12 February 2018, Grenlec filed a lawsuit to protect the rights of its nearly 1600 shareholders and suspended the GCPI pending the outcome of the legal proceedings.

Having started the 2018 grant application process in August 2017, with applications submitted by the 30 November 2017 deadline, the Company has been unable to award grants.

Notwithstanding the suspension of the GCPI, Grenlec is completing ongoing projects and honouring commitments it made prior to the enactment of the Electricity Supply (Amendment) Act 2017.

### REGIONAL HURRICANE RELIEF

With relief efforts for our regional neighbours continuing into 2018, Grenlec has assisted in various ways, including organising portable generators for Dominica and Anguilla, funding the shipment of a National Disaster Management Agency (NaDMA) container with supplies donated by members of the public and a $150K allocation for non-electricity assistance.

Management is exceedingly proud of the overwhelmingly generous response of team members, who gave over $18K. With matching funds from the Company, the Grenlec team packed and shipped a container to Dominica with food, water and personal hygiene items. Supplies were also included from

Grenada Cooperative Bank, the staff of Republic Bank, Public Workers' Union, Real Value IGA, St. George's University and Grenada Union of Teachers (GUT).

The Company has also rendered assistance with electricity recovery through the Caribbean Association of Electric Utilities (CARILEC), sending volunteer teams to Tortola, Anguilla and Dominica, at various stages. These excellent ambassadors have been among other relief workers operating effectively and safely to support electricity restoration in these territories.

Anguilla Restoration Crew

Anguilla Restoration Crew

Tortola Restoration Crew

## ENGAGING CUSTOMERS

Newlo Students Visit Generation Plant

Grenlec's energy expositions at Grenville, Carriacou and Bruce Street, St. George were favourably received by customers. During these activities, team members provided information about energy management, safety, disaster preparedness, understanding electricity bills, electric vehicles and other energy related matters. More than a dozen corporate partners joined Grenlec in this customer outreach initiative to showcase energy and energy efficient products and services.


Carriacou Customer Interacts with Electric Vehicle

Cross-Departmental Teams Worked Together to Host Expos

## WISH AND WIN PROMOTION

Winner in Carriacou


Lucky Customer Celebrates

In October, Grenlec invited customers to enter online or in-store to win one of three wishes or electricity credit. These promotions are designed to give back to customers and to drive collections through the inclusion of requirements that qualifying accounts must be current. An additional goal was to drive traffic to the Company's Facebook page, through which more than one thousand entries were submitted.

## BUILDING HUMAN CAPITAL AND WORKING SAFELY

The Company maintained its programme of technical and non-technical training and refreshers to ensure that team members' skills match the needs of the organisation for the foreseeable future. Among the offerings in 2017, Grenlec hosted a CARILEC Diesel Mechanics training course from 21-25 August with ten participants from Grenada and an additional four from St. Vincent and the Grenadines. Cyber security awareness training for team members was a focus throughout the year as the Company assessed and worked to further strengthen its information technology.

The Company also provided work experience opportunities for ten young people from T.A. Marryshow Community College and St. George's University through its Internship Programme, and Summer Employment Programme.

The team welcomed Selcrest Husbands, the new Generation Manager and eight team members retired during the year.

## TRAINING LINEMEN

CARILEC Linemen Rodeo

Grenlec was pleased to co-host the CARILEC Linesman Safety Symposium and Rodeo from 29 May – 4 June. The exercise brought linemen from around the Caribbean together to sharpen their skills and help improve the safe performance of line work. Industry experts led participants through a series of theoretical and practical courses on leadership, work safety and technology in the industry.

The event culminated with the keenly contested Linesman Rodeo competition on 4 June with ten teams from six islands participating in Hurt-man Rescue, Pole Speed Climb, Pole Basketball, Installation of Safety Earths and a Pole-mount Transformer Installation. Team St. Lucia was crowned the overall Rodeo Champions for 2018.

**Safety Statistics 2013 - 2017** *(based on Canadian Electrical Association Standard adopted by CARILEC)*

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Lost-Time Injury Frequency Rate (No. of accidents x 200,000/ actual work hours) | 1.1 | 1.5 | 1.0 | 1.5 | 1.0 |
| All Injury Frequency (AIF) Rate (includes days lost because of injury, injuies for which medical treatment is sought and fatalities x 200,000 / exposure hours) | 1.1 | 2.7 | 2.2 | 1.7 | 1.0 |
| Lost-Time Injury Severity Rate (No. of lost days x 200,000 /exposure hours) | 83.4 | 17.9 | 12.0 | 6.4 | 8.7 |
| Recordable LFMV Incident Frequency Rate /1 million | 18.5 | 4.6 | 6.8 | 1.2 | 1.2 |

## RENEWABLE ENERGY AND ENERGY EFFICIENCY


Grenlec Awarded by CREF for Small-scale Solar Project

Grenlec was pleased to receive an award for "Best Distributed Generation Project" award for the recent multi-site solar photovoltaic installations at Grand Anse, Queen's Park and Plains, St. Patrick. The award was one of seven presented by CREF, the premier renewable energy conference of the Caribbean for excellence in project execution. Grenlec's award-winning solar project consists of multiple rooftop, car port, and ground-mount solar installations with a total capacity of 937 kilowatts (kW).

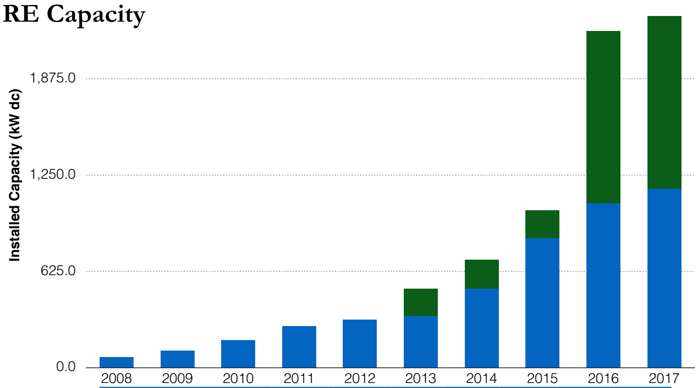
This project is one of several clean energy initiatives that Grenlec has pursued over the last decade to increase renewable energy generation. Other projects include the ground-mounted solar farm in Petite Martinique, rooftop installations at St. Andrew's Anglican Secondary School and six care institutions, as well as the Customer Renewable Energy Interconnection Programme—the first of its kind in the Caribbean.

### CUSTOMER RE INTERCONNECTION PROGRAMME

Customers continue to show interest in Grenlec's Customer Renewable Energy Interconnection Programme. In January 2017, the Company launched the fourth phase of the programme with a 1 MW offering. This offer was unique because it reserved 300kW for smaller systems (capacity of up to 30kW ac). The 700kW allocation for systems larger than 30kW was fully subscribed within a month of the offer being launched, with seven 100kW systems. To date, none of these large systems have been commissioned.

The 300kW allocation was fully subscribed by year end and accommodated twenty one applications of which ten (amounting to 333kWp) have been commissioned to date.

