ST. VINCENT ELECTRICITY SERVICES LIMITED

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative figures as at and for the year ended December 31, 2017)

ST. VINCENT ELECTRICITY SERVICES LIMITED

Table of Contents **Pages**

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
Mr. Simon Glynn
Mr. Patrick Da Silva
Mr. Tyrone Burke
Mr. Lance Peters
Mr. Alex Williams

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 First Caribbean International Bank (Barbados) Limited
Bank of St. Vincent and the Grenadines Ltd
RBTT Bank (Caribbean) Ltd

Auditors

KPMG Chartered Accountants

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
Email: kpmg@kpmg.vc

INDEPENDENT AUDITORS' REPORT

To the Shareholder
St. Vincent Electricity Services Limited
St. Vincent

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, 2018, the statements of profit or loss and other 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, 2018, 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
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.

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.

KPMG

INDEPENDENT AUDITORS' REPORT, CONTINUED

To the Shareholder
St. Vincent Electricity Services Limited

Auditors' Responsibilities for the Audit of the Financial Statements, continued

- 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.

- 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

Chartered Accountants
Kingstown, St. Vincent and the Grenadines
November 13, 2019

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Financial Position
As of December 31, 2018
With comparatives as of December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Note	2018 $	2017 $
Assets			
Property, plant and equipment	5	165,972,149	175,351,247
Long-term investments	6	8,779,976	9,619,338
Total non-current assets		174,752,125	184,970,585
Inventories	8	4,793,996	3,933,144
Current portion of long-term investments	6	1,897,027	1,677,818
Short-term investments	9	12,426,148	16,567,939
Trade and other receivables	10	31,228,410	32,468,026
Income tax refundable		-	127,091
Prepayments		847,326	909,581
Cash at bank		2,272,621	1,342,583
Total current assets		53,465,528	57,026,182
Total assets		228,217,653	241,996,767
Equity			
Share capital	11	29,045,910	29,045,910
Self-insurance fund	5	21,101,631	24,389,199
Retained earnings		87,356,973	83,789,803
Total equity		137,504,514	137,224,912
Liabilities			
Borrowings	12	16,821,588	28,070,676
Consumers' contributions to line extensions	13	539,534	1,555,477
Deferred grant income	14	1,873,189	122,350
Consumers' deposits	15	12,059,494	11,676,971
Deferred tax liability	16	27,888,364	32,203,299
Total non-current liabilities		59,182,169	73,628,773
Income tax payable		1,630,864	-
Current portion of borrowings	12	13,463,496	11,432,195
Trade and other payables	17	16,402,661	18,819,970
Bank overdraft		33,949	890,917
Total current liabilities		31,530,970	31,143,082
Total liabilities		90,713,139	104,771,855
Total equity and liabilities		228,217,653	241,996,767

The financial statements were approved for issue by the Board and signed on its behalf by:

René Baptiste
Director

M. Edwards
Director

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2018
With comparative figures for year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Note	2018 $	2017 $
Revenues			
Energy sales		68,572,156	69,493,571
Fuel surcharge recovered		50,514,230	38,220,690
Other revenue		1,292,664	1,188,676
		120,379,050	108,902,937
Operating expenses			
Diesel generation		25,900,743	27,938,690
Hydro generation		4,075,915	3,848,197
Renewable energy purchased		306,923	234,902
Transmission and distribution		11,416,474	11,529,402
Fuel surcharge		51,227,716	38,304,473
Administrative expenses		19,946,465	20,333,015
	18	112,874,236	102,188,679
Operating profit		7,504,814	6,714,258
Other (losses) gains, net	19	(556,976)	113,850
Profit before net finance costs and taxation		6,947,838	6,828,108
Finance income		705,211	1,101,015
Finance costs		(1,908,515)	(1,543,463)
Net finance costs		(1,203,304)	(442,448)
Profit before taxation		5,744,534	6,385,660
Income tax expense	20	210,765	(6,618,526)
Profit/(Loss) for the year		5,955,299	(232,866)
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)	-	(364,628)
Total comprehensive income/ (loss) for the year		5,955,299	(597,494)
Earnings per share	21	1.03	(0.04)

The notes on pages 9 to 44 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity

For the year ended December 31, 2018

With comparative figures for the year ended December 31, 2017

(Expressed in Eastern Caribbean Dollars)

	Note	Share capital	Self-insurance fund	Retirement benefit reserve	Retained earnings	Total
		$	$	$	$	$
Balance as of December 31, 2017 under IAS 39		29,045,910	24,389,199	-	83,789,803	137,224,912
Effect of change in accounting policy						
Remeasurement of investments IFRS 9	3	-	-	-	327,300	327,300
Recognition of IFRS 9 ECLs	3	-	-	-	(6,002,997)	(6,002,997)
		-	-		(5,675,697)	(5,675,697)
Opening balance January 1, 2018 under IFRS 9		29,045,910	24,389,199	-	78,114,106	131,549,215
Total comprehensive income for the year						
Profit for the year		-	-	-	5,955,299	5,955,299
Total comprehensive income for the year		-	-	-	5,955,299	5,955,299
Transactions with owners, recorded directly in equity						
Transfer from self-insurance fund	5	-	(3,287,568)	-	3,287,568	-
Balance as of December 31, 2018		29,045,910	21,101,631	-	87,356,973	137,504,514

The notes on pages 9 to 44 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity

For the year ended December 31, 2018

With comparative figures for the year ended December 31, 2017

(Expressed in Eastern Caribbean Dollars)

	Note	Share capital	Self-insurance fund	Retirement benefit reserve	Retained earnings	Total
		$	$	$	$	$
Balance as of December 31, 2016, as restated		29,045,910	27,000,000	(684,320)	82,460,816	137,822,406
Total comprehensive income for the year						
Loss for the year		-	-	-	(232,866)	(232,866)
Other comprehensive loss		-	-	-	(364,628)	(364,628)
Total comprehensive loss for the year		-	-	-	(597,494)	(597,494)
Transactions with owners, recorded directly in equity						
Retirement benefit reserve		-	-	684,320	(684,320)	-
Self-Insurance fund	5, 23	-	(2,610,801)	-	2,610,801	-
Balance as of December 31, 2017		29,045,910	24,389,199	-	83,789,803	137,224,912

