

Grenada Electricity Services Ltd.  
Annual Report 2016



**grenlec**

A Partner in Progress





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## The Theme



As a proven, successful public-private partnership that benefits all our stakeholders, Grenlec continues to work collaboratively with national stakeholders, businesses and customers to build upon the world-class electric system that helps fuel our nation's development.

Our theme speaks to the positive correlation between the excellent quality of Grenlec's service and our nation's economic growth. As a facilitator of growth, efficient, reliable electricity service has enabled our customers - commercial, domestic and industrial - to undertake the activities that have propelled 'Our Grenada' forward. Our resident educator, Mr. Watts puts the pieces together on our cover pages to depict a myriad of ways in which this 'Partnership for Progress' creates value for all our customers, shareholders and communities.

Together with our employees, customers, board and shareholders, our goal is to expand our partnerships with all stakeholders by introducing more renewable energy and increasing efficiency for the reliable, safe and affordable delivery of electric service to benefit all our customers.

# Corporate Information

## CORPORATE PROFILE

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

With a customer base of more than 47,000, our Company has been providing integrated services of generation, transmission and distribution of electricity since 1960. With total installed capacity of 48.59MW and peak demand of 31.83MW, GRENLEC generates from three locations in Grenada, Carriacou and Petite Martinique. A 33kV transmission network and two substations at Queen's Park and Grand Anse ensure reliability in the south of Grenada. Since privatisation in 1994, GRENLEC has risen to the challenge of providing safe, reliable service by continually investing in service enhancement, its employees, infrastructure and communities.

## DIRECTORS

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

## GENERAL MANAGER

Collin Cover

## COMPANY SECRETARY

Benedict A. Brathwaite

## REGISTERED OFFICE

Grand Anse  
St. George  
Grenada

## BANKERS

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

Cayman National Bank  
Grand Cayman  
Cayman Islands

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

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

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

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

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

## ATTORNEYS-AT-LAW

Grant, Joseph & Company  
Lucas Street  
St. George's, Grenada

## AUDITORS

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

# Notice of Annual General Meeting

Notice is hereby given that the Fifty-eighth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Hospitality Room, Grenada National Stadium, Queen's Park, St. George's on Wednesday, 10 May 2017 at 4:30 p.m. to:

- Receive the Annual Reported Financial Statements for the year ended 31 December 2016 together with the Auditors' Report thereon.
- Appoint the Auditors and authorise the Directors to determine their remuneration.
- Elect Directors.

## Close of business

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

Dated Tuesday, 7 March 2017.

By order of the Board



**Benedict Brathwaite**  
Company Secretary

## Notes

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.
- Shareholders on record on Wednesday, 19 April 2017 are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

# BOARD OF DIRECTORS

G. Robert Blanchard Jr.  
**Chairman**



Alister Bain



Robert Blenker



Robert Curtis



Anthea Debellotte



Ashton Frame

Linda George-Francis



Duane Noel



Edward Parry



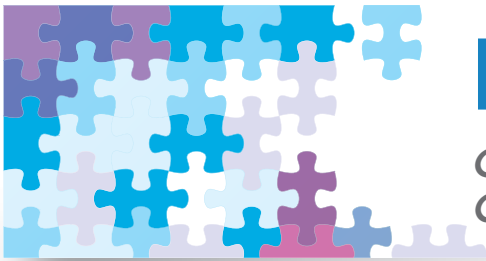
Ronald Roseman



Lawrence Samuel



Murray Skeete



# RENEWABLE ENERGY

*Grenada's Largest Renewable Energy Project Commissioned*



1. & 2. Media Visit to Solar Project
3. Aerial View of Solar Installations at Grenlec's Grand Anse Facility
4. Installing Solar on Bruce Bain Power Plant at Queen's Park
5. Solar Installation on Grand Anse Substation Switchgear Building
6. Aerial View of Solar Installations at Grenlec's Queen's Park Facility
7. Constructing Carport to House Solar PV Installation at Grand Anse Facility
8. Ground-mounted Solar Installation at Plains, St. Patrick

A man in a dark suit and blue tie stands in a conference room. In the background, there is a large wooden conference table with several black chairs. A small stack of papers or a device is on the table. The room has light-colored walls with some artwork.

# CHAIRMAN'S REPORT

**Impressive Commitment—  
Every level of staff has  
demonstrated the capacity  
to build and release positive  
energies toward our longer –  
term goals.**

G. Robert Blanchard Jr.  
**Chairman**



# We believe that sector reform is a goal that all parties can support and jointly pursue in a manner that best advances and protects Grenada's long-term interests.