**RE Capacity**



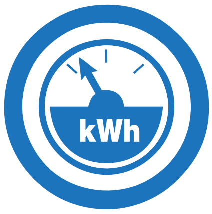

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| GRENLEC (kW) | 0.00 | 0.00 | 0.00 | 0.00 | 1.84 | 181.91 | 181.91 | 181.91 | 1119.35 | 1119.35 |
| Customers (kW) | 69.1 | 112.03 | 179.34 | 269.53 | 309.96 | 332.89 | 515.93 | 841.43 | 1066.43 | 1163.33 |

***The total number of RE systems interconnected to Grenlec stood at 112 at the end of 2017.***

### ELECTRIC VEHICLE PILOT PROGRAMME

In 28 months, the three Grenlec-owned electric vehicles have travelled more than 41,000 miles combined, averaging 97 MPGe. The vehicles were prominently displayed at 5 expositions, including three hosted by Grenlec.

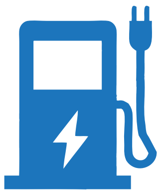
**40,089**
Total Miles



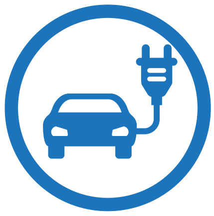

**12,543**
Energy Used

**99**
Miles per US Gallon Equivalent

**$11,115**
Energy Cost



**35%**
Fuel Savings



**3.20**
Miles/kWh

**$5,942**
Fuel Savings

**13**
$CO_2$ Savings MT

## RELIABILITY

Technology, system upgrades as well as maintenance of the electricity distribution network and generation units are important to maintaining reliability and efficiency.

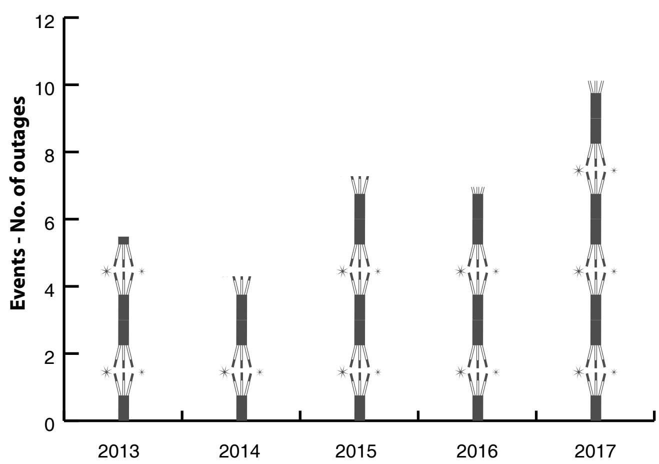
While maintenance was a strong focus in 2017 and resulted in some efficiency and reliability improvements for specific units, challenges with two major generation units in Grenada and a failure in Carriacou negatively impacted overall fuel efficiency and reliability. These challenges led to a number of outages, which adversely affected customers.

An audit of the generation units resulted in the development of a revised maintenance schedule that will continue to be implemented in 2018. On Carriacou, the Company rented a generator unit, a temporary measure to sustain reliability while the Company sources a replacement unit for a failed Cummins set.

**SAIDI**

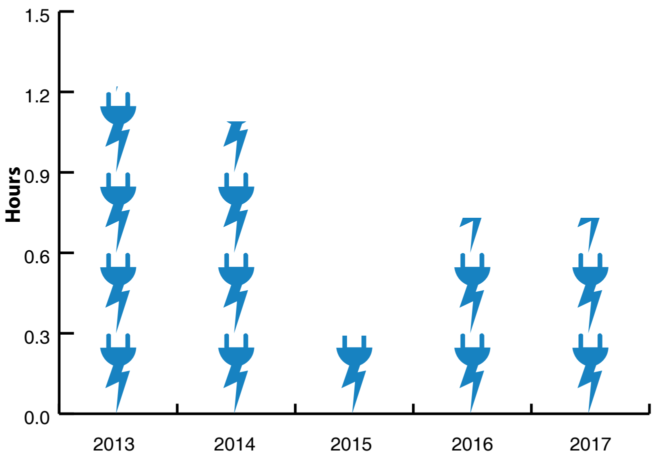

***SAIDI (7.37 hrs) is the average duration of interruptions per customer during the year.***

**SAIFI**




***SAIFI is the average number (10) of sustained interruptions per consumer during the year.***

**CAIDI**




***CAIDI is the average duration of an interruption. The average duration of an interruption to the power supply in 2017 was 52.8 minutes***

### NETWORK AUDIT PROJECT

A field audit to update the geospatial map of the distribution network in Grenada, from the substations to each customer meter, is expected to improve the accuracy of the data in the GIS model. The project traced each feeder, capturing data on poles, lines, transformers and customer premise locations. Electronic data capture and cloud data services facilitated daily data exchange between the office and field agents, enabling more efficient data verification and updates.

### UPGRADE OF DISTRIBUTION DEVICES

The team completed replacement of ageing reclosers and puffer switches, which was phased over three years. All of the Company's distribution switches are now Intelligent Electronic Devices (IEDs) capable of providing real-time power quality measurements (current, voltage, power factor) through the SCADA system.

## OUTLOOK

While the expected transition to a new regulatory system did not occur in 2017, it is likely that this transition phase will continue throughout 2018. Our Company welcomes an opportunity to engage in discussions with the PURC to first understand the processes and regulations it intends to implement and agree on a reasonable timeframe for implementation. Such an approach may also present an opportunity for Grenlec to present a case about any foreseeable challenges.

There remains significant uncertainty surrounding the GoG's true intentions towards Grenlec. Instead of choosing a path of discussions, it continues to pursue a legislative agenda, which in our view can only cause harm to the Company and industry. As such, the outcome of the two matters that are due for arbitration or judgment will significantly impact the future of the Company's operations. Our Company still hopes that there can be a negotiated settlement that can be a successful model for achieving the common goals of stable, if not lower, electricity prices and a smaller carbon footprint in keeping with the Paris Accord signed on to by the GoG.

After three years of falling, world fuel prices, the most volatile variable in the operations of Grenlec increased in 2017. When fuel prices increase, there can be a negative impact on the fuel cost recovery rate because of the 3-month lag in the fuel charge calculation. Moreover, if the increase is sharp, it can result in a strain on the cash flow. Thankfully, the projection for 2018 by analysts on OilPrice.com is for world fuel prices on the WTI to average USD 58.11 a barrel in 2018, which is marginally above the December 2017 average price. Should this prediction be accurate, while electricity prices will remain higher than we would like to see at just over ECD80 cents per kWh, they will remain well below the highest rates recorded and there should be little or no impact on cash flow.

In 2017, over 3,085 MWh of renewable energy was generated either by Grenlec or by customers interconnected with Grenlec. This is three times the amount generated from these same sources in 2014. Unfortunately, we are unlikely to continue to see this kind of growth continue until a full understanding of the path towards renewable energy development is known. The questions remain about what Grenlec's role will be and the rate of return that will be allowed on such investments. As a result, the Company has put on hold its strategic objective of achieving 20% of generating capacity through renewable energy by 2020. It continues to analyse renewable energy projects such as the development of wind generation on Carriacou and a solar farm at Pearls, St. Andrew. However, development requires wholistic, integrated resource planning capable of identifying gaps that have to be closed and providing stability of the grid to ensure reliable service to all our customers.

Regardless of the challenges and the uncertainty of the regulatory environment, as a corporate leader, Grenlec's goals are to maintain high service standards and deliver value to you our shareholders. This demands continued investment in technology and other areas of our business. It also necessitates managing expenses without adversely affecting safety and performance and being prepared to anticipate and respond quickly to changes in our industry. Whatever the challenges our Company will face in 2018, with the commitment and skill of our team, we are confident that we can rise to any occasion.