The notes on pages 9 to 44 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year ended December 31, 2018
With comparative figures for the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Note	2018 $	2017 $
Cash flows from operating activities			
Profit/(loss)for the year		5,955,299	(232,866)
Adjustments for:			
Depreciation	5	19,554,195	19,690,452
Amortization of consumers' contributions to line extensions	14	(1,276,087)	(1,254,935)
Loss/(gain) on disposal of property, plant and equipment		386,156	(125,202)
Finance costs		1,908,515	1,543,463
Defined benefit pension expense		-	428,594
Defined benefit plan contributions	7(a)	-	(1,202,511)
Amortization of deferred grant income	15	(7,341)	(7,810)
Finance income		(705,211)	(1,101,015)
Fair value gain on FVTPL financial assets		327,300	-
Income tax expense		(210,765)	6,618,526
Operating profit before working capital changes		25,932,061	24,356,696
Change in inventories		(1,922,982)	(2,811,216)
Effect of change in accounting policy: ECL		(6,002,997)	-
Change in trade and other receivables		1,151,111	(2,217,446)
Change in prepayments		62,255	(322,143)
Change in trade and other payables		(2,667,900)	120,133
Cash generated from operations		16,551,548	19,126,024
Interest paid		(1,516,052)	(2,521,706)
Interest received		875,852	1,203,295
Income tax paid		(2,346,214)	(4,003,699)
Net cash generated from operating activities		13,565,134	13,803,914
Cash flows from investing activities			
Acquisition of long-term securities		(1,000,000)	-
Proceeds from redemption of short-term investment securities		4,141,791	6,637,432
Acquisition of property, plant and equipment	5	(9,577,286)	(11,446,798)
Proceeds from disposal of property, plant and equipment		78,162	125,202
Proceeds from redemption of long-term investment securities		1,538,018	1,604,790
Net cash used in investing activities		(4,819,315)	(3,079,374)
Cash flows from financing activities			
Change in consumers' deposits		240,650	217,522
Repayment of borrowings		(9,217,787)	(13,455,915)
Proceeds from long-term loan/grant		1,758,180	-
Dividends paid		-	(5,212,646)
Net change in consumers' contributions	14	260,144	466,088
Net cash used in financing activities		(6,958,813)	(17,984,951)
Net increase/ (decrease) in cash and cash equivalents		1,787,006	(7,260,411)
Cash and cash equivalents - beginning of year		451,666	7,712,077
Cash and cash equivalents - end of year		2,238,672	451,666
Represented by:			
Cash and cash equivalents		2,272,621	1,342,583
Bank overdraft		(33,949)	(890,917)
		2,238,672	451,666

The notes on pages 9 to 44 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.

The Company is 100% owned by the Government of 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) as issued by the International Accounting Standards Board (IASB).

The financial statements were approved for issue by the Board of Directors on November 13, 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at fair value. The methods used to measure fair value are discussed further in Note 4.

(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(o) - Revenue recognition
- Note 4(b) - Measurement of fair values
- Note 3(g) - Property, plant and equipment
- Note 3(f) - Financial instruments

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.

(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 and other receivables

Trade and other receivables are carried initially at fair value and subsequently measured at amortized cost less a provision for impairment. The provision for impairment of trade and other receivables is established based on lifetime expected credit losses (ELCL). The amount of the provision is recognized in profit and loss.

Trade and other receivables, being short-term, are not discounted.

(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.

3. Significant accounting policies (cont'd)

(f) Financial instruments

(i) Classification

To determine classification and measurement categories IFRS 9 requires all financial assets, except derivatives, to be assessed based on a combination of the business model for managing the assets and the instrument's contractual cash flow characteristics.

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

(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 less any impairment.

Equity securities
Equity securities are measured at fair value through profit and loss (FVTPL). On initial recognition, these assets are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value. Changes in the carrying amount of these financial assets relating to interest income calculated using the effective interest rate, impairment losses, fair value and foreign exchange gains and losses are recognized in profit and loss.

3. Significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

(iii) Non-derivative financial assets – measurement (cont'd)

Debt securities
The Company's investments in debt securities pass the business and cash flow characteristics tests and are therefore measured at amortized costs less any impairment.

(iv) 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.

(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.

3. Significant accounting policies (cont'd)

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

(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.

(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.

3. Significant accounting policies (cont'd)

(h) Income tax (cont'd)

(ii) Deferred tax (cont'd)

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.

(i) Impairment

(i) Non-derivative financial assets

The adoption of IFRS 9 has fundamentally changed the company's financial assets impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss method ("ECL") approach from January 01, 2018.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL) unless there has been no significant increase in credit risk since origination in which case, the allowance is based on the 12 months' expected credit loss.

The Company's financial assets include accounts receivable which are short term in nature. As is permitted by IFRS 9, the company has voluntarily elected to select an accounting policy which recognizes full lifetime expected credit losses. A practical expedient method, in the form of a provision matrix, has been applied for trade receivables based on customer categories, historical credit loss experiences and future economic expectations. The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL's is a significant estimate. The amount of ECL's is sensitive to change in circumstances and forecasted economic conditions. The Company's historical credit loss experience and forecasted conditions may not be representative of actual customer defaults in the future. Information about the company's receivables is disclosed in Note 10.

The Company's financial assets measured at mortised cost under IFRS 9 mainly comprise Government bonds which are medium term in nature. Given that there have not been significant increases in related credit risk, the allowance assessment for financial assets measured at amortized cost and other receivables has been based on 12 months expected credit losses. An ECL probabilistic approach has been used based on:

a) An unbiased and probability-weighted amount that is determined by evaluating ranges of possible outcomes;
b) The time value of money; and
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

3. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

The key elements of the ECL calculations are outlined below:

a) Probability of Default: This measures the instances of default over a period divided by the number of payments expected at the beginning of a period.

b) Loss Given Default: This represents amounts never collected or amounts written off once a default event occurs

c) Exposure at Default: This represents the outstanding amounts collectible at default.

