# ST. VINCENT ELECTRICITY SERVICES LIMITED

# FINANCIAL STATEMENTS

## AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
**(With comparative figures as at and for year ended December 31, 2015)**

**ST. VINCENT ELECTRICITY SERVICES LIMITED**

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## CORPORATE INFORMATION

### Registered Office

Kingstown
St. Vincent and the Grenadines

### Directors

Ms. René M. Baptiste – Chairman, C.M.G., LL.B (Hons.), L.E.C.
Mr. Maurice Edwards – BSc, CGA, O.B.E.
Mr. Godfred Pompey – Q.A.T, BSc., MA
Mr. Brian George – B. Eng. (Hons.), MSc, PMP
Sir Vincent Beache – KCMG – resigned 18 August 2016
Mr. Kirk Da Silva – MCMI, AFA, AICB, CFE, Acc. Dir., Cr. FA, DABFA – resigned 18 August 2016
Mr. Simon Glynn
Mr. Patrick Da Silva
Mr. Tyrone Burke
Mr. Lance Peters- appointed 18 August 2016
Mr. Alex Williams - appointed 18 August 2016

### Company Secretary

Mrs. Juliette Hinds-Wilson – CMA, ACIS

### Chief Executive Officer

Mr. Thornley Myers – MSc, MASC, Dip. Mgmt.

### Solicitors

Saunders & Huggins

### Bankers

The Bank of Nova Scotia
CIBC FirstCaribbean International Bank (Barbados) Limited
Bank of St. Vincent and the Grenadines
RBTT Bank (Caribbean) Limited

### Auditors

KPMG

**KPMG**
First Floor
National Insurance Services Headquarters
Upper Bay Street
P.O. Box 587, Kingstown
St. Vincent and the Grenadines

Telephone: (784) 451-1300
Fax: (784) 451-2329

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of St. Vincent Electricity Services Limited

### Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of St. Vincent Electricity Services Limited ("the Company"), which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*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 St Vincent, 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.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

To the Shareholder of St. Vincent Electricity Services Limited

*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 IFRS, 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.

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.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

*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.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

To the Shareholder of St. Vincent Electricity Services Limited

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

To the Shareholder of St. Vincent Electricity Services Limited

- 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.

KPMG

KPMG
Chartered Accountants
Bridgetown, Barbados
December 21, 2017

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Statement of Financial Position**
**As of December 31, 2016**
**With comparatives as of December 31, 2015**
**(Expressed in Eastern Caribbean Dollars)**

| | Note | 31 December 2016 $ | 31 December 2015 Restated (Note 28) $ | 1 January 2015 Restated (Note 28) $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 5 | 178,452,886 | 186,764,305 | 197,105,101 |
| Long-term investments | 6 | 11,297,156 | 12,901,946 | 14,436,887 |
| Retirement benefit asset | | - | - | 362,614 |
| **Total non-current assets** | | 189,750,042 | 199,666,251 | 211,904,602 |
| Inventories | 8 | 6,263,943 | 8,105,236 | 7,113,678 |
| Current portion of long-term investments | 6 | 1,604,790 | 1,534,941 | 1,468,132 |
| Short-term investments | 9 | 23,205,372 | 22,241,418 | 21,578,292 |
| Trade and other receivables | 10 | 30,352,860 | 41,091,607 | 42,666,438 |
| Prepayments | | 587,438 | 280,727 | 365,291 |
| Cash at bank | | 7,712,077 | 3,540,573 | 3,665,900 |
| **Total current assets** | | 69,726,480 | 76,794,502 | 76,857,731 |
| **Total assets** | | 259,476,522 | 276,460,753 | 288,762,333 |
| **Equity** | | | | |
| Share capital | 11 | 29,045,910 | 29,045,910 | 29,045,910 |
| Self-insurance fund | 5 | 27,000,000 | 27,000,000 | 27,000,000 |
| Retirement benefit reserve | 12 | (684,320) | (362,415) | 56,370 |
| Retained earnings | | 82,460,816 | 86,602,310 | 78,347,021 |
| **Total equity** | | 137,822,406 | 142,285,805 | 134,449,301 |
| **Liabilities** | | | | |
| Borrowings | 13 | 39,317,519 | 51,279,138 | 61,866,745 |
| Consumers' contributions to line extensions | 14 | 2,344,324 | 3,322,372 | 3,830,942 |
| Deferred grant income | 15 | 130,160 | 138,468 | 147,306 |
| Consumers' deposits | 16 | 11,178,107 | 10,672,067 | 10,114,425 |
| Retirement benefit obligation | 7 | 601,896 | 185,757 | - |
| Deferred tax liability | 17 | 29,123,412 | 35,530,013 | 38,168,485 |
| **Total non-current liabilities** | | 82,695,418 | 101,127,815 | 114,127,903 |
| Bank overdraft | | - | - | 3,953,654 |
| Income tax payable | | 145,362 | 4,417,840 | 256,417 |
| Current portion of borrowings | 13 | 13,641,268 | 11,590,950 | 11,147,233 |
| Trade and other payables | 18 | 25,172,068 | 17,038,343 | 24,827,825 |
| **Total current liabilities** | | 38,958,698 | 33,047,133 | 40,185,129 |
| **Total liabilities** | | 121,654,116 | 134,174,948 | 154,313,032 |
| **Total equity and liabilities** | | 259,476,522 | 276,460,753 | 288,762,333 |

**The financial statements on pages 5-47 were approved for issue by the Board and signed on its behalf by:**

Reve' Baptiste
Director

M. Edwards
Director

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Statement of Comprehensive Income**
**For the year ended December 31, 2016**
**With comparative figures for year ended December 31, 2015**
**(Expressed in Eastern Caribbean Dollars)**

| | Note | 2016 $ | 2015 As Restated (Note 28) $ |
|---|---|---|---|
| **Revenues** | | | |
| Energy sales | | 70,479,146 | 67,455,914 |
| Fuel surcharge recovered | | 33,113,741 | 42,362,077 |
| Other revenue | | 1,168,909 | 1,631,953 |
| | | 104,761,796 | 111,449,944 |
| **Operating expenses** | | | |
| Diesel generation | | 30,892,761 | 27,087,343 |
| Hydro generation | | 3,676,106 | 4,120,003 |
| Renewable energy purchased | | 189,420 | 137,467 |
| Transmission and distribution | | 11,186,904 | 10,950,289 |
| Fuel surcharge | | 33,785,565 | 41,957,673 |
| Administrative expenses | | 13,151,990 | 13,094,044 |
| | 19 | 92,882,746 | 97,346,819 |
| **Operating profit** | | 11,879,050 | 14,103,125 |
| Other gains/(losses), net | 20 | 179,498 | (308,359) |
| Flood damage repairs | | - | (514,298) |
| **Profit before net finance** | | 12,058,548 | 13,280,468 |
| Finance income | | 1,487,358 | 1,232,574 |
| Finance costs | | (2,852,671) | (3,304,725) |
| **Net finance costs** | | (1,365,313) | (2,072,151) |
| **Profit before taxation** | | 10,693,235 | 11,208,317 |
| Income tax expenses | 21 | 1,667,981 | (2,953,028) |
| **Profit for the year** | | 12,361,216 | 8,255,289 |
| **Other comprehensive income:** | | | |
| Items that will never be reclassified to profit or loss | | | |
| Re-measurement of defined benefit pension plan, net of tax, being total other comprehensive loss for the year | 7(a) | (321,905) | (418,785) |
| **Total comprehensive income for the year** | | 12,039,311 | 7,836,504 |
| Earnings per share | 22 | 2.13 | 1.42 |

The notes on pages 10 to 47 are an integral part of these financial statements.

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Statement of Changes in Equity**
**For the year ended December 31, 2016**
**With comparative figures for the year ended December 31, 2015**
**(Expressed in Eastern Caribbean Dollars)**

| | Share capital | Self-insurance fund | Retirement benefit reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Current year** | | | | | |
| **Balance as of December 31, 2015, as restated** | 29,045,910 | 27,000,000 | (362,415) | 86,602,310 | 142,285,805 |
| **Total comprehensive income for the year** | | | | | |
| Impact of change in policy (note 5) | - | - | - | 924,836 | 924,836 |
| Profit for the year | - | - | - | 12,361,216 | 12,361,216 |
| Other comprehensive income | - | - | (321,905) | - | (321,905) |
| **Total comprehensive income for the year** | - | - | (321,905) | 13,286,052 | 12,964,147 |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Dividend declared | - | - | | (17,427,546) | (17,427,546) |
| **Balance as of December 31, 2016** | 29,045,910 | 27,000,000 | (684,320) | 82,460,816 | 137,822,406 |

The notes on pages 10 to 47 are an integral part of these financial statements.