Champion - Presentation Brothers' College


2nd Place - St. Joseph's Convent, St. George's


3rd -Hillsborough Secondary School


3rd - Westmorland Secondary School


Sir Paul Scoon Top Debater


People's Choice - Favourite Debater

## *Celebrating Our Community Partnerships*





# *Culture and Sport*

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Grenada | West Indies
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PKF
Accountants & business advisers

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED**

***Opinion***

We have audited the financial statements of Grenada Electricity Services Limited, which comprise the statement of financial position at December 31st, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31st, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current year. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. There were no key audit matters to communicate.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED (continued)**

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

PKF

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**
**GRENADA ELECTRICITY SERVICES LIMITED**
**(continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that my reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Henry A. Joseph.

PKF

GRENADA

March 7th, 2018

Accountants & Business Advisers

GRENADA ELECTRICITY SERVICES LIMITED

# Statement of Financial Position
# at 31st December, 2017

(Expressed in Eastern Caribbean Currency Dollars)

| ASSETS | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | 4 | 79,385,244 | 71,934,183 |
| Suspense jobs in progress | 5 | 1,621,984 | 2,296,655 |
| Capital work in progress | 6 | 6,360,367 | 8,645,737 |
| Available-for-sale financial assets | 7 (a) | 800,066 | 800,066 |
| | | 88,167,661 | 83,676,641 |
| **Current Assets** | | | |
| Inventories | 8 | 17,212,092 | 16,441,221 |
| Trade and other receivables | 9 | 22,941,058 | 19,969,894 |
| Income tax prepaid | | 92,157 | - |
| Loans and receivables financial assets | 7 (b) | 33,606,869 | 33,411,543 |
| Cash and cash equivalents | 10 | 1,460,892 | 1,859,489 |
| | | 75,313,068 | 71,682,147 |
| **TOTAL ASSETS** | | 163,480,729 | 155,358,788 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Stated capital | 11 | 32,339,840 | 32,339,840 |
| Hurricane insurance reserve | 15 | 24,000,000 | 22,000,000 |
| Retained earnings | | 22,266,799 | 16,976,450 |
| | | 78,606,639 | 71,316,290 |
| **Non-Current Liabilities** | | | |
| Customers' deposits | 12 | 15,404,496 | 14,921,944 |
| Long-term borrowings | 13 | 37,038,542 | 41,042,708 |
| Deferred tax liability | 20 | 5,301,241 | 3,956,353 |
| | | 57,744,279 | 59,921,005 |
| **Current Liabilities** | | | |
| Short-term borrowings | 13 | 6,300,573 | 4,008,251 |
| Trade and other payables | 16 | 14,660,688 | 12,365,037 |
| Customers' contribution to line extensions | 2 (m) | 1,167,900 | 1,583,807 |
| Provision for retirement benefits | 14 | 405,678 | 195,255 |
| Provision for profit sharing | | 4,594,972 | 4,960,633 |
| Provision for income tax | | - | 1,008,510 |
| | | 27,129,811 | 24,121,493 |
| **TOTAL LIABILITIES** | | 84,874,090 | 84,042,498 |
| **TOTAL EQUITY AND LIABILITIES** | | 163,480,729 | 155,358,788 |

The notes on pages 37 to 65 from an integral part of these financial statements

:Director

:Director

GRENADA ELECTRICITY SERVICES LIMITED

# Statement of Comprehensive Income
# for the Year Ended 31st December, 2017

(Expressed in Eastern Caribbean Currency Dollars)

| | Notes | **2017** $ | 2016 $ |
|---|---|---|---|
| **INCOME** | | | |
| Sales - non fuel charge | | 83,287,156 | 82,036,736 |
| - fuel charge | | 65,636,365 | 53,838,920 |
| Unbilled sales adjustments | 2 (v) | 794,034 | 105,655 |
| Gross Sales | | 149,717,555 | 135,981,311 |
| Other income | 17 | 1,818,788 | 1,622,400 |
| Total income | | 151,536,343 | 137,603,711 |
| **LESS: OPERATING EXPENSES** | | | |
| Production expenses | | 14,881,136 | 11,530,094 |
| Diesel consumed | | 65,370,240 | 51,946,761 |
| Administrative expenses | | 20,420,675 | 19,119,283 |
| Distribution services | | 15,436,571 | 14,875,159 |
| Planning and engineering | | 2,635,220 | 2,614,048 |
| **Total operating expenses** | | 118,743,842 | 100,085,345 |
| Operating profit | | 32,792,501 | 37,518,366 |
| Less: Finance costs | 18 | 2,660,580 | 4,321,674 |
| Profit for year before allocations and taxation | | 30,131,921 | 33,196,692 |
| **ALLOCATIONS** | | | |
| Less: Transfer to hurricane insurance reserve | | 2,000,000 | 2,000,000 |
| Donations | | 1,406,596 | 1,559,835 |
| Profit sharing | | 5,952,245 | 6,352,845 |
| | | 9,358,841 | 9,912,680 |
| Profit for year before taxation | | 20,773,080 | 23,284,012 |
| Less: Provision for taxation | | | |
| Current tax | | 4,257,843 | 5,508,510 |
| Deferred tax | | 1,344,888 | 1,449,184 |
| **Profit for year after taxation** | | 15,170,349 | 16,326,318 |
| **Other comprehensive income** | | | |
| Disposal of available-for-sale financial assets | | - | (8,040) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 15,170,349 | 16,318,278 |
| **EARNINGS PER SHARE** | | **0.80** | **0.86** |

The notes on pages 37 to 65 from an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

# Statement Of Changes In Equity for the Year Ended 31st December, 2017

(Expressed in Eastern Caribbean Currency Dollars)

| | Stated Capital $ | Other Reserve $ | Hurricane Insurance Reserve $ | Retained Earnings $ | Total Equity $ |
|---|---|---|---|---|---|
| Balance at 1st January, 2016 – as previously reported | 32,339,840 | 8,040 | 20,000,000 | 69,607,254 | 121,955,134 |
| Prior year adjustment (note 24) | - | - | - | (2,077,122) | (2,077,122) |
| Balance at 1st January, 2016 - restated | 32,339,840 | 8,040 | 20,000,000 | 67,530,132 | 119,878,012 |
| Dividends paid | - | - | - | (66,880,000) | (66,880,000) |
| Allocation for the year | - | - | 2,000,000 | - | 2,000,000 |
| Total comprehensive income for the year: Profit for the year after taxation | - | - | - | 16,326,318 | 16,326,318 |
| Sale of available-for-sale financial assets | - | (8,040) | - | - | (8,040) |
| Balance at 31st December, 2016 - restated | 32,339,840 | - | 22,000,000 | 16,976,450 | 71,316,290 |
| Dividends paid | - | - | - | (9,880,000) | (9,880,000) |
| Allocation for the year | - | - | 2,000,000 | - | 2,000,000 |
| Total comprehensive income for the year: Profit for the year after taxation | - | - | - | 15,170,349 | 15,170,349 |
| Balance at 31st December, 2017 | 32,339,840 | - | 24,000,000 | 22,266,799 | 78,606,639 |

The notes on pages 37 to 65 from an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