Forward looking information:

In its ECL model the Company relied on a range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation
- Unemployment rates
- Central government debt

(ii) 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 profit and loss and other 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) Consumers` 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 2% per annum.

(m) Consumers` 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.

(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

3. Significant accounting policies (cont'd)

(o) Revenue recognition

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.

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.*

3. Significant accounting policies (cont'd)

(p) Employee benefits (cont'd)

(i) Defined-benefit plan (cont'd)

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.

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 14).

3. Significant accounting policies (cont'd)

(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.

(s) New standards, and interpretations of and amendments to existing standards

(i) New standards, amendments and interpretations effective in the current year

A number of new standards and amendments to standards are effective for annual reporting periods beginning after 1 January 2018 have been adopted in these financial statements.

- *IFRS 7, Financial Instruments*: Disclosures were amended to require additional disclosures when an entity first applies IFRS 9, *Financial Instruments*, which include changes in the categories and carrying amounts of financial instruments before and after the application of the new standard.

- *IRFS 9, 'Financial Instruments"* replaces IAS 39 as at January 1, 2018. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as at January 01, 2018 and are disclosed below.

  Changes to classification and measurement
  To determine classification and measurement categories, IFRS 9 requires all financial assets, except derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets of fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

  - Debt securities at amortised cost
  - Debt securities at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
  - Equity securities at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
  - Financial assets at fair value through profit or loss (FVTPL)

  The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

  Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms, as explained above. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed. The Company's classification of its financial assets and liabilities is explained in the transition disclosures below.

3. Significant accounting policies (cont'd)

(s) New standards, and interpretations of and amendments to existing standards

(i) New standards, amendments and interpretations effective in the current year, (cont'd)

Transitional disclosures
As of January 1, 2018, the Company has assessed its equity investments portfolio which had previously been classified as available for sale financial instruments. The Company has opted to not select the irrevocable option of measuring fair value changes through other comprehensive income for these instruments. As such these investments are classified as instruments measured at FVTPL.

A reconciliation between the carrying amounts of financial assets under IAS 39 to balances reported under IFRS 9 as at January 1, 2018 is as follows:

	IAS 39 carrying amount as at December 31, 2017	**Re-classifications**	**Re-measurement**	**Recognition of IFRS 9 ECL Note 10**	**IFRS 9 Carrying amount as at January 1, 2018**
Financial Assets					
Available for sale Long-term investments, Equity securities	1,072,700	(1,072,700)		-	-
At amortised cost: Long-term investments	10,224,456	-	-	(94,013)	10,130,443
At FVTPL (reclassified from AFS)	-	1,072,700	327,300	-	1,400,000
Trade and other receivables	32,468,026	-		(5,908,984)	26,559,042
Short-term investments	16,567,939	-		-	16,567,939
Cash at bank	1,342,583	-	-	-	1,342,583
Total financial assets	61,675,704	-	327,300	(6,002,997)	56,000,007

3. Significant accounting policies (cont'd)

(s) New standards, and interpretations of and amendments to existing standards (cont'd)

(i) New standards, amendments and interpretations effective in the current year, (cont'd)

Changes to the impairment calculation

The adoption of IFRS 9 has changed the company's accounting for financial assets' impairment by replacing IAS 39's incurred loss approach with a forward looking ECL approach. IFRS 9 requires the Company to record an allowance for all financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case a lifetime ECL is determined. Details of the impairment method are described in Note 3(i) above.

Transitional disclosures:

The information below sets out the impact of adopting IFRS 9 on the statement of financial position and retained earnings due to the effect of replacing IAS 39's incurred loss approach with IFRS 9's ECLs.

The impact of transition to IFRS 9 on retained earnings is as follows:

	$
Closing balance under IAS 39 as at December 31, 2017	83,789,803
Remeasurement of investments IFRS 9	327,300
Recognition of IFRS 9 ECLs	(6,002,997)
	(5,675,697)
Opening balance under IFRS 9 as at January 1, 2018	78,114,106

(ii) New standards, amendments and interpretations not yet effective

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

- 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
- IFRS 17 *Insurance contracts* effective 1 January 2021
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 1 January 2019
- IFRS 16 *Leases* effective 1 January 2019

4. Financial instruments – fair values and risk management

(a) Accounting classifications

The following table shows the accounting classifications of financial assets and financial liabilities at fair value through profit & loss and amortised cost.

December 31, 2018	FVTPL $	Amortized Cost $	Total $
Financial assets			
Debt securities (note 6)	-	9,464,503	9,464,503
Equity securities (note 6)	1,212,500	-	1,212,500
Short-term investments (note 9)	-	12,426,148	12,426,148
Trade and other receivables (note 10)	-	31,228,410	31,228,410
Cash and cash equivalents	-	2,272,621	2,272,621
Total financial assets	1,212,500	55,391,682	56,604,182
Financial liabilities			
Borrowings (note 12)	-	30,285,084	30,285,084
Customers' deposits (note 15)	-	12,059,494	12,059,494
Trade and other payables (note 17)	-	16,402,661	16,402,661
Overdraft	-	33,949	33,949
Total financial liabilities	-	58,781,188	58,781,188

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

(a) Accounting classifications (cont'd)

December 31, 2017	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)	-	10,224,456	-	-	10,224,456
Equity securities (note 6)	1,072,700	-	-	-	1,072,700
Short-term investments (note 9)	-	16,567,939	-	-	16,567,939
Trade and other receivables (note 10)	-	-	32,468,026	-	32,468,026
Cash and cash equivalents	-	-	-	1,342,583	1,342,583
Total financial assets	1,072,700	26,792,395	32,468,026	1,342,583	61,675,704
Financial liabilities not measured at fair value					
Borrowings (note 12)	-	-	-	39,502,871	39,502,871
Customers' deposits (note 16)	-	-	-	11,676,971	11,676,971
Trade and other payables (note 18)	-	-	-	18,819,970	18,819,970
Overdraft	-	-	-	890,917	890,917
Total financial liabilities	-	-	-	70,890,729	70,890,729

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

(b) Measurement of fair values

A number of the Copany's accounting policies and disclosures require the determinattion of fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether the price is directly observable or estimated using another valuation technique. 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 that the entity can access at the measurement date.