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Statement of Changes in Equity (cont'd)**
**For the year ended December 31, 2016**
**With comparative figures for the year ended December 31, 2015**
**(Expressed in Eastern Caribbean Dollars)**

| | Share capital | Self-insurance fund | Revaluation reserve | Retirement benefit reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Previous year** | | | | | | |
| **Balance as of December 31, 2014, as previously stated (note 28)** | 29,045,910 | 27,000,000 | 17,819,392 | 56,370 | 75,312,565 | 149,234,237 |
| **Impact of change in policy (note 28)** | - | - | (17,819,392) | - | 3,034,456 | (14,784,936) |
| **Restated Balance as at 1 January, 2015** | 29,045,910 | 27,000,000 | - | 56,370 | 78,347,021 | 134,449,301 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | 8,255,289 | 8,255,289 |
| Other comprehensive income | - | - | - | (418,785) | - | (418,785) |
| **Total comprehensive income for the year** | - | - | - | (418,785) | 8,255,289 | 7,836,504 |
| **Balance as of December 31, 2015, as restated** | 29,045,910 | 27,000,000 | - | (362,415) | 86,602,310 | 142,285,805 |

The notes on pages 10 to 47 are an integral part of these financial statements.

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Statement of Cash Flows**
**For the year ended December 31, 2016**
**With comparative figures for the year ended December 31, 2015**
**(Expressed in Eastern Caribbean Dollars)**

| | Note | 2016 $ | 2015 As Restated (Note 28) $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 12,361,216 | 8,255,289 |
| **Adjustments for:** | | | |
| Depreciation | 5 | 19,907,086 | 20,947,202 |
| Amortization of consumers' contributions to line extensions | 14 | (1,232,787) | (1,195,811) |
| (Gain)/loss on disposal of property, plant and equipment | | (165,900) | 311,034 |
| Finance costs | | 2,852,671 | 3,304,725 |
| Defined benefit pension expense | | 251,071 | 232,127 |
| Defined benefit plan contributions | | (290,002) | (299,616) |
| Foreign exchange gain | | (13,598) | (2,675) |
| Amortization of deferred grant income | 15 | (8,308) | (8,838) |
| Finance income | | (1,487,358) | (1,232,574) |
| Income tax expense | | (1,667,981) | 2,953,028 |
| **Operating profit before working capital changes** | | 30,506,110 | 33,263,891 |
| Change in inventories | | 1,841,293 | (991,558) |
| Change in trade and other receivables | | 10,612,338 | 1,476,931 |
| Change in prepayments | | (306,711) | 84,564 |
| Change in trade and other payables | | 2,529,546 | (7,821,122) |
| **Cash generated from operations** | | 45,182,576 | 26,012,706 |
| Interest paid | | (2,365,882) | (2,983,774) |
| Interest received | | 1,613,766 | 1,330,474 |
| Income tax paid | | (8,877,933) | (1,233,004) |
| **Net cash generated from operating activities** | | 35,552,527 | 23,126,402 |
| **Cash flows from investing activities** | | | |
| Acquisition of short-term securities | | (961,448) | (663,126) |
| Acquisition of property, plant and equipment | 5 | (10,673,339) | (10,953,047) |
| Proceeds from disposal of property, plant and equipment | | 165,900 | 35,607 |
| Proceeds from redemption of long term securities | | 1,534,941 | 1,468,132 |
| **Net cash used in investing activities** | | (9,933,946) | (10,112,434) |
| **Cash flows from financing activities** | | | |
| Change in consumers' deposits | | 202,095 | 268,332 |
| Repayment of borrowings | | (9,896,955) | (10,141,214) |
| Dividends paid | | (12,006,956) | - |
| Net change in consumers' contributions | 14 | 254,739 | 687,241 |
| **Net cash used in financing activities** | | (21,447,077) | (9,185,641) |
| **Net increase in cash and cash equivalents** | | 4,171,504 | 3,828,327 |
| **Cash and cash equivalents** - beginning of year | | 3,540,573 | (287,754) |
| **Cash and cash equivalents** - end of year | | 7,712,077 | 3,540,573 |
| **Represented by:** | | | |
| Cash at bank | | 7,712,077 | 3,540,573 |

The notes on pages 10 to 47 are an integral part of these financial statements.

## 1. Reporting entity

St. Vincent Electricity Services Limited ("the Company") was incorporated under the laws of St. Vincent and the Grenadines on November 27, 1961 and continued as Company 64 of 1961 under Section 365 of the Companies' Act of 1994, under the laws of St. Vincent and the Grenadines. The Company operates under the Electricity Supply Act of 1973, and has an exclusive license for the exercise and performance of functions relating to the supply of electricity in St. Vincent and the Grenadines. The Company's registered office is situated at Paul's Avenue, Kingstown, St. Vincent and the Grenadines.

## 2. Basis of preparation

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved for issue by the Board of Directors on December 19, 2017.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

The financial statements are presented in Eastern Caribbean dollars, which is the Company's functional currency. All financial information is presented in Eastern Caribbean dollars, unless otherwise indicated, and has been rounded to the nearest dollar.

### (d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3(i) - Impairment
- Note 3(o) - Revenue
- Note 4(b) - Measurement of fair values

## 2. Basis of accounting (cont'd)

### (d) Use of estimates and judgements (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended December 31, 2016 is included in the following notes:

- Note 7 - Retirement benefit plan (principal actuarial assumptions)

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. As more fully described in note 4(b), there are no quoted prices for the investment securities which the Company holds. Accordingly, fair value is estimated using valuation techniques. The Manager, Finance, has overall responsibility for overseeing all significant fair value measurements, including level three fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The use of estimated, based on judgements, gives rise to uncertainty.

Further information about the assumptions made in measuring fair values are included in the following notes:

- Note 4 - Financial instruments- fair values and risk management

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Foreign currency transactions

Transactions in foreign currencies are translated into Eastern Caribbean dollars at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

**3. Significant accounting policies (cont'd)**

**(b) Cash, cash equivalents and short-term investment securities**

Cash comprises cash on hand and demand deposits held with banks. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term commitments rather than for investment purposes and original maturities of ninety (90) days or less at the date of purchase. Highly liquid investments include deposits where the maturities do not exceed three months from the acquisition date. Investments with maturities between ninety (90) days and one year at the date of purchase, and consist primarily of certificates of deposit are considered to be short-term investment securities. Cash and cash equivalents and short term investment securities are measured at amortized cost.

**(c) Dividends**

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

Dividends declared are recognised as a liability in the Company's financial statements in the period in which they become a constructive obligation.

**(d) Trade receivables**

Trade receivables are carried initially at fair value and subsequently measured at amortized cost less a provision for doubtful debts. The provision for doubtful debts is determined by reference to specific disconnected consumers' accounts. Customers whose service have been disconnected during the current financial year and those that have been disconnected in excess of one year are subject to a provision of 50% and 100%, respectively on the outstanding balance, less deposits thereon.

**(e) Inventories**

Inventories are measured at the lower of cost, cost being determined on the weighted average basis, and net realizable value. Allowance is made for obsolete, slow-moving and damaged goods.

Goods-in-transit are stated at invoiced cost.

**(f) Financial instruments**

*(i) Classification*
The Company classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

**3. Significant accounting policies (cont'd)**

**(f) Financial instruments (cont'd)**

*(ii) Non-derivative financial assets and financial liabilities – recognition and derecognition*
The Company initially recognizes trade and other receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

*(iii) Non-derivative financial assets - measurement*
**Loans and receivables**
On initial recognition, these assets are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

**Held-to-maturity financial assets**
On initial recognition, these assets are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

**Available-for-sale financial assets**
The Company's investments in equity securities are classified as available-for-sale financial assets. On initial recognition, available-for-sale financial assets are measured at fair value plus any attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3 (i)) and foreign exchange gains and losses on available-for-sale monetary items (see note 3 (a)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss.