All other events for the year 2016 were greatly overshadowed by the passage of the 2016 Electricity Supply Act and Public Utilities Regulatory Commission Act. These new statutes fundamentally alter your company's regulatory and operating framework and have the potential to greatly impair the returns and value you achieve on your investment.

We regret very much the Government's decision to move forward with this legislation in a manner directly contrary to best practices and any sincere spirit of collaboration. Indeed, the decision to place effective regulatory control of the nation's vital electricity sector in the hands of a single minister is severely at odds with widely accepted international standards and guidance.

As we have said publicly, we believe that sector reform is a goal that all parties can support and jointly pursue in a manner that best advances and protects Grenada's long-term interests. Unfortunately, and notwithstanding Grenlec's stellar record of achievement and corporate citizenship as the nation's current electricity provider, Government chose not to provide Grenlec any meaningful opportunity to participate in designing a new regulatory framework for Grenada's electricity sector.

As the non-Government shareholders agreed in our Extraordinary General Meeting last August, Grenlec's management is exploring all alternatives available to address this critical challenge. This includes evaluating legal actions that may be filed by the company (either directly or on behalf of shareholders), as well as supporting legal actions that may be filed by various shareholders, including the company's strategic investor Grenada Private Power (GPP). Our goal remains to achieve a resolution that protects the interest of all Grenlec shareholders, as well as allowing for effective and efficient future operation of Grenada's electricity

sector. As I write this report you are certainly aware that GPP has filed a demand with the Government in regards to Government's Share Purchase Agreement obligations with GPP. We strongly believe that shareholder support for this endeavor provides Grenlec's best path for getting Government to engage in focused and sincere negotiations capable of producing a mutually-acceptable negotiated settlement that would properly protect both Grenada's electricity sector and your investment going forward.

**RISK MANAGEMENT**   
**Grenlec's Hurricane Fund** is now at \$22 million. This is above the level of expenses (\$20M) that resulted after 2004's Hurricane Ivan

**HEALTH & SAFETY PRIORITY**   
High **safety standards and continuous training** protect our team members, customers, and the environment.

**COMMUNITY PARTNERSHIP**   
Grenlec Community Partnership Initiative (GCPI) has **invested more than \$20 million** to educational, health, and community services since 1994.

**LED STREET LIGHTS**   
(274 installed in 2016)  
LEDs help reduce electricity costs by up to 50%.

**ALL-ELECTRIC VEHICLES**   
Avg. **97 miles per MPGe** (gal. of gas equivalent). Combined **39% reduction** in fuel costs of the 3 EVs from October 2015 - December 2016. (Savings based on combined mileage of 22,906)

One of the first steps that Grenlec's management undertook was obtaining an independent and expert valuation of Grenlec in accordance with section 28 and 29 of the 1994 Electricity Supply Act.

This valuation is applicable to all non-Government shareholders in the event it is determined that Grenlec's license was revoked as that term is used in the 1994 ESA. Management engaged the international accounting firm KPMG to undertake the valuation. The valuation methodology utilised by KPMG is outlined in the second schedule to the 1994 ESA. KPMG's report concludes that the appropriate per share value of Grenlec shares as of August 1, 2016 is EC\$ 18.59.

We all recognise that numerous other developments could arise between now and the date of the next Annual General Meeting. I look forward to discussing these with you further at the AGM, and as always I thank you for your support.

## Financial Performance

Despite the above, and largely because Government has not yet promulgated any regulations under the new Act, we are pleased to report the company delivered another year of strong performance for our shareholders and customers. Consistent with our drive to provide reliable energy at the lowest possible cost, in 2016 we increased renewable energy generation, reduced system losses and our customers appreciated greater savings from lower world fuel prices, and our shareholders received an extraordinary dividend.

Our net profit before taxes was \$23.29M for the year 2016. Sales grew by 6.6%, the highest growth in nine years, operating costs were reduced by \$4.55M from the \$52.69M of 2015 and system losses were 7.58%. System loss is a direct measure of efficiency which has a significant impact on financial performance. We have maintained system losses near or below 8% for the past 5 years in a row, well below the regional average.

The reduction in profit, despite these favourable factors, was due to a lower fuel cost recovery rate and higher finance costs. Our return on invested capital of 20% was marginally below the 20.9% of 2015.