# Statement of Cash Flows
# for the Year Ended 31st December, 2017

(Expressed in Eastern Caribbean Currency Dollars)

| | 2017 $ | 2016 $ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit for the year before taxation | 20,773,080 | 23,284,012 |
| Adjustments for: | | |
| Depreciation | 6,210,754 | 6,613,807 |
| Gain on disposal of property, plant and equipment | (102,390) | (125,816) |
| **Operating surplus before working capital changes** | 26,881,444 | 29,772,003 |
| (Increase)/decrease in trade and other receivables | (2,971,164) | 1,408,777 |
| Increase in trade and other payables | 2,362,297 | 3,145,757 |
| Increase/(decrease) in provision for retirement benefits | 210,423 | (131,500) |
| Increase in inventories | (770,871) | (1,616,571) |
| Decrease in amount due to related company | - | (84,013) |
| Decrease in provision for profit sharing | (365,661) | (217,442) |
| | 25,346,468 | 32,277,011 |
| Income tax paid | (5,358,510) | (5,644,071) |
| Cash provided by operating activities | 19,987,958 | 26,632,940 |
| **INVESTING ACTIVITIES** | | |
| Decrease in available-for-sale financial assets | - | 24,054 |
| Disposal of property, plant and equipment | 102,920 | 129,750 |
| Decrease/(increase) in suspense jobs in progress | 674,671 | (28,518) |
| Decrease/(increase) in capital work in progress | 2,285,370 | (6,273,504) |
| (Increase)/decrease in loans and receivables financial assets | (195,326) | 6,364,389 |
| Increase in customers' contribution to line extensions | 2,050,665 | 229,922 |
| Purchase of property, plant and equipment | (15,713,010) | (5,898,946) |
| Cash used in investing activities | (10,794,710) | (5,452,853) |
| **FINANCING ACTIVITIES** | | |
| Dividends paid | (9,880,000) | (66,880,000) |
| Decrease in other reserves | - | (8,040) |
| Increase in hurricane insurance reserve | 2,000,000 | 2,000,000 |
| Proceeds of loan | - | 48,050,000 |
| Repayment of borrowings | (4,004,167) | (19,100,873) |
| Cash used in financing activities | (11,884,167) | (35,938,913) |
| Net decrease in cash and cash equivalents | (2,690,919) | (14,758,826) |
| Cash and cash equivalents - at the beginning of year | 1,855,405 | 16,614,231 |
| - at the end of year | (835,514) | 1,855,405 |
| **REPRESENTED BY** | | |
| Cash and cash equivalents | (835,514) | 1,855,405 |

The notes on pages 37 to 65 from an integral part of these financial statements

(Expressed in Eastern Caribbean Currency Dollars)

## 1. CORPORATE INFORMATION

Grenada Electricity Services Limited (the Company) is public and is registered in Grenada. It is engaged in the generation and supply of electricity throughout Grenada, Carriacou and Petit Martinique. It is a subsidiary of Grenada Private Power Limited of which WRB Enterprises, Inc. is the majority owner.

The Company was issued a certificate of continuance under Section 365 of the Companies Act on November 8th, 1996.

The Company operates under the Electricity Supply Act 19 of 2016 and has a licence for the exercise and performance of functions relating to the supply of electricity in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is situated at Grand Anse, St. George's, Grenada.

The Company employed on average two hundred and forty-four (244) persons during the year (2016- 230).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### *(a) Basis of Preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although those estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(b) New Accounting Standards, Amendments and Interpretations (continued)*

(i) There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1st January, 2017 that would be expected to have a material impact on the Company's financial statement.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2017 and not early adopted. These either do not apply to the activities of the Company or have no material impact on its financial statements.

| Standard | Description | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 28 | Investments in Associates and Joint Ventures | 1st January, 2019 |
| IAS 40 | Investment Property: Transfers of Investment Property (amendments) | 1st January, 2018 |
| | Investment Property: Long-term Interests in Associates and Joint Ventures (amendments) | 1st January, 2019 |
| IFRS 2 | Share-based payment: Classification and Measurement of Share-based payment Transactions (amendments) | 1st January, 2018 |
| IFRS 4 | Insurance contracts: Overlay/deferral approach (amendment) | 1st January, 2018 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(b) New Accounting Standards, Amendments and Interpretations (continued)*

| Standard | Description | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 9 | Financial Instruments: Classification and Measurement<br><br>Financial Instruments: Prepayment features with negative compensation (amendment) | 1st January, 2018<br><br>1st January, 2019 |
| IFRS 15 | Revenue from Contracts with Customers | 1st January, 2018 |
| IFRS 16 | Leases | 1st January, 2019 |
| IFRS 17 | Insurance Contracts | 1st January, 2021 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration (interpretation) | 1st January, 2018 |
| IFRIC 23 | Uncertainty over Income Tax Treatments (interpretation) | 1st January, 2019 |

### *(c) Property, Plant and Equipment*

*Recognition and Measurement*

Property, plant and equipment consist of building, plant and machinery, motor vehicles, furniture and fittings and are stated at historical cost less accumulated depreciation.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(c) Property, Plant and Equipment (continued)*

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as income in the statement of comprehensive income.

*Subsequent Expenditure*

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing and other repairs and maintenance of property, plant and equipment are recognized in the statement of comprehensive income during the financial period in which they are incurred.

*Depreciation*

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

The annual rates of depreciation for the current and comparative periods are as follows:

| | % Per Annum |
|---|---|
| Building and construction | 2.5 - 10 |
| Plant and machinery | 3.3 - 10 |
| Motor vehicles | 15 |
| Furniture, fittings and equipment | 12.5 – 20 |

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(c) Property, Plant and Equipment (continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### *(d) Foreign Currencies Translation*

Foreign currency transactions during the year were converted into Eastern Caribbean Currency Dollars at the exchange rates prevailing at the dates of the transactions. Assets and liabilities at the statement of financial position date are expressed in EC$ at the following rate:

EC$2.7169 to US$1.00 - (2016: EC$2.7169)

Differences on exchange on current liabilities are reflected in the statement of comprehensive income in arriving at net income for the year.

### *(e) Financial Instruments*

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

*Recognition and measurement*

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the Company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(e) Financial Instruments (continued)*

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

*Financial assets*

The Company classifies its financial assets into the following categories: Loans and receivables and available-for-sale. Management determines the appropriate classification of its financial assets at the time of purchase and re-evaluates this designation at every reporting date.

*Loans and receivables*

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on the active market. They are included in current assets, except for maturities greater than twelve (12) months after the statement of financial position date are classified as non-current assets. The Company's loans and receivables comprise fixed and certificate of deposits.

*Available-for-sale*

Investments are classified as available-for-sale as they are intended to be held for an indefinite period. These investments may be sold in response to needs for liquidity or changes in interest rates or equity prices. These investments are carried at fair value, based on quoted market prices where available. However, where a reliable measure is not available, cost is appropriate. Where available-for-sale investments are carried at fair value unrealized gains or losses are recognized directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss. Available-for-sale investments are included in non-current assets unless management intends to dispose of the investment within twelve (12) months of the statement of financial position date.

*Fair Value*

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(e) Financial Instruments (continued)*

*Impairment of financial assets*

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group or financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

(i) Significant financial difficulty of the issuer or obligor.

(ii) A breach of contract, such as default or delinquency in interest or principal payments.

(iii) It is becoming probable that the borrower will enter bankruptcy or other financial re-organization.