## 3. Significant accounting policies (cont'd)

### (f) Financial instruments (cont'd)

*(i) Non-derivative financial liabilities – measurement*
Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### (g) Property, plant and equipment

#### (i) Recognition and measurement

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

The net proceeds of assets disposed of or retired during the year less the net book value of such assets are taken to profit or loss.

#### (ii) Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

**3. Significant accounting policies (cont'd)**

**(g) Property, plant and equipment (cont'd)**

**(iii) Depreciation**

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

| | | | |
|---|---|---|---|
| • Freehold property | $2^1/_2$ | - | 5% per annum |
| • Generation plant & machinery | 5 | - | 20% per annum |
| • Transmission & distribution | 5 | - | 6% per annum |
| • Motor vehicles | | | 25% per annum |
| • Furniture and equipment | | | $12^1/_2$% per annum |

Depreciation is recognized in profit or loss.

**(iv) Other**

The assets' residual value, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting 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.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**(h) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI) in which case it is recognised in equity or OCI as appropriate.

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

## 3. Significant accounting policies (cont'd)

### (h) Income tax (cont'd)

#### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences relating to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

## 3. Significant accounting policies (cont'd)

### (i) Impairment

#### (i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

#### (ii) Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

**3. Significant accounting policies (cont'd)**

**(i) Impairment (cont'd)**

**(iii) Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

**(iv) Non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories), to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3. Significant accounting policies (cont'd)**

**(j) Trade and other payables**

A financial liability is classified as at fair value through profit or loss if is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

**(k) Borrowings**

Borrowings are recognized at fair value, being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(l) Customers' deposits**

Given the long-term nature of the customer relationship, customers' deposits are shown as non-current liabilities.

Customers' deposits are refundable on termination of supply and bear interest at the rate of 4% per annum.

**(m) Consumer contributions**

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extensions. These contributions are amortized over the estimated useful lives of the relevant capital cost on the straight line basis by way of a reduction of the depreciation charge under transmission and distribution costs. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. The capital costs of consumer line extensions are included in property, plant and equipment.

## 3. Significant accounting policies (cont'd)

### (n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Among the rights attaching to the Company's issued ordinary shares are the right to:

(i) attend and vote at meetings of shareholders of the Company; and
(ii) receive dividends as declared from time to time by the Company

### (o) Revenue

Revenue is income that arises in the course of the ordinary activities of the Company. It comprises income from the sale of energy and from fuel surcharge, which are recognised and measured as follows:

*(i) Sale of energy*

Revenue from energy sales is based on (1) meter readings, which are carried out on a rotational basis throughout each month, and (2) estimates of customer use between the meter reading date and the reporting date. The accrual for such unbilled sales is calculated on the basis of apportionment of revenue derived from the meter reading period next following the reporting date. The amount for unbilled sales is included in accrued income.

(ii) *Fuel surcharge*

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the fuel price at the base period. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge is included in accrued income.

### (p) Employee benefits

**Short-term employee benefits**
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## 3. Significant accounting policies (cont'd)

### (p) Employee benefits (cont'd)

**Pension**

The Company provides retirement benefits, under a defined-benefit plan and a defined-contribution plan, for substantially all of its employees. The pension plans are funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries.

*(i) Defined-benefit plan*

A defined-benefit plan is one that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined-benefit plan is a multi-employer scheme. There are five contributing employers; the others are Anguilla Electricity Company Ltd., Montserrat Electricity Services Ltd., St. Lucia Mortgage Finance Company Ltd. and St. Lucia Electricity Services Ltd. Multi-employers schemes pool the assets contributed by the various enterprises that are not under common control, and use the assets to provide benefits to employees of more than one enterprise on the basis that contributions and benefit levels are determined without regard to the identity of the enterprise that employs the employees concerned. The plan is accounted for as a defined-benefit plan under IAS 19 – *Employee Benefits.*

The Company's net obligation in respect of the defined-benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined-benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined-benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined-benefit liability (asset), taking into account any changes in the net defined-benefit liability (asset) during the period as a result of contirbuitons and benefit payments. Net interest expense and other expenses related to defined-benefit plans are recognised in profit or loss.

## 3. Significant accounting policies (cont'd)

### (p) Employee benefits (cont'd)

**Pension (cont'd)**

(i) *Defined-benefit plan (cont'd)*
When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined-benefit plan when the settlement occurs.

(ii) *Defined-contribution plan*
The Company's obligation in respect of the defined-contribution plan is limited to the contributions it is required to make under the plan's rules.

The Company's contributions to the defined-contribution pension plan are charged to profit or loss in the year to which they relate.

**Termination benefits**
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

### (q) Deferred grant income

Grants related to the acquisition of property, plant and equipment are deferred and credited to income on a basis consistent with the amortization of the cost of the asset to which they relate (note 15).

### (r) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains on investments. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expense comprises interest expense and foreign currency losses on borrowings.

**3. Significant accounting policies (cont'd)**

**(s) New standards, and interpretations of and amendments to existing standards, that are not yet effective**

A number of new standards and amendments to standards are effective for annual reporting periods beginning after 1 January 2017; the following are likely to be relevant to the Company. The Company has not early-adopted any of them; accordingly, they have not been applied in preparing these financial statements.

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|---|---|---|
| IFRS 9 *Financial Instruments* | IFRS 9, published in July 2016, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.<br><br>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. | The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9 when it becomes effective. |
| IFRS 15 *Revenue from Contracts with Customers* | IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.<br><br>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. | The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15 when it becomes effective. |

## 3. Significant accounting policies (cont'd)

### (s) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd)

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- Disclosure initiative ( Amendments to IAS 7) effective date 1 January 2017
- Recognition of Deferred tax Asset for Unrealized Losses ( Amendments to IAS 12) effective date 1 January 2017
- IFRS 15 Revenue from Contracts with customers effective date 1 January 2018
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective date to be determined.

## 4. Financial instruments – fair values and risk management

### (a) Accounting classifications and fair values

The following table shows the accounting classifications of financial assets and financial liabilities at their carrying amounts. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

| December 31, 2016 | Available for sale | Held to maturity | Loans and receivables | Other financial assets/liabilities | Total |
|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | |
| Debt securities (note 6) | - | 11,829,246 | - | - | 11,829,246 |
| Equity securities (note 6) | 1,072,700 | - | - | - | 1,072,700 |
| Short-term investments (note 9) | - | 23,205,372 | - | - | 23,205,372 |
| Trade and other receivables (note 10) | - | - | 30,352,860 | - | 30,352,860 |
| Cash and cash equivalents | - | - | 7,712,077 | - | 7,712,077 |
| **Total financial assets** | 1,072,700 | 35,034,618 | 38,064,937 | - | 74,172,255 |
| | | | | | |
| **Financial liabilities not measured at fair value** | | | | | |
| Borrowings (note 13) | - | - | - | 52,958,787 | 52,958,787 |
| Customers' deposits (note 16) | - | - | - | 11,178,107 | 11,178,107 |
| Trade and other payables (note 18) | - | - | - | 25,172,068 | 25,172,068 |
| **Total financial liabilities** | - | - | - | 89,308,962 | 89,308,962 |

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**4. Financial instruments – fair values and risk management (cont'd)**

**(a) Accounting classifications and fair values (cont'd)**

| December 31, 2015 | Available for sale | Held to maturity | Loans and receivables | Other financial assets/liabilities | Total |
|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | |
| Debt securities (note 6) | - | 13,364,187 | - | - | 13,364,187 |
| Equity securities (note 6) | 1,072,700 | - | - | - | 1,072,700 |
| Short-term investments (note 9) | - | 22,241,418 | - | - | 22,241,418 |
| Trade and other receivables (note 10) | - | - | 41,091,607 | - | 41,091,607 |
| Cash and cash equivalents | - | - | 3,540,573 | - | 3,540,573 |
| **Total financial assets** | 1,072,700 | 35,605,605 | 44,632,180 | - | 81,310,485 |
| | | | | | |
| **Financial liabilities not measured at fair value** | | | | | |
| Borrowings (note 13) | - | - | - | 62,870,088 | 62,870,088 |
| Customers' deposits (note 16) | - | - | - | 10,672,067 | 10,672,067 |
| Trade and other payables (note 18) | - | - | - | 17,038,343 | 17,038,343 |
| **Total financial liabilities** | - | - | - | 90,580,498 | 90,580,498 |

The Company's equity securities are unquoted notwithstanding that they are classified as avaibalbe for sale, they are carried at cost as their fair value cannot be reliably measured.