## Dividends

Your Company's earnings per share (EPS) of eighty-six cents in 2016 were less than the ninety-six cents of 2015. Total dividends of \$3.52 per share was paid as a special dividend of \$3.00 per share and four quarterly payments of thirteen cents per share. As was discussed at our Annual General Meeting (AGM) in May 2016, the special dividend was based on the Company's unrestricted cash, low debt to equity and very favourable prevailing

market interest rates. It did not have any impact on your Company's ability to sustain the regular quarterly dividend payout.

## Renewable Energy Development

**937 kW of Solar PV Added** – 11 sites – single largest renewable energy investment in Grenada to date.

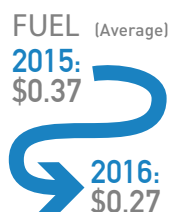
**7.5% of peak demand 2.16 MW** (company & customer generated) – enough to power 1,280 homes for a year and offsetting 1,480 metric tons carbon dioxide (CO<sub>2</sub>) annually.

Prior to the enactment of the 2016 ESA, we had commenced a project that was approved in 2015 for the development of just under 1 MW of generation capacity from Photovoltaic or solar systems (PV). A company out of Spain, SOFOS was engaged and this project was completed in August 2016 with PV on carports, buildings and Company-owned lands at Grand Anse, Queen's Park and Plains, St. Patrick.

While we are proud of our achievements in this area, Grenlec's thrust towards a renewable energy solution was curtailed, relative to plans for 2016, with the passage of the 2016 ESA. A project aimed at installing 4 wind turbines in Carriacou, with a capacity of 1.1 MW, that had already seen a preferred contractor identified after a tendering process, was placed on hold as a direct result of the 2016 ESA.

Additionally, the pace of development with regards to over 27 acres of lands leased at Pearls, St. Andrew in December 2015 was slowed as the Company needs to obtain a full understanding of the impact the new Act could have on such a project.

## Fuel Charge



### Fuel Charge

**10 cents decrease in fuel charge per kWh in 2016 over 2015**

With the decline of world fuel prices over the last two years, Grenlec continues to pass these savings on to customers.

Our customers continued to enjoy lower electricity rates, largely due to a 39% fall in the fuel charge, as average fuel prices paid by the Company were \$4.59/IG compared to the \$5.66/IG of 2015.

The resulting average fuel charge in 2016 was 27.44 cents/kWh while in 2015 it was 37.85 cents. The fuel charge mechanism is based on a three-month rolling average of fuel prices. It is important to note that after two years of decline, from May 2016 (22.39 cents/kWh), fuel charge increased marginally every month, ending the year at (30.89 cents/kWh).

## Non-Fuel Charge

**NON-FUEL**  
charge has  
**increased**  
**BY ONLY**  
**3 CENTS**  
in the last  
**20 years!**

**Non-Fuel Charges**  
**Decrease in non-fuel charge**  
**2015 \$0.41 vs. 2016 \$0.40**

The non-fuel charge has decreased 33.3% since 1994 when adjusted for inflation.

A non-fuel rate decrease of 2.35% from January 2016 also contributed to lower electricity prices for our customers in 2016. Despite this reduction, kWh sales growth of 6.6% resulted in higher revenue from non-fuel charge of \$2.46M over 2015.

## Strengthening Our Communities

Through our Grenlec Community Partnership Initiative, our Company invested more than \$1.4M in corporate social responsibility programmes in 2016 bringing the total expenditure since 1994 to more than \$20 million dollars in areas such as education, infrastructure, technology, sport, culture, energy and health care services.

## Our Team

In May, relatives of the late Wilfred A. Hayes, as well as Government officials joined our team members past and present to posthumously honour the former Grenlec manager, who held various positions in Grenlec for fifty-two years from 1947. Following a decision taken by your board of directors, the building housing our Transmission and Distribution operations at Grand Anse was renamed the Wilfred Hayes Building.

It was with our very best wishes that we bid happy retirement to Mr. Glenn Phillip, in October. A senior manager at the time of his retirement, Mr. Phillip served the Company in various capacities for thirty-three years. We would like to extend our sincere thanks to Mr. Phillip for his years of service and wish him well in his retirement.

Our 207 team members are at the heart of our success and we are grateful for their continued

commitment to providing the reliable service on which our customers have come to rely. Our health and safety and training programmes, are helping to enhance the skills and preserve the health of our people.