(iv) The disappearance of an active market for that financial asset because of financial difficulties.

(v) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Company or national or economic conditions that correlate with defaults on assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(e) Financial Instruments (continued)*

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i. Financial assets measured at amortised cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

ii Financial assets measured at cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the statement of comprehensive income. These losses are not reversed.

*Financial Liabilities*

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(f) Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the price at which stock can be realized in the normal course of business.

### *(g) Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables, being short-term, are not discounted. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payment are considered indicators that the trade receivable is impaired.

### *(h) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank and short-term demand deposits with original maturity of three (3) months or less.

### *(i) Stated capital*

Ordinary shares are classified as equity.

### *(j) Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(k) Borrowings*

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

### *(l) Customers' deposits*

Given the long-term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve (12) months of the date of the statement of financial position).

### *(m) Customers' contribution to line extensions*

In certain specified circumstances, customers requiring line extensions are required to contribute toward the estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 5%. The annual amortisation of customer contributions is deducted from the depreciation charge for Transmission and Distribution provided in respect of the capital cost of these line extensions.

Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. Contributions received in respect of jobs not yet started or completed at the year-end are grouped with creditors, accrued charges and provisions. The capital costs of customer line extensions are included in property, plant and equipment.

### *(n) Employee benefits*

*Profit sharing scheme*

The Company operates a profit sharing scheme and the profit share to be distributed to Unionized employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Company accounts for profit sharing as an expense, through the statement of comprehensive income. The Company also has a gainsharing plan for management employees that are accounted for in the same manner as profit sharing.

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(o) Income tax*

The charge for the current year is based on the results for the year as adjusted for disallowed expenses and non-taxable income. It is calculated using the applicable tax rates for the period.

### *(p) Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

### *(q) Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

***(i)*** *Sale of energy*

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 50% of the current month's billings is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

***(ii)*** *Interest income*

Interest income is recognised on an accrual basis.

### *(r) Dividends*

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(s) Related parties*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

### *(t) Finance costs*

Finance costs are recognised in the statement of comprehensive income as an expense in the period in which they are incurred.

### *(u) Provision for doubtful debts*

Provision is made as follows:
100% on receivables ≥90 days
and 50% on receivables ≥60 days, both net of Government of Grenada balances.

Accounts are written off against the provision when they are considered to be uncollectible. The total provision at 31st December, 2017 amounted to $3,308,361 (2016 - $4,057,889).

### *(v) Provision for unbilled sales*

The provision and adjustment with comparatives at 31st December, 2017 are calculated as follows:

| | | **2017** | 2016 |
|---|---|---|---|
| | | **$** | $ |
| Sales revenue for December after discounts | | 13,272,881 | 11,684,812 |
| 50% of above | = provision at 31/12/17 | 6,636,440 | 5,842,406 |
| | = provision at 31/12/16 | 5,842,406 | 5,736,751 |
| Increase in provision during the year | | 794,034 | 105,655 |

(Expressed in Eastern Caribbean Currency Dollars)

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

*Impairment of financial assets*

Management assesses at each statement of financial position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

*Property, plant and equipment*

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

*Impairment of inventory*

Provision is made for slow-moving and obsolete stock on an annual basis.

(Expressed in Eastern Caribbean Currency Dollars)

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Land | Building and Construction | Plant and Machinery | Motor Vehicles | Furniture and equipment | Total |
|---|---|---|---|---|---|---|
| **Balance at 1st January, 2016** | | | | | | |
| Cost | 1,467,468 | 30,529,142 | 223,378,827 | 9,442,227 | 14,021,660 | 278,839,324 |
| Accumulated depreciation | - | (17,908,799) | (163,533,666) | (8,456,621) | (8,916,705) | (198,815,791) |
| **NET BOOK VALUE** | **$1,467,468** | **$12,620,343** | **$59,845,161** | **$985,606** | **$5,104,955** | **$80,023,533** |
| **For year ended 31st December, 2016** | | | | | | |
| Opening book value | 1,467,468 | 12,620,343 | 59,845,161 | 985,606 | 5,104,955 | 80,023,533 |
| Additions for the year | - | 26,125 | 3,792,105 | 1,474,541 | 606,175 | 5,898,946 |
| Disposals for the year | - | - | - | - | (3,934) | (3,934) |
| Depreciation charge for year | - | (487,253) | (4,547,505) | (271,630) | (1,307,419) | (6,613,807) |
| **NET BOOK VALUE** | **$1,467,468** | **$12,159,215** | **$59,089,761** | **$2,188,517** | **$4,399,777** | **$79,304,738** |
| **Balance at 31st December, 2016** | | | | | | |
| Cost | 1,467,468 | 30,555,267 | 227,170,932 | 10,916,768 | 11,499,739 | 281,610,174 |
| Accumulated depreciation | - | (18,396,052) | (168,081,171) | (8,728,251) | (7,099,962) | (202,305,436) |
| | 1,467,468 | 12,159,215 | 59,089,761 | 2,188,517 | 4,399,777 | 79,304,738 |
| Less: Customer contribution to line extensions | - | - | - | - | - | (7,370,555) |
| **NET BOOK VALUE** | **$1,467,468** | **$12,159,215** | **$59,089,761** | **$2,188,517** | **$4,399,777** | **$71,934,183** |

(Expressed in Eastern Caribbean Currency Dollars)

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Land | Building and Construction | Plant and Machinery | Motor Vehicles | Furniture and equipment | Total |
|---|---|---|---|---|---|---|
| **For year ended 31st December, 2017** | | | | | | |
| Opening book value | 1,467,468 | 12,159,215 | 59,089,761 | 2,188,517 | 4,399,777 | 79,304,738 |
| Additions for the year | 397,392 | 19,999 | 12,907,266 | 1,439,501 | 948,852 | 15,713,010 |
| Disposals for the year | - | - | - | - | (530) | (530) |
| Depreciation charge for year | - | (487,233) | (4,060,714) | (439,471) | (1,223,336) | (6,210,754) |
| **NET BOOK VALUE** | **$1,864,860** | **$11,691,981** | **$67,936,313** | **$3,188,547** | **$4,124,763** | **$88,806,464** |
| **Balance at 31st December, 2017** | | | | | | |
| Cost | 1,864,860 | 30,575,266 | 240,078,198 | 12,356,269 | 11,769,107 | 296,643,700 |
| Accumulated depreciation | - | (18,883,285) | (172,141,885) | (9,167,722) | (7,644,344) | (207,837,236) |
| | 1,864,860 | 11,691,981 | 67,936,313 | 3,188,547 | 4,124,763 | 88,806,464 |
| Less: Customer contribution to line extensions | - | - | - | - | - | (9,421,220) |
| **NET BOOK VALUE** | **$1,864,860** | **$11,691,981** | **$67,936,313** | **$3,188,547** | **$4,124,763** | **$79,385,244** |

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 5. SUSPENSE JOBS IN PROGRESS

This represents capital injections with respect to requested customers' suspense jobs not completed at year-end.