## 4. Financial instruments – fair values and risk management (cont'd)

### (b) Measurement of fair values

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table presents the company's financial assets that are measured at fair value at 31 December, 2016:

| | **Level 1** |
|---|---|
| **Financial assets** | **$** |
| Long-term investment | 12,901,946 |
| Short-term investment | 23,205,372 |
| | 36,107,318 |

**4. Financial instruments – fair values and risk management (cont'd)**

**(b) Measurement of fair values**

The following table presents the company's financial assets that are measured at fair value at 31 December, 2015:

| **Financial assets** | **Level 1** **$** |
|---|---|
| Long-term investment | 14,436,887 |
| Short-term investment | 22,241,418 |
| | 36,678,305 |

**(c) Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of reserves.

*(i) Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Company's audit committee is responsible for monitoring compliance with the Company's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in these functions by internal audit. Internal audit performs both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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## 4. Financial instruments – fair values and risk management (cont'd)

### (c) Financial risk management (cont'd)

*(ii) Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises principally from the Company's receivables from customers and investments in debt securities.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit rating. Accounts receivable are shown net of provision for impairment for doubtful debts. Cash and short-term investments are held with substantial financial institutions which are regulated, which in management's view, present minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

| | Carrying amount | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Domestic | 7,449,076 | 7,708,229 |
| Commercial | 11,580,060 | 8,508,495 |
| Industrial | 1,005,733 | 714,372 |
| Government | 12,445,685 | 25,307,881 |
| | 32,480,554 | 42,238,977 |
| Provision for impairment of trade receivables | (6,405,580) | (6,369,580) |
| Trade receivables, net | 26,074,974 | 35,869,397 |

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and analysis of customer credit risk.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

| | **Individual Impairment** | **Collective Impairments** |
|---|---|---|
| | **$** | **$** |
| Balance as at January 1, 2015 | - | 6,333,580 |
| Impairment loss recognised | - | 36,000 |
| Balance as at December 31, 2015 | - | 6,369,580 |
| Impairment loss recognised | - | 36,000 |
| Balance as at December 31, 2016 | - | 6,405,580 |

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## 4. Financial instruments – fair values and risk management (cont'd)

### (c) Financial risk management (cont'd)

*(iii) Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ensuring availability of funding through an adequate amount of committed credit facilities.

The management of the Company aims at maintaining flexibility in funding by monitoring budgeting commitments and by keeping committed lines of credit available and by monitoring the timing of its cash flows.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

| | Carrying amount $ | Contractual cash flows $ | 1 year $ | 2-5 years $ | More than 5 years $ |
|---|---|---|---|---|---|
| **December 31, 2016** | | | | | |
| Trade and other payables | 25,172,068 | 25,172,068 | 25,172,068 | - | - |
| Borrowings | 52,958,787 | 58,808,749 | 15,485,558 | 37,664,390 | 5,658,801 |
| Customers' deposits | 11,178,107 | 11,178,107 | 328,000 | 1,312,000 | 9,538,107 |
| | 89,308,962 | 95,158,924 | 40,985,626 | 38,976,390 | 15,196,908 |

| | Carrying amount $ | Contractual cash flows $ | 1 year $ | 2-5 years $ | More than 5 years $ |
|---|---|---|---|---|---|
| **December 31, 2015** | | | | | |
| Trade and other payables | 17,038,343 | 17,038,343 | 17,038,343 | - | - |
| Borrowings | 62,870,088 | 70,218,882 | 13,943,791 | 47,146,719 | 9,128,372 |
| Customers' deposits | 10,672,067 | 10,672,067 | 328,000 | 1,312,000 | 9,032,067 |
| | 90,580,498 | 97,929,292 | 31,310,134 | 48.458,719 | 18,160,439 |

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## 4. Financial instruments – fair values and risk management (cont'd)

### (c) Financial risk management (cont'd)

*(iii) Market risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not generally engage in currency hedges, and rather aims to have financial liabilities denominated in local currencies in order to avoid currency risk.

The Company's operations are conducted in Eastern Caribbean dollars (XCD). Currently, all assets and liabilities are denominated in Eastern Caribbean dollars. All foreign currency transactions are translated to Eastern Caribbean dollars.

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The table below summarizes the Company's exposure to interest rate risks:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Fixed-rate instruments** | | |
| Financial assets | 36,034,618 | 35,605,605 |
| Financial liabilities | 64,136,894 | 73,542,155 |
| | 100,171,512 | 109,147,760 |

The Company does not account for any fixed-rate financial assets as available-for-sale; therefore, a change in fair value at the reporting date, would have no effect on equity.

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## 5. Property, plant and equipment

| | Freehold property $ | Generation Plants and Machinery $ | Transmission & distribution $ | Other $ | Total $ |
|---|---|---|---|---|---|
| **Operational assets at cost** | | | | | |
| As of January 1, 2015, as previously reported | 120,148,205 | 252,331,240 | 214,566,890 | 21,999,613 | 609,045,948 |
| Reversal of revaluation amounts | (48,076,012) | (37,783,791) | (32,650,559) | (4,957,970) | (123,468,332) |
| Transfers | 1,877,158 | 6,156,653 | 3,689,814 | 2,766,621 | 14,490,246 |
| Disposals | (3,843,233) | - | (195,547) | (279,901) | (4,318,681) |
| As of December 31, 2015 at cost, as restated | 70,106,118 | 220,704,102 | 185,410,598 | 19,528,363 | 495,749,181 |
| Transfers | 162,646 | 676,165 | 3,578,442 | 1,549,854 | 5,967,107 |
| Disposals | - | - | - | (460,705) | (460,705) |
| As of December 31, 2016 | 70,268,764 | 221,380,267 | 188,989,040 | 20,617,512 | 501,255,583 |
| **Accumulated depreciation** | | | | | |
| As of January 1, 2015, as previously reported | 80,709,185 | 153,798,090 | 157,851,173 | 17,374,911 | 409,733,359 |
| Reversal of revaluation amounts | (37,811,125) | (34,000,310) | (32,898,801) | (3,973,160) | (108,683,396) |
| Charge for the year | 2,618,787 | 10,535,520 | 6,462,612 | 1,330,283 | 20,947,202 |
| Disposals and transfers | (3,496,593) | - | - | (75,351) | (3,571,944) |
| As of December 31, 2015, as restated | 42,020,254 | 130,333,300 | 131,414,984 | 14,656,683 | 318,425,221 |
| Charge for the year | 1,871,885 | 10,300,989 | 6,227,704 | 1,506,508 | 19,907,086 |
| Disposals and transfers | - | - | - | (460,705) | (460,705) |
| Reversal of revaluation amounts | (751,418) | (36,847) | (183,501) | 49,435 | (922,331) |
| As of December 31, 2016 | 43,140,721 | 140,597,442 | 137,459,187 | 15,751,921 | 336,949,271 |
| **Net book value** | | | | | |
| As of December 31, 2014, as restated | 29,174,133 | 94,749,669 | 56,963,959 | 3,639,892 | 184,527,653 |
| As of December 31, 2015, as restated | 28,085,864 | 90,370,802 | 53,995,614 | 4,871,680 | 177,323,960 |
| As of December 31, 2016 | 27,128,043 | 80,782,825 | 51,529,853 | 4,865,591 | 164,306,312 |

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## 5. Property, plant and equipment (cont'd)

| | Freehold property $ | Generation Plants and Machinery $ | Transmission & distribution $ | Other $ | Total $ |
|---|---|---|---|---|---|
| **Capital work-in-progress** | | | | | |
| As of January 1, 2015 | - | 11,513,690 | 267,692 | 796,066 | 12,577,448 |
| Additions | 208,329 | 5,408,154 | 3,490,026 | 1,846,538 | 10,953,047 |
| Transfers | (117,207) | (8,331,699) | (3,289,720) | (2,351,524) | (14,090,150) |
| As of December 31, 2015 | 91,122 | 8,590,145 | 467,998 | 291,080 | 9,440,345 |
| As of January 1, 2016 | 91,122 | 8,590,145 | 467,998 | 291,080 | 9,440,345 |
| Additions | 545,328 | 4,472,227 | 4,105,034 | 1,550,750 | 10,673,339 |
| Transfers | (162,646) | (676,165) | (3,578,445) | (1,549,854) | (5,967,110) |
| As of December 31, 2016 | 473,804 | 12,386,207 | 994,587 | 291,976 | 14,146,574 |
| **Net book value** | | | | | |
| As of December 31, 2014 | 29,174,133 | 106,263,359 | 57,231,651 | 4,435,958 | 197,105,101 |
| As of December 31, 2015 | 28,176,986 | 98,960,947 | 54,463,612 | 5,162,760 | 186,764,305 |
| As of December 31, 2016 | 27,601,847 | 93,169,032 | 52,524,440 | 5,157,567 | 178,452,886 |

*Self insurance fund*

The Company has created a self insurance fund for the coverage of its transmission and distribution assets. The transmission and distribution system which is included in property, plant and equipment has a carrying value of $52,524,440 at December 31, 2016 (2015: $54,463,612). The value of the fund was $27,000,000 at December 31, 2016 (2015: $27,000,000).