- 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 December 31, 2018:

Financial assets	Level 1 $	Level 2 $	Level 3 $	Total $
Long-term investments (note 6)	-	1,012,500	9,664,503	10,677,003
Short-term investments	-	-	12,426,148	12,426,148
	-	1,012,500	22,090,651	23,103,151

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

(b) Measurement of fair values (cont'd)

The following table presents the Company's financial assets that are measured at fair value at December 31, 2017:

Financial assets	Level 1 $	Level 2 $	Level 3 $	Total $
Long-term investments(note 6)	-	872,700	10,424,456	11,297,156
Short-term investments	-	-	16,567,939	16,567,939
	-	872,700	26,992,395	27,865,095

(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.

(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.

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

(c) Financial risk management (cont'd)

(ii) Credit risk (cont'd)

The Company has policies in place to ensure that sales are made to customers with an appropriate credit rating. The Company establishes an allowance for impairment that represents the expected credit losses over the lifetime of trade and other receivables. The collective loss allowance is determined using a practical expedient method in the form of a provision matrix to measure expected credit losses, based on customer categories, historical credit loss experiences and future economic expectations. Trade and other accounts receivable are shown net of the impairment provision for doubtful debts. Cash and short-term investments are held with reputable 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	
	2018	**2017**
	$	**$**
Domestic	9,760,489	8,194,325
Commercial	9,022,168	9,218,907
Industrial	1,637,893	903,150
Government	17,095,038	12,903,100
	37,515,588	31,219,482
Provision for impairment of trade receivables	(7,410,481)	(5,392,625)
Trade receivables, net	30,105,107	25,826,857

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

	Trade Receivables	**Other Receivables**
	$	**$**
Balance as at January 1, 2017	6,405,580	-
Impairment loss derecognised	(1,012,955)	-
Balance as at December 31, 2017 IAS 39	5,392,625	-
Effect of change in accounting policy: IFRS 9 ECL	565,928	5,343,057
Balance as at January 1, 2018	5,958,553	5,343,057
Impairment loss recognised	1,451,928	3,247,904
Balance as at December 31, 2018	7,410,481	8,590,961

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, excluding 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, 2018					
Bank overdraft	33,949	(33,949)	(33,949)	-	-
Trade and other payables	16,402,661	(16,402,661)	(16,402,661)	-	-
Borrowings	30,285,084	(30,285,084)	(13,463,496)	(14,305,252)	(2,516,336)
Customers' deposits	12,059,494	(12,059,494)	(328,000)	(1,312,000)	(10,419,494)
	58,781,188	(58,781,188)	(30,228,106)	(15,617,252)	(12,935,830)

	Carrying amount $	Contractual cash flows $	1 year $	2-5 years $	More than 5 years $
December 31, 2017					
Bank overdraft	890,917	(890,917)	(890,917)	-	-
Trade and other payables	18,819,970	(18,819,970)	(18,819,970)	-	-
Borrowings	39,502,871	(39,502,871)	(11,432,195)	(24,800,324)	(3,270,352)
Customers' deposits	11,676,971	(11,676,971)	(328,000)	(1,312,000)	(10,036,971)
	70,890,729	(70,890,729)	(31,471,082)	(26,112,324)	(13,307,323)

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

(c) Financial risk management (cont'd)

(iv) 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 (EC), and incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC dollar. There is no exposure to foreign currency risk in respect of the United States Dollar because the EC Dollar is pegged at EC$2.70 for US$1. However, there is exposure to foreign currency risk affecting the Company's statement of profit or loss and other comprehensive income resulting from the fluctuations of other currencies. 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:

	2018 $	2017 $
Fixed-rate instruments		
Financial assets	21,890,651	26,792,395
Financial liabilities	44,462,759	51,179,843

5. Property, plant and equipment

	Freehold property $	Generation Plants and Machinery $	Transmission & distribution $	Other $	Total $
Operational assets at cost					
As of January 1, 2017	70,268,764	221,380,267	188,989,040	20,617,512	501,255,583
Transfers	364,068	1,355,336	3,085,864	2,571,323	7,376,591
Disposals	-	-	-	(292,935)	(292,935)
As of December 31, 2017	70,632,832	222,735,603	192,074,904	22,895,900	508,339,239
Transfers	8,418,401	5,273,482	6,462,005	702,304	20,856,192
Disposals	-	(9,437,156)	(93,398,077)	(204,552)	(103,039,785)
As of December 31, 2018	79,051,233	218,571,929	105,138,832	23,393,652	426,155,646
Accumulated depreciation					
As of January 1, 2017	43,140,721	140,597,442	137,459,187	15,751,921	336,949,271
Charge for the year	1,880,171	9,894,313	6,119,124	1,796,844	19,690,452
Disposals and transfers	-	-	-	(292,935)	(292,935)
As of December 31, 2017	45,020,892	150,491,755	143,578,311	17,255,830	356,346,788
Charge for the year	2,133,119	9,420,496	6,126,865	1,873,715	19,554,195
Disposals and transfers	-	(9,146,354)	(93,224,562)	(204,550)	(102,575,466)
As of December 31, 2018	47,154,011	150,765,897	56,480,614	18,924,995	273,325,517
Net book value					
As of December 31, 2016	27,128,043	80,782,825	51,529,853	4,865,591	164,306,312
As of December 31, 2017	25,611,940	72,243,848	48,496,593	5,640,070	151,992,451
As of December 31, 2018	31,897,222	67,806,032	48,658,218	4,468,657	152,830,129