## 6. CAPITAL WORK IN PROGRESS

| | **2017** | 2016 |
|---|---|---|
| | $ | $ |
| Generation | 5,744,258 | 7,986,199 |
| Computers and software upgrades | 58,527 | 289,471 |
| Tools and equipment | - | 46,329 |
| Furniture and equipment | - | 9,194 |
| Distribution | 533,802 | 313,386 |
| Motor vehicles | 23,780 | 1,158 |
| | 6,360,367 | 8,645,737 |

## 7. FINANCIAL ASSETS

| | | |
|---|---|---|
| ***(a) Available for sale*** | | |
| Government of Grenada - Treasury Bills | 800,066 | 800,066 |
| ***(b) Loans and receivables*** | | |
| Fixed deposit – Republic Bank (Grenada) Ltd | 10,013,884 | 8,867,313 |
| Fixed deposit – Grenada Co-operative Bank Ltd | 10,415,563 | 11,876,072 |
| Fixed deposit – RBTT Bank Grenada Limited | 10,450,016 | 9,946,862 |
| US$ certificate of deposit- Cayman National | 2,727,406 | 2,721,296 |
| | 33,606,869 | 33,411,543 |

Included in the above is an amount of $23,985,100 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, Cayman National Bank and the Grenada Co-operative Bank Limited.

(Expressed in Eastern Caribbean Currency Dollars)

## 8. INVENTORIES

| | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| The following is a breakdown of stock on hand: | | |
| Motor vehicle spares | 995,936 | 977,981 |
| Distribution | 5,825,150 | 6,011,939 |
| Generation spares | 8,733,543 | 7,665,896 |
| Fuel and lubricating oil | 453,585 | 600,953 |
| General stores | 2,409,957 | 2,324,093 |
| | 18,418,171 | 17,580,862 |
| Less: Obsolescence provision | 1,206,079 | 1,139,641 |
| | 17,212,092 | 16,441,221 |

## 9. (a) TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Customers' accounts | 16,136,012 | 14,814,735 |
| Less: Provision for doubtful debts | 3,290,368 | 3,594,296 |
| | 12,845,644 | 11,220,439 |
| Other debtors | 1,566,326 | 1,721,252 |
| Less: Provision for doubtful debts | 17,993 | 463,594 |
| | 1,548,333 | 1,257,658 |
| | 14,393,977 | 12,478,097 |
| Provision for unbilled sales | 6,636,440 | 5,842,406 |
| Prepayments | 1,910,641 | 1,649,391 |
| | 22,941,058 | 19,969,894 |

As of the statement of financial position date, the aging analysis of customers' accounts is as follows:

| | 30 days | 31- 60 days | 61-90 days | Over 90 days | Total |
|---|---|---|---|---|---|
| **2017** | $11,645,589 | $1,110,393 | $180,077 | $3,199,953 | $16,136,012 |
| **2016** | $9,768,731 | $1,325,126 | $268,529 | $3,452,346 | $14,814,732 |

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 9. (b) BAD DEBT PROVISION

| | 2017 $ | 2016 $ |
|---|---|---|
| **(i) Customers' accounts** | | |
| As at December 31st, 2016 | 3,594,296 | 4,802,325 |
| Net change in provision | (303,928) | (1,208,029) |
| As at December 31st, 2017 | 3,290,368 | 3,594,296 |
| **(ii) Other debtors** | | |
| As at December 31st, 2016 | 463,594 | 433,924 |
| Net change in provision | (445,601) | 29,670 |
| As at December 31st, 2017 | 17,993 | 463,594 |

## 10. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|---|---|---|
| Cash on hand | 6,700 | 6,200 |
| Bank of Tampa | 378,406 | 595,595 |
| Bank of Nova Scotia | 84,488 | 686,479 |
| Republic Bank (Grenada) Limited | 462,066 | - |
| CIBC FirstCaribbean International Bank Limited | 456,419 | 368,587 |
| Grenada Co-operative Bank Limited | 72,813 | 202,628 |
| | 1,460,892 | 1,859,489 |
| Bank overdraft (note 13) | (2,296,406) | (4,084) |
| Cash and cash equivalents in the statement of cash flows | (835,514) | 1,855,405 |

## 11. STATED CAPITAL

| | 2017 | 2016 |
|---|---|---|
| Authorised | | |
| 25,000,000 ordinary shares of no par value | | |
| Issued and fully paid | | |
| 19,000,000 ordinary shares of no par value | 32,339,840 | 32,339,840 |

(Expressed in Eastern Caribbean Currency Dollars)

## 12. CUSTOMERS' DEPOSITS

All customers are required in accordance with the 2016 Electricity Supply Act (ESA) Schedule 1 to provide a security deposit which is normally equivalent to one (1) month's consumption. Interest accrued is credited to customers' accounts in the first billing cycle of the year. The cash deposit is refunded with accumulated interest when the account is terminated.

## 13. BORROWINGS

| | **2017** | 2016 |
|---|---|---|
| ***Long-term*** | $ | $ |
| CIBC First Caribbean International Bank Limited | 41,042,709 | 45,046,875 |
| Less: Current portion | 4,004,167 | 4,004,167 |
| Total long-term | 37,038,542 | 41,042,708 |
| ***Short-term*** | | |
| Bank overdraft | 2,296,406 | 4,084 |
| Borrowings current portion | 4,004,167 | 4,004,167 |
| Total short-term | 6,300,573 | 4,008,251 |
| Total borrowings | 43,339,115 | 45,050,959 |

On February 29, 2016 the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited (the Bank) for a credit facility of up to XCD$48,050,000.00.

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 5.90% subject to a floor of 3.60% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a twelve-year period and repayable via 32 quarterly principal payments of XCD$1,001,041.67 with a balloon payment of XCD$16,016,666.56. Interest will be paid quarterly in arrears and accrue on an actual/365-day basis. The facility is collateralized under a first priority mortgage obligation and debenture charge over the fixed and floating assets of the Borrower stamped to cover XCD$48,050,000.

The Company has an overdraft facility of $4.5 million with CIBC First Caribbean International Bank Limited with interest at the rate of 6.5% per annum.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 14. PROVISION FOR RETIREMENT BENEFITS

The Company operates a defined contribution plan for its employees. Payment of benefits accrued is made upon the resignation or retirement of employees by the relevant Trust.

The balance of $405,678 at the statement of financial position date relates to amounts payable to the Trusts for December 2017.

## 15. PROVISION FOR HURRICANE INSURANCE RESERVE

| | **2017** $ | 2016 $ |
|---|---|---|
| Balance at beginning of year | 22,000,000 | 20,000,000 |
| Add: Provision for the year | 2,000,000 | 2,000,000 |
| Balance at end of year | 24,000,000 | 22,000,000 |

## 16. TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade creditors | 7,944,029 | 5,907,782 |
| Sundry creditors | 4,050,575 | 4,113,159 |
| Accrued expenses | 2,666,084 | 2,344,096 |
| | 14,660,688 | 12,365,037 |

## 17. OTHER INCOME

| | | |
|---|---|---|
| Sundry revenue | 1,715,868 | 1,496,584 |
| Gain on disposal of fixed assets | 102,920 | 125,816 |
| | 1,818,788 | 1,622,400 |

(Expressed in Eastern Caribbean Currency Dollars)

## 18. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| Bank loans/Bond interest | 2,060,912 | 3,762,440 |
| Other bank interest | 16,269 | 2,117 |
| Other | 583,399 | 557,117 |
| | 2,660,580 | 4,321,674 |