The fund is held as a reserve, and has been created by way of appropriations from retained earnings, but is not funded by designated assets.

*Prior year adjustment*

The Company made a change to the basis of accounting for property, plant and equipment – see note 28 for the effect of the change.

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Notes to the Financial Statements**
**December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

## 6. Long-term investments

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| 20,000 Eastern Caribbean Securities Exchange Limited Class B Shares | 200,000 | 200,000 |
| 100,000 Bank of St. Vincent and the Grenadines Limited Shares | 872,700 | 872,700 |
| Total equity securities | 1,072,700 | 1,072,700 |
| 4.5% Government of St. Vincent and the Grenadines bonds, due January 31, 2023 | 11,829,246 | 13,364,187 |
| | 12,901,946 | 14,436,887 |
| Less: Current portion | (1,604,790) | (1,534,941) |
| | 11,297,156 | 12,901,946 |

## 7. Retirement benefit plan

The Company provides retirement benefits, under a regional multi-employer defined-benefit plan and a defined-contribution plan, for substantially all of its employees.

### (a) Defined benefit plan

The Company contributes to the regional CDC Caribbean Pension Plan which is administered by Sagicor Life Inc.

The most recent actuarial valuation of the plan was as at January 1, 2015, and was completed by an independent actuary on June 19, 2016. The plan was valued using the "Projected Unit Credit" method of valuation.

The section of the plan which relates to the Company was valued as at December 31, 2016 by an independent actuary.

(i) The principal actuarial assumptions used in determining the present value of plan obligations were as follows:

| | 2016<br>% | 2015<br>% |
|---|---|---|
| Discount rate at end of year | 7.50 | 7.50 |
| Future promotional salary increases | 2.00 | 2.00 |
| Future inflationary salary increases first three years | 1.50 | 1.50 |
| Future inflationary salary increases after three years | 4.50 | 4.50 |
| Expected rate of future pension increases | 3.00 | 3.00 |

(ii) The amounts recognised in the statement of financial position at December 31 are determined as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Present value of defined benefit obligation | (9,116,667) | (8,713,856) |
| Fair value of plan assets | 8,514,771 | 8,528,099 |
| Defined benefit obligation | (601,896) | (185,757) |

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Notes to the Financial Statements**
**December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

## 7. Retirement benefit obligation (cont'd)

### (a) Defined benefit plan (cont'd)

(iii) The movements in the defined pension benefit obligation for the year ended December 31 were as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Defined benefit obligation as at January 1 | (8,713,856) | (8,146,592) |
| Interest costs | (651,632) | (620,836) |
| Current service costs | (230,711) | (251,683) |
| Benefits paid | 512,260 | 240,913 |
| Actuarial (loss)gain | (32,728) | 64,342 |
| Defined benefit obligation as at December 31 | (9,116,667) | (8,713,856) |

(iv) The movements in the plan assets for the year ended December 31 were as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Fair value of plan assets as at January 1 | 8,528,099 | 8,509,205 |
| Actual return on plan assets | 208,931 | (39,809) |
| Contributions | 290,002 | 299,616 |
| Benefits paid | (512,261) | (240,913) |
| Fair value of plan assets as at December 31 | 8,514,771 | 8,528,099 |

(v) Return on plan assets

The actual return on plan assets for the year ended December 31 was as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Return on plan assets | 208,931 | (39,809) |

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Notes to the Financial Statements**
**December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

## 7. Retirement benefit obligation (cont'd)

### (a) Defined benefit plan (cont'd)

(vi) The amounts recognised in the Statement of Comprehensive Income for the year ended December 31 were as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Current service costs | 230,711 | 251,683 |
| Net interest on defined benefit liability: | | |
| Interest cost | 651,632 | 620,836 |
| Expected return on plan assets | (631,272) | (640,392) |
| Net period pension cost (note 7(a) (viii)) | 251,071 | 232,127 |

(vii) Re-measurement recognized in Other Comprehensive Income:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Experience losses | 455,070 | 615,860 |
| Deferred tax (note 21) | (133,165) | (197,075) |
| Experience losses, net of tax, being total amount recognized in Other Comprehensive Income | 321,905 | 418,785 |

(viii) Reconciliation of opening and closing defined benefit liability:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Defined benefit assets/(liability) as at January 1 | (185,757) | 362,614 |
| Net pension costs recognised in statement of comprehensive income (note 7(a) (vi)) | (251,071) | (232,127) |
| Contributions paid | 290,002 | 299,616 |
| Re-measurements recognized in Other Comprehensive Income, before tax (note 7(a) (vii)) | (455,070) | (615,860) |
| Defined benefit liability as at December 31 | (601,896) | (185,757) |

(ix) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the present value of the defined benefit obligation as shown below:

| **Scenario** | **Benefit Obligation**<br>2016<br>$ | <br>2015<br>$ |
|---|---|---|
| Valuation results | 9,116,667 | 8,713,856 |
| Discount rate -1% | (10,607,506) | (10,169,229) |
| Discount rate +1% | 7,978,584 | 7,564,738 |
| Salary increases - 0.5% | (8,963,406) | (8,567,170) |
| Salary increases + 0.5% | 9,276,007 | 8,883,331 |
| Mortality assuming 1yr longer | 9,305,912 | 8,844,438 |

## 7. Retirement benefit obligation (cont'd)

### (b) Defined contribution plan

The Company has contributed to a defined contribution plan for all its other employees which is administered by Colonial Life Insurance Company (Trinidad) Limited. The most recent actuarial valuation carried out on January 1, 2000 revealed a surplus of assets. The Company's contributions to the plan for the period amounted to $856,276 (2015:$801,123) are expensed as incurred.

## 8. Inventories

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Spares | 7,196,825 | 8,489,321 |
| Fuel and lubricants | 1,335,501 | 1,889,646 |
| Stationery | 109,124 | 103,776 |
| | 8,641,450 | 10,482,743 |
| Less: provision for obsolescence | (2,377,507) | (2,377,507) |
| | 6,263,943 | 8,105,236 |

## 9. Short-term investments

Short term investments comprise interest bearing certificates of deposit with maturities of less than one year held with the Bank of St. Vincent and the Grenadines. The deposits bear interest at rates ranging from 3.5% to 4.0% annually (2015: 3.75% to 5.0%).