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, 2017	473,804	12,386,207	994,587	291,976	14,146,574
Additions	587,595	5,839,982	2,736,095	2,283,126	11,446,798
Transfers	(364,068)	(1,355,335)	(3,085,865)	(2,571,323)	(7,376,591)
As of December 31, 2017	697,331	16,870,854	644,817	3,779	18,216,781
As of January 1, 2018	697,331	16,870,854	644,817	3,779	18,216,781
Additions	321,907	2,739,666	5,817,188	698,525	9,577,286
Transfers	(697,331)	(12,994,552)	(6,462,005)	(702,304)	(20,856,192)
As of December 31, 2018	321,907	6,615,968	-	-	6,937,875
Capital Spares					
As of December 31, 2017	-	3,763,286	4,056,387	-	7,819,673
Additions	-	590,345	361,119	-	951,464
As of December 31, 2018	-	4,353,631	4,417,506	-	8,771,137
Provision of obsolescence					
As of December 31, 2017	-	1,374,902	1,302,756	-	2,677,658
Charges for the year	-	380,492	(491,158)	-	(110,666)
As of December 31, 2018	-	1,755,394	811,598	-	2,566,992
Net book value					
As of December 31, 2016, as restated	27,601,847	95,456,321	54,545,069	5,157,567	182,760,804
As of December 31, 2017	26,309,271	91,503,086	51,895,041	5,643,849	175,351,247
As of December 31, 2018	32,219,129	77,020,237	52,264,126	4,468,657	165,972,149

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 $52,264,125 at December 31, 2018 (2017: $51,895,041). The value of the fund was $21,101,631 at December 31, 2018 (2017: $24,389,199).

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.

6. Long-term investments

	2018 IFRS 9 $	2017 IAS 39 $
Equity Securities		
20,000 Eastern Caribbean Securities Exchange Limited Class B Shares	-	200,000
150,000 Bank of St. Vincent and the Grenadines Limited Shares	-	872,700
Total equity securities - AFS	-	1,072,700
20,000 Eastern Caribbean Securities Exchange Limited Class B Shares	200,000	-
150,000 Bank of St. Vincent and the Grenadines Limited Shares	1,012,500	-
Total equity securities FVTPL	1,212,500	-
Debt securities		
4.5% Government of St. Vincent and the Grenadines bonds, due January 31, 2023	8,546,638	10,224,456
7% Government of St. Vincent and the Grenadines bonds, due July 16, 2025	1,000,000	-
Total debt securities at amortized cost	9,546,638	10,224,456
Less: provision for impairment	(82,135)	-
Debt securities, net	9,464,503	10,224,456
Total investments	10,677,003	11,297,156
Less: current portion	(1,897,027)	(1,677,818)
	8,779,976	9,619,338

The movement in the allowance for impairment of investments during the year is as follows:

	2018 $	2017 $
Balance as at December 31, 2017	-	-
Effect of change in accounting policy: IFRS 9 ECL	(94,013)	-
Balance as at January 1, 2018	(94,013)	-
Recovery for the year	11,878	-
Balance as at December 31, 2018	(82,135)	-

The Company's shareholding in the Bank as at December 31, 2018 is 150,000 (2017:150,000) shares. The current market price of the shares in the Bank of St. Vincent and the Grenadines Limited is EC$6.75 per share (2017: EC$8).

7. Retirement benefit obligation

The Company provided retirement benefits, under a regional multi-employer defined-benefit plan and a defined-contribution plan, for substantially all of its employees. The Company exited the defined benefit plan effective December 31, 2017 and the plan was subsequently wound up with an effective windup date of July 8, 2018.

(a) Defined benefit plan

The Company contributed to the regional Eastern Caribbean Utilities Pension Scheme (formerly CDC Caribbean Pension Plan) which was administered by Sagicor Life Inc.

The most recent actuarial valuation of the plan was as at December 31, 2018 and was completed by an independent actuary on February 5, 2018. 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, 2018 by an independent actuary.

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

	2018 %	2017 %
Discount rate at end of year	-	7.50
Future promotional salary increases	-	2.00
	-	1.50
Future inflationary salary increases there after	-	4.50
Expected rate of future pension increases	-	3.00

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

	2018 $	2017 $
Present value of defined benefit obligation	-	-
Fair value of plan assets	-	-
Defined benefit obligation	-	-

7. Retirement benefit obligation (cont'd)

(a) Defined benefit plan (cont'd)

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

	2018 $	2017 $
Fair value of plan assets as at January 1	-	8,514,771
Actual return on plan assets	-	497,171
Contributions	-	1,202,511
Benefits paid	-	(296,854)
Plan settlement	-	(9,917,599)
Fair value of plan assets as at December 31	-	-

(iv) Return on plan assets

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

	2018 $	2017 $
Return on plan assets	-	497,171

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

	2018 $	2017 $
Current service costs	-	244,092
Net interest on defined benefit liability:		
Interest cost	-	690,927
Expected return on plan assets	-	(672,569)
Loss on settlement	-	166,144
Net period pension cost (note 7(a) (viii))	-	428,594

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

	2018 $	2017 $
Experience losses	-	172,021
Deferred tax (note 20)	-	192,607
Experience losses, net of tax, being total amount recognized in Other Comprehensive Income	-	364,628

7. Retirement benefit obligation (cont'd)

(a) Defined benefit plan (cont'd)

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

	2018 $	2017 $
Defined benefit assets/(liability) as of January 1	-	(601,896)
Net pension costs recognised in statement of comprehensive income (note 7(a) (vi))	-	(428,594)
Contributions paid	-	1,202,511
Re-measurements recognized in Other Comprehensive Income, before tax (note 7(a) (vii))	-	(172,021)
Defined benefit liability as of December 31	-	-

(viii) 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	
	2018 $	2017 $
Valuation results	-	9,751,449
Discount rate -1%	-	(11,301,826)
Discount rate +1%	-	8,502,191
Salary increases - 0.5%	-	(9,603,622)
Salary increases + 0.5%	-	9,904,676
Mortality assuming 1year longer	-	9,886,867

(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 $884,310 (2017: $ 856,276) and are expensed as incurred.