## 19. RELATED PARTY TRANSACTIONS

i) The following transactions were carried out with WRB Enterprises, Inc., Grenada Private Power Limited and the National Insurance Scheme:

| | 2017 | 2016 |
|---|---|---|
| a) Sale of electricity - NIS | 199,083 | 195,538 |
| b) Management services- WRB Enterprises, Inc. | 600,000 | 600,000 |
| c) Loan repayments- NIS | - | 936,978 |
| d) Payment of dividends: | | |
| NIS | 1,146,516 | 7,761,030 |
| Grenada Private Power Limited | 4,940,000 | 33,440,000 |

ii) Compensation of key management personnel of the Company:

| | 2017 | 2016 |
|---|---|---|
| Salaries and other benefits | 3,532,413 | 3,415,895 |
| Directors' Fees | 259,520 | 234,250 |
| Past employment benefit provisions | 469,848 | 458,828 |
| Loans receivable from key management personnel | 122,527 | 138,927 |

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 20. TAXATION

*Current year*

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

| | **2017** $ | 2016 $ |
|---|---|---|
| Profit for the year before taxation | 20,773,080 | 23,284,012 |
| Tax at applicable statutory rate (30%) | 6,231,924 | 6,985,204 |
| Tax effect of items that are adjustable in determining: | | |
| Tax exempt income | (100,745) | (143,005) |
| Effect of expenses not deductible for tax purposes | (1,873,336) | (1,333,689) |
| Provision for taxation | 4,257,843 | 5,508,510 |

*Deferred tax liability*

| | 2017 | 2016 |
|---|---|---|
| Balance at the beginning of the year | (3,956,353) | (2,507,169) |
| Deferred tax charge | (1,344,888) | (1,449,184) |
| Balance at the end of the year | (5,301,241) | (3,956,353) |

The deferred tax liability consists of the following components:

| | 2017 | 2016 |
|---|---|---|
| Delayed tax depreciation | 17,676,803 | 13,187,841 |
| Deferred tax liability at 30% | (5,301,241) | (3,956,353) |

(Expressed in Eastern Caribbean Currency Dollars)

## 21. CONTINGENT LIABILITIES

At the statement of financial position date, the Company was contingently liable to the Government of Grenada for customs bonds in the amount of $100,000.

## 22. DIVIDENDS

During the year ended December 31st, 2017, a dividend of 52 cents per ordinary share amounting to $9,880,000 was declared and paid.

## 23. FINANCIAL RISK MANAGMENT

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, liquidity risk and market risk (including foreign exchange and interest rate risk). The Company's overall risk management policy is to minimise potential adverse effects on its financial performance and to optimise shareholders value within an acceptable level of risk. Risk management is carried out by the Company's management under direction from the Board of Directors.

The Board of Directors has established committees which are responsible for developing and monitoring the Company's risk management policies in their specified areas. These committees report to the Board of Directors on their activities. The committees and their activities are as follows:

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Loans Committee

The Loans Committee is comprised of members of management who are responsible for approving staff loan applications and ensuring that only those that meet the requirements set out in the Staff Loan and Procedure Policy are approved.

GRENADA ELECTRICITY SERVICES LIMITED

# Notes to the Financial Statements
# At 31st December, 2017 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

## 23. FINANCIAL RISK MANAGEMENT (continued)

The Company's exposure and approach to its key risks are as follows:

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the Company's trade receivables and financial investments.

Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from all customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition.

With respect to credit risk arising from other financial assets, that of cash and cash equivalents and financial investments, the Company places these funds with highly rated financial institutions to limit its exposure.

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31st, 2017.

***Operational risk***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

(Expressed in Eastern Caribbean Currency Dollars)

## 23. FINANCIAL RISK MANAGEMENT (continued)

### *Operational risk (continued)*

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance as outlined below.

### *Insurance risk*

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has fully insured its plant and machinery, buildings, computer equipment and furniture against substantially all perils. The Company's Transmission and Distribution systems are uninsured and to mitigate this risk, the Company sets aside funds on an annual basis in a hurricane reserve.

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.
Management monitors the Company's liquidity reserve, which comprises overdraft facilities and cash and cash equivalents (Note 10), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short term obligations.

(Expressed in Eastern Caribbean Currency Dollars)

## 23. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's exposure to liquidity risk:

| Balance at 31st December, 2017 | Current | 31-60 days | 61-90 days | Over 90 days | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 1,460,892 | - | - | - | 1,460,892 |
| Income tax prepaid | - | - | 92,157 | - | 92,157 |
| Loans and receivable financial assets | 3,018,879 | - | - | 30,587,990 | 33,606,869 |
| Trade and other receivables | 19,852,056 | 1,438,577 | 242,158 | 1,408,267 | 22,941,058 |
| Inventories | 17,212,092 | - | - | - | 17,212,092 |
| | 41,543,919 | 1,438,577 | 334,315 | 31,996,257 | 75,313,068 |
| **Current liabilities** | | | | | |
| Short-term borrowings | 2,296,406 | - | 1,001,042 | 3,003,125 | 6,300,573 |
| Trade payables and accrued expenses | 9,927,516 | 1,401,118 | 1,135,481 | 2,196,573 | 14,660,688 |
| Consumers' advances for construction | - | - | - | 1,167,900 | 1,167,900 |
| Provision for retirement benefits | 405,678 | - | - | - | 405,678 |
| Provision for profit sharing | - | - | - | 4,594,972 | 4,594,972 |
| | 12,629,600 | 1,401,118 | 2,136,523 | 10,962,570 | 27,129,811 |
| **NET LIQUIDITY SURPLUS** | 28,914,319 | 37,459 | (1,802,208) | 21,033,687 | 48,183,257 |

(Expressed in Eastern Caribbean Currency Dollars)

## 23. FINANCIAL RISK MANAGEMENT (continued)

| Balance at 31st December, 2016 | Current | 31-60 days | 61-90 days | Over 90 days | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 1,859,489 | - | - | - | 1,859,489 |
| Loans and receivable financial assets | 3,012,764 | - | - | 30,398,779 | 33,411,543 |
| Trade and other receivables | 17,239,355 | 1,325,126 | 268,529 | 1,136,884 | 19,969,894 |
| Inventories | 16,441,221 | - | - | - | 16,441,221 |
| | 38,552,829 | 1,325,126 | 268,529 | 31,535,663 | 71,682,147 |
| **Current liabilities** | | | | | |
| Provision for income tax | - | - | 1,008,510 | - | 1,008,510 |
| Short-term borrowings | 4,084 | - | 1,001,042 | 3,003,125 | 4,008,251 |
| Trade payables and accrued expenses | 8,081,990 | 1,533,419 | 82,072 | 2,667,556 | 12,365,037 |
| Consumers' advances for construction | - | - | - | 1,583,807 | 1,583,807 |
| Provision for retirement benefits | 195,255 | - | - | - | 195,255 |
| Provision for profit sharing | - | - | - | 4,960,633 | 4,960,633 |
| | 8,281,329 | 1,533,419 | 2,091,624 | 12,215,121 | 24,121,493 |
| **NET LIQUIDITY SURPLUS** | 30,271,500 | (208,293) | (1,823,095) | 19,320,542 | 47,560,654 |

## 23. FINANCIAL RISK MANAGEMENT (continued)

***Market risk***

*(i) Foreign exchange risk*

Foreign exchange risk is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

The Company has a limited exposure to foreign exchange risk arising primarily from the purchases of plant, equipment and spares from foreign suppliers that are mainly transacted in United States dollars, which has a fixed exchange rate.