## 10. Trade and other receivables

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Current** | | |
| Trade receivables | 32,480,554 | 42,238,977 |
| Less: provision for impairment of trade receivables | (6,405,580) | (6,369,580) |
| Trade receivables, net | 26,074,974 | 35,869,397 |
| Other receivables | 4,277,886 | 5,222,210 |
| | 30,352,860 | 41,091,607 |

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Notes to the Financial Statements**
**December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

## 11. Share capital

**Authorized** – Unlimited number of ordinary shares without nominal or par value.

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Issued and fully paid** – 5,809,182 ordinary shares without nominal or par value | 29,045,910 | 29,045,910 |

## 12. Retirement benefit reserve

During the year, movement on the retirement benefit reserve was as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| At beginning of year | (362,415) | 56,370 |
| Re-measurement of Defined Benefit Pension plan, net of tax | (321,905) | (418, 785) |
| At end of year | (684,320) | (362,415) |

## 13. Borrowings

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Caribbean Development Bank Funding** | | | |
| **Government of St. Vincent and the Grenadines- First Power Project:-** | | | |
| International Development Association | 13(a) | 709,591 | 764,093 |
| **Third Power Project:-** | | | |
| Lowmans Bay Project | 13(b) | 16,898,856 | 21,403,213 |
| **Government of St. Vincent and the Grenadines** | | | |
| United States Agency for International Development | 13(c) | 7,320,372 | 8,362,254 |
| **European Investment Bank - Lowmans Bay** | 13(d) | 9,377,061 | 11,656,733 |
| **PDV Caribé** | 13(e) | 18,652,907 | 20,683,795 |
| Total long-term borrowings | | 52,958,787 | 62,870,088 |
| Less: Current portion | | (13,641,268) | (11,590,950) |
| | | 39,317,519 | 51,279,138 |

**(a) Government of St. Vincent and the Grenadines (Caribbean Development Bank (CDB) Funding - First Power Project)**

(i) 0.75% loan obtained through the International Development Association-Special Action Credit (IDA/SAC) in different currencies that were equivalent to US$593,890.

During 2012, the currencies in which the loan was repayable were amended, by conversion, to the United States dollar. The loan balance of US$571,845 at conversion, is repayable in 42 semi-annual installments of US$13,615 and the final installment is due October 15, 2029.

(ii) 0.75% loan obtained through the International Development Association (IDA).

This loan is for US$664,209 and is repayable in 80 semi-annual installments of US$10,075 plus interest, with the final installment due July 15, 2029.

## 13. Borrowings (cont'd)

### (a) Government of St. Vincent and the Grenadines (Caribbean Development Bank (CDB) Funding - First Power Project) (cont'd)

The above loans were made by the CDB to the Government of St Vincent and the Grenadines for on-lending by the Government to the Company. The loan agreements provide that:

(1) all payments of principal and interest shall be made by the Company to CDB and such payments shall be deemed payments by the Company to the Government.

(2) the loans are to be secured by execution of a debenture giving a first floating charge over the undertaking and its uncalled capital.

### (b) Caribbean Development Bank (CDB) Funding - Third Power Project

Loan of US$18,311,000, obtained through the ordinary capital resources of CDB, repayable in 44 approximately equal and consecutive quarterly installments of US$415,777, plus interest at a rate of 2.97% per annum on the principal amount. The Company shall pay a commitment charge of 1% per annum on the amount of the loan unwithdrawn. The loan is secured by the guarantee of the Government of St. Vincent and the Grenadines and is due to mature in July 2020.

The loan agreement provides for a grace period of 4 years following August 2005, the date of first draw-down on the loan. Other covenants stipulated in the agreement provide that:

(i) the Company's accounts receivable shall not exceed sixty (60) days sales;

(ii) the Company maintains a debt service coverage ratio of at least 1.5 times its total debt service;

(iii) no further expansion shall take place at Cane Hall site; and

(iv) the Company continues to set aside an amount of at least one million Eastern Caribbean dollars ($1,000,000) annually for the purposes of its self-insurance plan in respect of its transmission and distribution assets.

### (c) Government of St. Vincent and the Grenadines

United States Agency for International Development Loan for US$7,500,000, repayable in 60 semi-annual installments of US$122,951 and a final installment of US$122,940 due on June 30, 2025, plus interest at 4% to June 30, 2007, and at 5% thereafter. The loan agreement provides that the Company is required to earn an annual rate of return of 8% on the current net asset value of the Company's operational assets.

## 13. Borrowings (cont'd)

### (d) European Investment Bank- Lowmans Bay

Loan of EUR 8,300,000, to be disbursed up to US$10,000,000, repayable in 22 semi-annual installments of US$454,545, plus interest at a fixed rate of 5.505%, due to mature in May 2020.

The loan agreement provides for a grace period of 4 years from June 2005, the date of disbursement of the first tranche. This loan is secured by the guarantee of the Government of St. Vincent and the Grenadines. Financial covenants stipulate that the Company shall:

(i) maintain a debt service ratio of at least 1.5; and

(ii) not declare any dividends or make any other distributions to any shareholder, unless debt service ratio is more than 1.5.

### (e) PDV Caribé

Loan of US$12,000,000, for a period of ten (10) years, including a two (2) year grace period from October 3, 2010 the date of the first drawdown before principal and interest payments begin. The loan is repayable in equal, or approximately equal, and consecutive semi-annual installments, plus interest at a fixed rate of 4.5%, commencing from October 2012, the first due date after the expiry of the two (2) year grace period.

## 14. Consumers' contributions to line extensions

| | Government $ | Other consumers $ | Total $ |
|---|---|---|---|
| **Contributions** | | | |
| At beginning of year | 4,363,153 | 20,300,022 | 24,663,175 |
| Received during the year | - | 288,493 | 288,493 |
| Refunds | - | (33,754) | (33,754) |
| At end of year | 4,363,153 | 20,554,761 | 24,917,914 |
| **Amortization** | | | |
| At beginning of year | 4,363,153 | 16,977,650 | 21,340,803 |
| Amortization for the year | - | 1,232,787 | 1,232,787 |
| At end of year | 4,363,153 | 18,210,437 | 22,573,590 |
| **Carrying amounts** | | | |
| As of December 31, 2015 | - | 3,322,372 | 3,322,372 |
| As of December 31, 2016 | - | 2,344,324 | 2,344,324 |

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Notes to the Financial Statements**
**December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

## 15. Deferred grant income

| | 2016 $ | 2015 $ |
|---|---|---|
| Agence Française de Développement Group Grant | 138,468 | 147,306 |
| Amortization | (8,308) | (8,838) |
| Unamortized balance | 130,160 | 138,468 |

## 16. Customers' deposits

| | 2016 $ | 2015 $ |
|---|---|---|
| **Deposits** | | |
| Beginning of year | 6,711,497 | 6,443,165 |
| Received during the year | 399,055 | 468,138 |
| Refunds | (196,960) | (199,806) |
| End of year | 6,913,592 | 6,711,497 |
| **Interest** | | |
| Beginning of year | 3,960,570 | 3,671,260 |
| Expense for the year | 558,153 | 532,822 |
| Paid during the year | (254,208) | (243,512) |
| End of year | 4,264,515 | 3,960,570 |
| Total | 11,178,107 | 10,672,067 |

## 17. Deferred tax liability

Deferred tax liability is calculated in full on temporary differences using a tax rate of 32% (2015: 32%). The movement on the deferred tax liability account is as follows:-

| | 2016 $ | 2015 $ |
|---|---|---|
| At beginning of year | 35,530,013 | 38,168,485 |
| Recognised in profit or loss | (6,273,436) | (2,441,397) |
| Recognised in Other Comprehensive Income | (133,165) | (197,075) |
| At end of year | 29,123,412 | 35,530,013 |

Deferred tax liability is attributable to the following:-

| | 2016 $ | 2015 $ |
|---|---|---|
| Property, plant and equipment | 29,995,158 | 36,550,771 |
| Bad debt provision | (2,049,786) | (2,038,265) |
| Provision for obsolescence | (760,802) | (760,802) |
| Unbilled sales | 2,131,449 | 1,837,751 |
| Retirement benefit | (192,607) | (59,442) |
| Total liability | 29,123,412 | 35,530,013 |

## 18. Trade and other payables

| | 2016 $ | 2015 $ |
|---|---|---|
| Trade payables | 9,152,549 | 6,057,212 |
| Accrued expenses | 6,395,934 | 6,611,260 |
| Other payables | 3,377,513 | 3,544,388 |
| Government of St. Vincent and the Grenadines | 6,246,072 | 825,483 |
| | 25,172,068 | 17,038,343 |

## 19. Expenses by nature

| | 2016 $ | 2015 $ |
|---|---|---|
| Fuel cost over base price | 33,785,565 | 41,957,673 |
| Fuel at base price | 4,035,522 | 3,817,052 |
| Depreciation | 19,907,086 | 20,947,202 |
| Repairs and maintenance | 11,438,571 | 7,725,932 |
| Employee benefit expense | 16,803,545 | 15,045,371 |
| Other operating expenses | 8,145,244 | 9,049,400 |
| Amortization of consumers' contributions to line extensions | (1,232,787) | (1,195,811) |
| | 92,882,746 | 97,346,819 |