8. Inventories

	2018 $	2017 $
Uniforms	731,922	414,905
Fuel, lubricants and chemicals	4,045,406	3,419,065
Stationery	189,555	183,495
	4,966,883	4,017,465
Add: Goods in transit	22,100	-
Less: provision for obsolescence	(194,987)	(84,321)
	4,793,996	3,933,144

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
December 31, 2018
(Expressed in Eastern Caribbean Dollars)

9. Short-term investments

Short term investments of $12,426,148 (2017: $16,567,939) 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 1.85% to 2.25% annually (2017: 2.0% to 2.5%).

10. Trade and other receivables

	2018 IFRS 9 $	2017 IAS 39 $
Current		
Trade receivables, gross	37,515,588	31,219,482
Less: provision for impairment of trade receivables	(7,410,481)	(5,392,625)
Trade receivables, net	30,105,107	25,826,857
Other receivables, gross	9,714,264	6,641,169
Less: provision for impairment of other receivables	(8,590,961)	-
Other receivables, net	1,123,303	6,641,169
Trade and other receivables, net	31,228,410	32,468,026

The movement in the allowance for impairment of trade receivables during the year is as follows:

	2018 IFRS 9 $	2017 IAS 39 $
Balance at the beginning of year under IAS 39	5,392,625	6,405,580
Effect of change in accounting policy: Recognition of IFRS 9 ECLs	565,928	-
Opening balance January 1, 2018 under IFRS 9	5,958,553	6,405,580
Provision for impairment of trade receivables	1,451,928	(1,012,955)
Balance at end of year	7,410,481	5,392,625

The movement in the allowance for impairment of other receivables during the year is as follows:

	2018 IFRS 9 $	2017 IAS 39 $
Balance at the beginning of year	-	-
Effect of change in accounting policy: Recognition of IFRS 9 ECLs	5,343,056	-
Opening balance January 1, 2018 under IFRS 9	5,343,056	-
Provision for impairment of other receivables	3,247,905	-
Balance at end of year	8,590,961	-

11. Share capital

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

	2018 $	2017 $
Issued and fully paid – 5,809,182 ordinary shares without nominal or par value	29,045,910	29,045,910

12. Borrowings

	Note	2018 $	2017 $
(a) Caribbean Development Bank Funding Government of St. Vincent and the Grenadines- First Power Project:			
International Development Association	13(a)	600,346	654,966
(b) Third Power Project:			
Lowmans Bay Project	13(b)	7,890,143	12,394,500
(c) Government of St. Vincent and the Grenadines			
United States Agency for International Development	13(c)	5,856,792	6,599,477
(d) European Investment Bank - Lowmans Bay	13(d)	5,409,983	7,294,809
(e) PDV Caribé	13(e)	10,527,820	12,559,119
Total long-term borrowings		30,285,084	39,502,871
Less: current portion		(13,463,496)	(11,432,195)
		16,821,588	28,070,676

(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 (IDA).

This loan is for US$664,210 and is repayable in 80 semi-annual installments of US$10,075 plus interest, with the final installment due October 15, 2029.

The above loan was made by the CDB to the Government of St. Vincent and the Grenadines for on-lending by the Government to the Company. The loan agreement provides 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.

12. Borrowings (cont'd)

(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 3.80% 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;

(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;

(v) the Company to submit to the Bank by March 31, in each year, a three year forecast of its financial performance;

(vi) the Company should not pay dividends during the implementation of the project or in any year thereafter during which it fails to maintain a debt service ratio of at least 1.5 times;

(vii) the Company should not sell, lease or transfer any of its assets which could materially and adversely affect its capacity to carry on its business;

(viii) the Company should not make any loans to any of its directors or shareholders or to any other person for any purpose whatsoever; and

(ix) the Company should not incur any new debt unless the debt service ratio coverage of 1.5 times is maintained.

(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.

(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:

12. Borrowings (cont'd)

(d) European Investment Bank - Lowmans Bay (cont'd)

(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 the 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.

13. Consumers' contributions to line extensions

	Government $	Other consumers $	Total $
Contributions			
At beginning of year	4,363,153	21,020,849	25,384,002
Received during the year	-	262,844	262,844
Refunds	-	(2,700)	(2,700)
At end of year	4,363,153	21,280,993	25,644,146
Amortization			
At beginning of year	4,363,153	19,465,372	23,828,525
Amortization for the year	-	1,276,087	1,276,087
At end of year	4,363,153	20,741,459	25,104,612
Carrying amounts			
As of December 31, 2017	-	1,555,477	1,555,477
As of December 31, 2018	-	539,534	539,534

14. Deferred grant income

	2018 $	2017 $
Agence Française de Development Group Grant	122,350	130,160
Caricom Development Fund (CDF)	1,758,180	-
	1,880,530	130,160
Amortization	(7,341)	(7,810)
Unamortized balance	1,873,189	122,350

15. Consumers' deposits

	2018 $	2017 $
Deposits		
Beginning of year	7,131,112	6,913,592
Received during the year	497,266	444,387
Refunds	(256,616)	(226,867)
End of year	7,371,762	7,131,112
Interest		
Beginning of year	4,545,859	4,264,515
Expense for the year	284,177	548,482
Paid during the year	(142,304)	(267,138)
End of year	4,687,732	4,545,859
Total	12,059,494	11,676,971

16. Deferred tax liability

Deferred tax liability is calculated in full on temporary differences using a tax rate of 30% (2017: 32%). The movement on the deferred tax liability account is as follows: -

	2018 $	2017 $
At beginning of year	32,203,299	29,123,412
Recognised in profit or loss	(4,314,935)	2,887,280
Recognised in Other Comprehensive Income	-	192,607
At end of year	27,888,364	32,203,299