The Company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

*(ii) Interest rate risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

***Capital risk management***

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may, subject to Board approval as appropriate, vary the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company also monitors capital on the basis of a target debt-to-equity ratio of 1.25:1 or less, indicating a strong financial position and financial flexibility. This ratio is calculated as total borrowings divided by total equity.

(Expressed in Eastern Caribbean Currency Dollars)

## 23. FINANCIAL RISK MANAGEMENT (continued)

***Capital risk management (continued)***

The debt-to-equity ratios are shown below:

**Capital structure**

| | **2017**<br>$ | 2016<br>$ |
|---|---|---|
| Total borrowings (Note 13) | 41,042,708 | 45,046,875 |
| Shareholders' equity | 80,558,687 | 73,393,412 |
| Debt to equity ratio | **0.51:1** | **0.61:1** |

## 24. PRIOR YEAR ADJUSTMENT

| | | |
|---|---|---|
| Deferred Tax Liability understated | $ - | $(2,077,122) |

GRENADA ELECTRICITY SERVICES LIMITED

# FIVE YEAR OPERATIONAL RECORD 2013-2017

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **PRODUCTION AND SALES** | | | | | |
| **Generation - Grenlec Diesel** | 220,136,016 | 216,195,395 | 205,629,084 | 199,588,355 | 196,655,652 |
| **Generation - Grenlec PV** | 1,655,231 | 882,796 | 326,294 | 320,590 | |
| **Generation - PV Customers** | 1,429,782 | 1,429,955 | 1,011,319 | 620,549 | |
| **Gross Generation (kWh)** | **223,221,029** | **218,508,146** | **206,966,697** | **200,529,494** | **196,655,652** |
| **Auxillaries & Own Use** | 6,215,633 | 6,123,818 | 6,285,999 | 5,926,777 | 6,085,679 |
| **Net Generation** | 217,005,396 | 212,384,328 | 200,680,698 | 194,602,717 | 190,569,973 |
| Sales (kWh) | | | | | |
| Domestic | 78,680,567 | 76,779,913 | 70,083,198 | 68,228,598 | 68,454,863 |
| Commercial | 110,449,387 | 109,061,085 | 103,664,062 | 100,431,948 | 96,821,536 |
| Industrial | 5,478,443 | 5,686,738 | 5,593,604 | 5,803,295 | 5,907,116 |
| *Street Lighting* | *4,710,779* | *4,701,059* | *4,697,707* | *4,697,950* | *4,626,682* |
| **Total Sales** | **199,319,176** | **196,228,795** | **184,038,571** | **179,161,791** | **175,810,197** |
| Loss (% of Net Generation) | 8.12% | 7.58% | 8.26% | 7.90% | 7.71% |
| **Number of Customers at Year - End** | | | | | |
| Domestic | 43,229 | 42,293 | 41,298 | 40,329 | 39,762 |
| Commercial | 6,752 | 6,521 | 6,263 | 6,113 | 5,968 |
| Industrial | 38 | 39 | 36 | 36 | 35 |
| Street Lights | *8,628* | *8,461* | *8,387* | *8,386* | *8,308* |
| Total Customers | **50,019** | **48,853** | **47,597** | **46,478** | **45,765** |
| **Average Annual usage per Customer Class (kWh)** | | | | | |
| Domestic | 1,820 | 1,815 | 1,697 | 1,692 | 1,722 |
| Commercial | 16,358 | 16,725 | 16,552 | 16,429 | 16,223 |
| Industrial | 144,170 | 145,814 | 155,378 | 161,203 | 168,775 |

# FIVE YEAR FINANCIAL RECORD 2013-2017

EXPRESSED IN EC$ & US$

| | 2017<br>EC$ | 2016<br>EC$ | 2015<br>EC$ | 2014<br>EC$ | 2013<br>EC$ |
|---|---|---|---|---|---|
| **INCOME** | **151,536,343** | **137,603,711** | **151,279,103** | **189,938,021** | **192,311,801** |
| **PROFIT BEFORE TAXES** | 20,773,080 | 23,284,012 | 25,939,644 | 26,847,037 | 22,418,087 |
| TAXATION | 5,602,731 | 6,957,694 | 7,699,542 | 7,606,135 | 6,361,011 |
| NET PROFIT | 15,170,349 | 16,326,318 | 18,240,102 | 19,240,902 | 16,057,076 |
| Stated Capital & Retained Earnings | 54,606,639 | 49,316,290 | 101,955,134 | 93,595,032 | 83,474,398 |
| Hurricane Insurance Reserve | 24,000,000 | 22,000,000 | 20,000,000 | 18,000,000 | 16,000,000 |
| **SHAREHOLDERS EQUITY** | **78,606,639** | **71,316,290** | **121,955,134** | **111,595,032** | **99,474,398** |
| REPRESENTED BY: | | | | | |
| TOTAL ASSETS | 163,480,729 | 155,358,788 | 170,544,752 | 184,209,138 | 183,032,440 |
| TOTAL LIABILITIES | 84,874,090 | 84,042,498 | 48,589,618 | 72,614,106 | 83,558,042 |
| **NET ASSETS** | 78,606,639 | 71,316,290 | 121,955,134 | 111,595,032 | 99,474,398 |
| **FINANCIAL RATIOS** | | | | | |
| No. of shares | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 |
| Return on Shareholders equity | 19.30% | 22.89% | 14.96% | 17.24% | 16.14% |
| Earnings Per Share | 0.80 | 0.86 | 0.96 | 1.01 | 0.85 |
| Dividends Per Share | 0.52 | 3.52 | 0.52 | 0.48 | 0.48 |

| | US $ | US $ | US $ | US $ | US $ |
|---|---|---|---|---|---|
| **INCOME** | **56,124,571** | **50,964,337** | **56,029,297** | **70,347,415** | **71,226,593** |
| **PROFIT BEFORE TAXES** | **7,693,733** | **8,623,708** | **9,607,276** | **9,943,347** | **8,302,995** |
| **TAXATION** | 2,075,086 | 2,576,924 | 2,851,682 | 2,817,087 | 2,355,930 |
| **NET PROFIT** | 5,618,647 | 6,046,784 | 6,755,594 | 7,126,260 | 5,947,065 |
| Stated Capital & Retained Earnings | 20,224,681 | 18,265,293 | 37,761,161 | 34,664,827 | 30,916,444 |
| Hurricane Insurance Reserve | 8,888,889 | 8,148,148 | 7,407,407 | 6,666,667 | 5,925,926 |
| **SHAREHOLDERS EQUITY** | **29,113,570** | **26,413,441** | **45,168,568** | **41,331,494** | **36,842,370** |
| **REPRESENTED BY:** | | | | | |
| TOTAL ASSETS | 60,548,418 | 57,540,292 | 63,164,723 | 68,225,607 | 67,789,793 |
| TOTAL LIABILITIES | 31,434,848 | 31,126,851 | 17,996,155 | 26,894,113 | 30,947,423 |
| **NET ASSETS** | 29,113,570 | 26,413,441 | 45,168,568 | 41,331,494 | 36,842,370 |
| **FINANCIAL RATIOS** | | | | | |
| No. of shares | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 |
| Return on Shareholders equity | 19.30% | 22.89% | 14.96% | 17.24% | 16.14% |
| Earnings Per Share | 0.30 | 0.32 | 0.36 | 0.38 | 0.31 |
| Dividends Per Share | 0.19 | 1.30 | 0.19 | 0.18 | 0.18 |


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