## 20. Other gains/ (losses), net

| | 2016 $ | 2015 $ |
|---|---|---|
| Gain/(loss) on disposal of property, plant and equipment | 165,900 | (311,034) |
| Foreign exchange gain | 13,598 | 2,675 |
| | 179,498 | (308,359) |

## 21. Income tax expense

Income tax expense comprises:-

| | 2016 $ | 2015 $ |
|---|---|---|
| Current | 4,605,455 | 5,368,785 |
| Prior periods | - | 25,639 |
| Deferred | (6,273,436) | (2,441,396) |
| | (1,667,981) | 2,953,028 |

## 21. Taxation (cont'd)

| Reconciliation of effective tax rate: | 2016 % | 2016 $ | 2015 % | 2015 $ |
|---|---|---|---|---|
| Profit before taxation | | 10,693,235 | | 11,208,317 |
| Income tax using applicable corporation tax rate | 32.00 | 3,421,835 | 32.00 | 3,586,661 |
| Non-deductible expenses (net) | 49.64 | 5,307,623 | 62.00 | 6,949,908 |
| Tax incentives | (38.69) | (4,136,461) | (46.11) | (5,167,784) |
| Change in temporary differences | (58.55) | (6,260,978) | (21.78) | (2,441,396) |
| Under provision – prior year | - | - | 0.23 | 25,639 |
| | (15.60) | (1,667,981) | 26.34 | 2,953,028 |

Deferred tax on each component of other comprehensive income is as follows:

| | 2016 $ | | | 2015 $ | | |
|---|---|---|---|---|---|---|
| | **Before tax** | **Tax** | **After tax** | **Before tax** | **Tax** | **After tax** |
| Re-measurement of defined benefit pension plan | (455,070) | 133,165 | (321,905) | (615,860) | 197,075 | (418,785) |

## 22. Earnings per share

Earnings per share is calculated upon net profit for the year of $12,361,216 (2015: $8,255,289) and 5,809,182 (2015: 5,809,182) average issued and outstanding ordinary shares.

## 23. Definition of related party

A related party is a person or entity that is related to the Company.

(a) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

**23. Related parties (cont'd)**

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the Company.

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company is owned and controlled by the Government of St. Vincent and the Grenadines.

Transactions with related parties during the year were as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| **Expenses** | | |
| Management compensation | 1,719,924 | 1,604,421 |
| Directors' fees and expenses | 176,196 | 191,231 |
| **Revenue** | | |
| Government of St. Vincent and the Grenadines and its corporations | 13,922,591 | 13,856,425 |

The Government of St. Vincent and the Grenadines receives a 10% discount on tariff sales for all accounts other than street lighting.

Balances arising from supply of services at year end were as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Government of St. Vincent and the Grenadines | 12,445,685 | 25,307,881 |

## 24. Employee benefit expense

| | 2016 $ | 2015 $ |
|---|---|---|
| Salaries and wages | 14,753,425 | 13,195,867 |
| National insurance contributions | 633,466 | 597,784 |
| Medical insurance contributions | 351,994 | 247,214 |
| Pension expense | 1,064,660 | 1,004,506 |
| | 16,803,545 | 15,045,371 |
| Number of employees at the reporting date | 319 | 308 |

## 25. Capital commitments

As of December 31, 2016, the directors approved capital expenditure totaling $28.48 million (2015:$15.07 million).

## 26. Dividends

Dividends of $17,427,546 were declared by the Company. They were declared at $3.00 per share on 18th August, 2016. The equivalent of $12,006,956 was offset against trade receivables owing by the Government of St. Vincent and the Grenadines.

## 27. Contingent liabilities

Interest at the rate of 18% is charged on amounts past due to PDVSA for the purchase of petroleum products. As at November 30, 2014, accrued interest amounting to $5,092,867 has been accrued by PDVSA on the outstanding balance. Included in this amount is $3,891,027 in respect of LPG imports which were not the responsibility of the Company.

Consequently, the Company is not admitting liability and is disputing any claims for the above amounts. If, however, the resolution of the dispute does not go in the Company's favor, the liability will be recorded in the period in which the dispute is resolved.

## 28. Prior Year Adjustment- Change in accounting policy

During the year ended December 31, 2016, the Board of Directors approved the change in accounting policy for Property, Plant and Equipment. A restatement was made to account for the change in valuation from the revaluation model to the historical cost model.

The change was applied retrospectively. The following table summarizes the adjustments made to account for the change in policy.

***Statement of financial position***

| | Impact of correction | | |
|---|---|---|---|
| **January 1, 2015** | **As previously stated** | **Adjustment** | **As restated** |
| Property, plant and equipment | 199,312,589 | (14,784,936) | 184,527,653 |
| **Total assets** | 303,547,269 | (14,784,936) | 288,762,333 |
| Revaluation reserve | (17,819,392) | 17,819,392 | - |
| Retained earnings | (75,312,565) | (3,034,456) | (78,347,021) |
| **Total equity** | 149,234,237 | (14,784,936) | 134,449,301 |

| **December 31, 2015** | **As previously stated** | **Adjustment** | **As restated** |
|---|---|---|---|
| Property, plant and equipment | 192,108,896 | (14,784,936) | 177,323,960 |
| **Total assets** | 276,460,753 | - | 276,460,753 |
| Retained earnings | (84,490,186) | (2,112,124) | (86,602,310) |
| Revaluation reserve | (16,897,060) | 16,897,060 | - |
| **Total equity** | 157,070,741 | (14,784,936) | 142,285,805 |

## 29. Subsequent events

At a special meeting held on May 26, 2017, the shareholder of the Company approved a plan to utilize $8,300,000 from the self-insurance fund (note 5) to pay participants in the defined contribution pension plan held with Colonial Life Insurance Company (Trinidad) Limited which is currently under Judicial Management. The value of the fund was $27,000,000 at December 31, 2016 (2015: $27,000,000).

Subsequent to the year end, it was decided that the Company would exit as a participating employer from the CDC Caribbean Pension Plan on December 31, 2017. The Company will fund the full liability and affected employees will be migrated to a Defined Contribution Plan.

Subsequent to the year end the Caribbean Development Bank approved a grant of 648,000 Euros and a loan of 113,000 Euros to the Government of St Vincent and the Grenadines and the Company for a Climate Change Vulnerability Assessment.

**ST. VINCENT ELECTRICITY SERVICES LIMITED**

**ADDITIONAL INFORMATION**

**TO THE**

**FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016**
**(With comparative figures as at and for year ended December 31, 2015)**

**ADDITIONAL INFORMATION**

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**ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS**

To the Shareholder
St. Vincent Electricity Services Limited
Kingstown

The accompanying schedules I and II are presented as supplementary information only. In this respect, they do not form part of the financial statements of St. Vincent Electricity Services Limited for the year ended December 31, 2016 and hence are excluded from the opinion expressed in our report dated December 21, 2017 to the shareholder on such financial statements.

KPMG
Chartered Accountants
Bridgetown, Barbados
December 21, 2017

Schedule I

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Financial Statistics**
**As at and for the year ended December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