Deferred tax liability is attributable to the following: -

	2018 $	2017 $
Property, plant and equipment	28,512,870	32,464,770
Bad debt provision	(2,131,560)	(1,725,640)
Provision for obsolescence	(828,594)	(883,833)
Unbilled sales	2,335,648	2,348,002
Total liability	27,888,364	32,203,299

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
December 31, 2018
(Expressed in Eastern Caribbean Dollars)

17. Trade and other payables

	2018 $	2017 $
Trade payables	6,965,925	8,444,573
Accrued expenses	7,253,851	6,023,440
Other payables	1,149,458	3,318,330
Government of St. Vincent and the Grenadines	1,033,427	1,033,627
	16,402,661	18,819,970

18. Expenses by nature

	2018 $	2017 $
Fuel cost over base price	51,227,716	38,304,473
Fuel at base price	3,562,286	3,823,826
Depreciation	19,554,195	19,690,452
Repairs and maintenance	8,195,279	8,770,465
Employee benefit expense (note 23)	18,024,832	17,385,255
Other operating expenses	9,264,399	9,335,031
Impairment losses, net (note 24)	4,321,616	6,134,112
Amortization of consumers' contributions to line extensions	(1,276,087)	(1,254,935)
	112,874,236	102,188,679

19. Other losses (gains), net

	2018 $	2017 $
Loss (gain) on disposal of property, plant and equipment	386,156	(125,202)
Foreign exchange (gain)/loss	(16,680)	11,352
Equity investments at FVTPL - Net change in fair value	187,500	-
	556,976	(113,850)

20. Income tax expense

Income tax expense comprises:

	2018 $	2017 $
Current	4,104,170	3,297,742
Prior periods	-	433,504
Deferred	(4,314,935)	2,887,280
	(210,765)	6,618,526

Reconciliation of effective tax rate:

	2018 %	2018 $	2017 %	2017 $
Profit before taxation		5,744,534		6,385,660
Income tax using applicable corporation tax rate	30.00	1,723,360	32.00	2,043,411
Non-deductible expenses (net)	120.59	6,927,520	79.61	5,083,979
Tax incentives	(79.12)	(4,545,306)	(57.86)	(3,695,214)
Change in temporary differences	(40.10)	(2,303,633)	43.11	2,752,846
Effect of change in applicable tax rate	(35.03)	(2,012,706)	-	-
Under provision – prior years	-	-	6.79	433,504
	(3.66)	(210,765)	103.65	6,618,526

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

	2018 $			2017 $		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Re-measurement of defined benefit pension plan	-	-	-	172,021	192,607	364,628

21. Earnings per share

Earnings per share is calculated upon net profit/loss for the year of $5,955,299 (2017: $232,866) and 5,809,182 (2017: 5,809,182) average issued and outstanding ordinary shares.

22. 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.

(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.

(c) Related party transactions

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

(d) Transactions with key management personnel

- (i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- (ii) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

22. Related parties (cont'd)

(d) Transactions with key management personnel (cont'd)

(iii) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(iv) termination benefits.

Transactions with related parties during the year were as follows:

	2018 $	2017 $
Revenue		
Government of St. Vincent and the Grenadines and its corporations	13,948,507	13,427,804
Expenses		
Management compensation	1,668,768	1,600,294
Directors' fees and expenses	190,955	189,320

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 and included in trade and other receivables were as follows:

	2018 $	2017 $
Government of St. Vincent and the Grenadines	17,095,038	12,903,100

Other balances with related parties were as follows as at December 31:

	2018 $	2017 $
Investment		
Government of St. Vincent and the Grenadines (Note 6)	9,546,638	10,224,456
Other receivables		
Government of St. Vincent and the Grenadines	104,037	104,037
Other payables		
Government of St. Vincent and the Grenadines (Note 17)	1,033,427	1,033,627
Long-term borrowings		
Loans guaranteed by the Government of St. Vincent and the Grenadines (Note 12)	13,300,126	19,689,309

23. Employee benefit expense

	2018 $	2017 $
Salaries and wages	15,256,324	15,086,714
National insurance contributions	632,844	618,619
Medical insurance contributions	382,864	367,019
Pension expense	1,752,800	1,312,903
	18,024,832	17,385,255
Number of employees at the reporting date	313	309

24. Impairment

	2018 $	2017 $
Impairment loss derecognized	(366,338)	(1,012,955)
Trade receivables impairment	1,451,928	7,147,067
Other receivables impairment IFRS 9	3,247,904	-
Debt securities at FVTPL	(11,878)	-
	4,321,616	6,134,112

25. Capital commitments

As of December 31, 2018, the directors approved capital expenditure totaling $36.69 million (2017: $20.77 million).

26. 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 the company believes is 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.

27. Self-insurance fund

In accordance with a plan that was approved at a special Board of Directors' meeting on May 26, 2017, a total of $3,287,568 (2017: $2,610,801) was appropriated from the self-insurance fund (see notes 5 and 12(b)) to fund the defined contribution plan.

ST. VINCENT ELECTRICITY SERVICES LIMITED

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative figures as at and for year the ended December 31, 2017)

ADDITIONAL INFORMATION

Table of Contents

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
Email: kpmg@kpmg.vc

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, 2018 and hence are excluded from the opinion expressed in our report dated November 13, 2019 to the shareholder on such financial statements.

KPMG

Chartered Accountants
Kingstown, St. Vincent and the Grenadines
November 13, 2019

Schedule I

ST. VINCENT ELECTRICITY SERVICES LIMITED
Financial Statistics
As at and for the year ended December 31, 2018
(Expressed in Eastern Caribbean Dollars)

	2018 XCD 000's	2017 XCD 000's	2016 XCD 000's	2015 XCD 000's	2014 XCD 000's	2013 XCD 000's
SUMMARISED BALANCE SHEET			**Restated**	**Restated**	**Restated**	
Share capital	29,046	29,046	29,046	29,046	29,046	29,046
Retained earnings	87,356	83,790	82,461	86,602	78,347	76,568
Other reserves	21,102	24,390	26,316	26,638	27,056	84,092
Non –current liabilities	57,309	73,505	82,565	100,989	113,981	87,379
Deferred income	1,873	122	130	138	147	156
	196,686	210,853	220,518	243,413	248,577	277,241
Fixed assets (Net)	165,972	175,351	182,761	186,764	197,105	219,635
Long-term investments	8,779	9,619	11,297	12,902	14,437	15,189
Retirement benefit asset	-	-	-	-	362	-
Current assets	53,466	57,026	65,419	76,794	76,858	77,071
Current liabilities	(31,531)	(31,143)	(38,959)	(33,047)	(40,185)	(34,654)
	196,686	210,853	220,518	243,413	248,577	277,241
SUMMARISED RESULTS						
Operating Revenues						
Electricity sales	68,572	69,493	70,479	67,456	65,021	65,334
Fuel surcharge	50,514	38,221	33,114	42,362	67,851	68,760
Other	1,292	1,189	1,169	1,632	2,781	2,650
Total	120,378	108,903	104,762	111,450	135,653	136,744
Operating Expenses						
Fuel cost covered by surcharge	51,228	38,304	33,786	41,958	67,737	69,100
Renewable energy purchased	307	235	189	137	206	-
Operating and maintenance						
- Hydro	1,832	2,150	3,676	4,120	1,886	2,074
- Diesel	15,808	17,186	10,986	6,141	15,705	15,487
Transmission & distribution	4,842	4,915	11,186	10,950	4,394	3,766
Administration & other	19,491	19,709	13,153	13,094	20,618	14,104
Depreciation	19,554	19,690	19,907	20,947	20,263	20,669
Total	113,062	102,189	92,883	97,347	130,809	125,200
Operating income	7,317	6,714	11,878	14,103	4,844	11,544
Interest and other cost	(1,572)	(329)	(1,185)	(2,895)	(3,246)	(4,788)
Net profit before tax	5,744	6,385	10,693	11,208	1,598	6,756
Income tax expense	210	(6,618)	1,668	(2,953)	(1,116)	(1,039)
Net profit after tax	5,955	(233)	12,361	8,255	482	5,717
Other comprehensive income	-	(364)	(322)	(419)	-	182
Appraisal element in depreciation/reversed	-	-	(1,157)	(506)	961	1,081
Retained earnings brought forward	83,790	82,461	86,602	78,347	76,568	70,865
Impact of change in policy	(5,676)	-	2,404	925	3,240	-
Transfer from retirement benefit reserve	-	(684)	-	-	-	-
Deferred tax on retirement benefit reserve	-	-	-	-	-	201
Final/Interim dividend	-	-	(17,427)	-	(2,904)	-
Transfer from (to) self-insurance fund	3,288	2,610	-	-	-	-
Retained earnings carried forward	87,356	83,790	82,461	86,602	78,347	78,046

Schedule II

ST. VINCENT ELECTRICITY SERVICES LIMITED
Financial Statistics
As at and for the year ended December 31, 2018
(Expressed in Eastern Caribbean Dollars)

	2018	2017	2016	2015	2014	2013
GENERATING PLANT (KW)						
Site Rated Capacity (KW)						
St. Vincent	35,008	37,300	41,413	41,413	41,413	42,675
Bequia	4,145	4,145	4,145	4,145	4,145	4,145
Union Island	1,838	1,838	1,530	1,530	1,170	1,170
Canouan	4,040	4,040	4,040	4,040	4,040	4,040
Mayreau	368	302	284	284	284	180
Firm Capacity (KW)						
St. Vincent	26,308	28,600	32,713	32,713	33,357	34,493
Bequia	2,090	2,090	2,090	2,090	2,579	2,579
Union Island	1,074	1,074	770	770	693	693
Canouan	1,560	1,560	1,560	1,560	2,484	2,484
Mayreau	140	114	120	120	162	108
Peak Demand (KW)- (All Time)						
St. Vincent	21,692	21,692	21,692	21,424	21,120	21,120
Bequia	1,660	1,574	1,570	1,570	1,570	1,570
Union Island	589	580	533	533	533	533
Canouan	810	810	810	810	810	810
Mayreau	91	79	79	79	79	65
PRODUCTION AND SALES						
Gross Generation (kWhs)						
Hydro	23,770,249	20,327,820	15,932,020	16,757,832	11,858,670	22,976,040
Solar	1,149,929	816,242	809,941	866,064	343,256	148,180
Diesel	125,009,805	128,932,762	136,231,070	128,625,162	129,469,267	118,905,211
	149,929,983	150,076,824	152,973,031	146,249,058	141,671,193	142,029,431
Own Use	(4,544,729)	(4,719,722)	(4,728,124)	(4,529,913)	(4,667,575)	(4,859,493)
Net Generation	145,385,254	145,357,102	148,244,907	141,719,145	137,003,618	137,169,938
Renewable energy purchased	813,926	594,193	436,004	302,079	159,568	133,501
Net energy available for sale	146,199,180	145,951,295	148,680,911	142,021,224	137,163,186	137,303,439
Sales (kWhs)						
Domestic	68,226,521	68,483,434	67,492,978	63,506,236	60,397,932	60,462,944
Commercial	56,947,765	57,072,135	60,008,499	58,601,969	56,749,650	57,565,123
Industrial	6,938,268	7,277,376	7,385,600	7,394,177	7,069,590	6,544,460
Street lighting	3,003,348	3,098,274	3,232,336	3,182,880	3,175,998	3,173,238
Total Sales	135,115,902	135,931,219	138,119,413	132,685,262	127,393,170	127,745,765
Loss (% of Net Generation)	7.58%	6.86%	7.10%	6.57%	7.12%	6.96%
Number of Consumers at year end						
Domestic	40,402	39,569	39,012	38,248	37,531	36,864
Commercial	4,619	4,536	4,486	4,479	4,431	4,438
Industrial	24	23	23	22	21	21
Street lighting	46	46	46	47	47	47
	45,091	44,174	43,567	42,796	42,030	41,370