| | 2016 XCD 000's | 2015 XCD 000's | 2014 XCD 000's | 2013 XCD 000's | 2012 XCD 000's | 2011 XCD 000's | 2010 XCD 000's |
|---|---|---|---|---|---|---|---|
| **SUMMARISED BALANCE SHEET** | | **Restated** | **Restated** | | | | |
| Share capital | 29,046 | 29,046 | 29,046 | 29,046 | 29,046 | 29,046 | 29,046 |
| Retained earnings | 82,461 | 86,602 | 78,347 | 76,568 | 70,856 | 71,531 | 74,428 |
| Other reserves | 26,316 | 26,638 | 27,056 | 84,092 | 99,370 | 95,836 | 92,671 |
| Non –current liabilities | 82,565 | 100,989 | 113,981 | 87,379 | 94,106 | 87,825 | 90,084 |
| Deferred income | 130 | 138 | 147 | 156 | 165 | 175 | 187 |
| | 220,518 | 243,413 | 248,577 | 277,241 | 293,543 | 284,413 | 286,416 |
| Fixed assets (Net) | 178,453 | 186,764 | 197,105 | 219,635 | 229,078 | 242,736 | 250,339 |
| Long-term investments | 11,297 | 12,902 | 14,437 | 15,189 | 200 | 200 | 200 |
| Retirement benefit asset | - | - | 362 | - | 273 | 662 | 1,036 |
| Current assets | 69,726 | 76,794 | 76,858 | 77,071 | 94,712 | 87,291 | 69,559 |
| Current liabilities | (38,958) | (33,047) | (40,185) | (34,654) | (47,739) | (46,476) | (34,718) |
| | 220,518 | 243,413 | 248,577 | 277,241 | 276,524 | 284,413 | 286,416 |
| **SUMMARISED RESULTS** | | | | | | | |
| **Operating Revenues** | | | | | | | |
| Electricity sales | 70,479 | 67,456 | 65,021 | 65,334 | 65,630 | 64,889 | 66,417 |
| Fuel surcharge | 33,114 | 42,362 | 67,851 | 68,760 | 67,715 | 58,921 | 46,129 |
| Other | 1,169 | 1,632 | 2,781 | 2,650 | 1,809 | 2,645 | 2,582 |
| **Total** | 104,762 | 111,450 | 135,653 | 136,744 | 135,154 | 126,455 | 115,128 |
| **Operating Expenses** | | | | | | | |
| Fuel cost covered by surcharge | 33,786 | 41,958 | 67,737 | 69,100 | 67,325 | 58,694 | 46,113 |
| Renewable energy purchased | 189 | 137 | 206 | - | - | - | - |
| Operating and maintenance | | | | | | | |
| - Hydro | 3,676 | 4,120 | 1,886 | 2,074 | 2,252 | 2,109 | 2,074 |
| - Diesel | 10,986 | 6,141 | 15,705 | 15,487 | 15,664 | 14,478 | 15,487 |
| Transmission & distribution | 11,186 | 10,950 | 4,394 | 3,766 | 4,304 | 4,209 | 3,766 |
| Administration & other | 13,153 | 13,094 | 20,618 | 14,104 | 13,921 | 17,071 | 14,230 |
| Depreciation | 19,907 | 20,947 | 20,263 | 20,669 | 20,787 | 21,466 | 17,486 |
| **Total** | 92,883 | 97,347 | 130,809 | 125,200 | 124,253 | 118,027 | 99,156 |
| Operating income | 11,878 | 14,103 | 4,844 | 11,544 | 10,901 | 8,428 | 15,972 |
| Interest and other cost | (1,185) | (2,895) | (3,246) | (4,788) | (4,248) | (4,067) | (4,524) |
| Net profit before tax | 10,693 | 11,208 | 1,598 | 6,756 | 6,653 | 4,361 | 11,448 |
| Income tax expense | 1,668 | (2,953) | (1,116) | (1,039) | (3,009) | (2,541) | (4,913) |
| Net profit after tax | 12,361 | 8,255 | 482 | 5,717 | 3,644 | 1,820 | 6,535 |
| Other comprehensive income | (322) | (419) | - | 182 | - | - | - |
| Appraisal element in depreciation/reversed | (1,157) | (506) | 961 | 1,081 | 1,206 | 1,685 | 2,219 |
| Retained earnings brought forward | 86,602 | 78,347 | 76,568 | 70,865 | 71,531 | 74,428 | 68,410 |
| Impact of change in policy | 2,404 | 925 | 3,240 | - | - | - | - |
| Deferred tax on retirement benefit reserve | | - | - | 201 | 388 | 374 | 264 |
| Final/Interim dividend | (17,427) | - | (2,904) | - | (2,904) | (3,776) | - |
| Transfer to self-insurance fund | | - | - | - | (3,000) | (3,000) | (3,000) |
| Retained earnings carried forward | 82,461 | 86,602 | 78,347 | 78,046 | 70,865 | 71,531 | 74,428 |

Schedule II

**ST. VINCENT ELECTRICITY SERVICES LIMITED**
**Financial Statistics**
**As at and for the year ended December 31, 2016**
**(Expressed in Eastern Caribbean Dollars)**

| | 2016<br>XCD<br>000's | 2015<br>XCD<br>000's | 2014<br>XCD<br>000's | 2013<br>XCD<br>000's | 2012<br>XCD<br>000's | 2011<br>XCD<br>000's |
|---|---|---|---|---|---|---|
| **GENERATING PLANT (KW)** | | | | | | |
| **Site Rated Capacity (KW)** | | | | | | |
| St. Vincent | 41,413 | 41,413 | 41,413 | 42,675 | 42,675 | 42,693 |
| Bequia | 4,145 | 4,145 | 4,145 | 4,145 | 4,145 | 4,145 |
| Union Island | 1,530 | 1,530 | 1,170 | 1,170 | 1,420 | 1,300 |
| Canouan | 4,040 | 4,040 | 4,040 | 4,040 | 3,120 | 3,120 |
| Mayreau | 284 | 284 | 284 | 180 | 180 | 180 |
| **Firm Capacity (KW)** | | | | | | |
| St. Vincent | 32,713 | 32,713 | 33,357 | 34,493 | 34,493 | 33,993 |
| Bequia | 2,090 | 2,090 | 2,579 | 2,579 | 2,579 | 2,579 |
| Union Island | 770 | 770 | 693 | 693 | 828 | 810 |
| Canouan | 1,560 | 1,560 | 2,484 | 2,484 | 1,728 | 1,782 |
| Mayreau | 120 | 120 | 162 | 108 | 108 | 108 |
| **Peak Demand (KW)- (All Time)** | | | | | | |
| St. Vincent | 21,692 | 21,424 | 21,120 | 21,120 | 21,120 | 21,120 |
| Bequia | 1,570 | 1,570 | 1,570 | 1,570 | 1,570 | 1,500 |
| Union Island | 562 | 533 | 533 | 533 | 533 | 533 |
| Canouan | 810 | 810 | 810 | 810 | 768 | 698 |
| Mayreau | 79 | 79 | 79 | 65 | 56 | 50 |
| **PRODUCTION AND SALES** | | | | | | |
| **Gross Generation (kWhs)** | | | | | | |
| Hydro | 15,932,020 | 16,757,832 | 11,858,670 | 22,976,040 | 24,688,510 | 30,910,393 |
| Solar | 809,941 | 866,064 | 343,256 | 148,180 | - | - |
| Diesel | 136,231,070 | 128,625,162 | 129,469,267 | 118,905,211 | 118,236,374 | 109,798,084 |
| | 152,973,031 | 146,249,058 | 141,671,193 | 142,029,431 | 142,924,884 | 140,708,477 |
| **Own Use** | (4,728,124) | (4,529,913) | (4,667,575) | (4,859,493) | (4,933,000) | (4,878,169) |
| **Net Generation** | 148,244,907 | 141,719,145 | 137,003,618 | 137,169,938 | 137,991,884 | 135,830,308 |
| **Renewable energy purchased** | 436,004 | 302,079 | 159,568 | 133,501 | - | - |
| **Net energy available for sale** | 148,680,911 | 142,021,224 | 137,163,186 | 137,303,439 | 137,991,884 | 135,830,308 |
| **Sales (kWhs)** | | | | | | |
| Domestic | 67,492,978 | 63,506,236 | 60,397,932 | 60,462,944 | 60,698,402 | 60,355,448 |
| Commercial | 60,008,499 | 58,601,969 | 56,749,650 | 57,565,123 | 58,160,981 | 55,458,862 |
| Industrial | 7,385,600 | 7,394,177 | 7,069,590 | 6,544,460 | 6,541,938 | 6,854,256 |
| Street lighting | 3,232,336 | 3,182,880 | 3,175,998 | 3,173,238 | 3,165,738 | 3,086,329 |
| **Total Sales** | 138,119,413 | 132,685,262 | 127,393,170 | 127,745,765 | 128,567,059 | 125,754,895 |
| Loss (% of Net Generation) | 7.10% | 6.57% | 7.12% | 6.98% | 6.68% | 7.42% |
| **Number of Consumers at year end** | | | | | | |
| Domestic | 39,012 | 38,248 | 37,531 | 36,864 | 36,292 | 35,970 |
| Commercial | 4,486 | 4,479 | 4,431 | 4,438 | 4,395 | 4,377 |
| Industrial | 23 | 22 | 21 | 21 | 20 | 22 |
| Street lighting | 46 | 47 | 47 | 47 | 47 | 48 |
| | 43,567 | 42,796 | 42,030 | 41,370 | 40,754 | 40,417 |