## RELIABILITY, EFFICIENCY, & CUSTOMER CARE

Customers continue to benefit from:

**24/7: CUSTOMER CARE**

- NEW VOICE TECHNOLOGY WITH AUTO ACCOUNT INFORMATION
- 24 HR. EMERGENCY FAULT LINE

**SYSTEM LOSSES**

**7.58%**

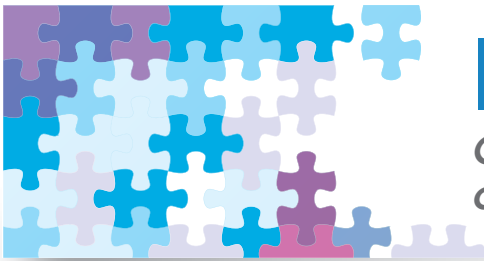
A measure of efficiency, system losses have been near or below 8% for 5 consecutive years.

## The Future

While we closely monitor world fuel prices, which have a considerable impact on our customers, we will continue to investigate renewable energy development as a solution that enhance Grenada's energy security. Renewable energy development will likely continue to be slow, until the publication of regulations under the 2016 ESA. Despite these challenges, with our dedicated and skilled team, we remain committed to fostering partnerships with all stakeholders that contribute to the success of our Company, the development of our nation's economy and the improvement of the quality of life of our communities.

Thank you again for your support and I look forward to seeing you at the AGM.

**G. Robert Blanchard Jr.**  
Chairman



# IN OUR COMMUNITY

*Our investment in education, sports, heritage and culture*



1. X-ray Equipment for Princess Alice Hospital Diagnostic Unit - \$400,000 of \$600,000 committed.
2. Petite Martinique Public Washrooms - \$80,997
3. New Industrial Oven for Her Majesty's Prisons - \$117,363
4. Lighting of Grand Mal Playing Field - \$117,598
5. Maritime Training for 26 Sailors in Carriacou and Petite Martinique - \$82,834
6. Ongoing Construction of LaBorie Playing Field Pavilion - \$82,881.09 (2016)
7. Guard Rail for Corinth Government School - \$59,600









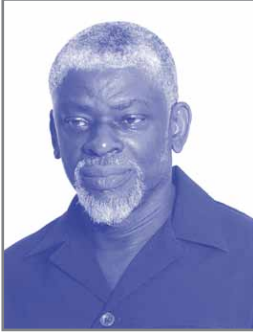





- 8. CARIFTA Partnership \$50,000
- 9. Junior Achievement Programme -\$31,951
- 10. Carriacou Festivals - \$25,365

- 11. Traditional Mas - Spicemas - \$26,500
- 12. Supporting Grenada's Olympic Team \_ \$30,000
- 13. St. Joseph's Convent, St. George's - Computer Laboratory \$97,516

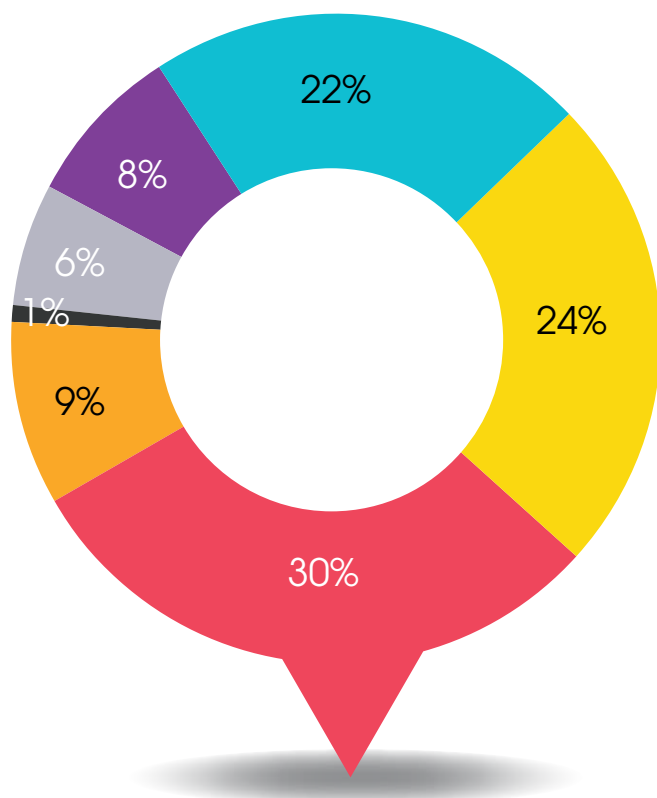
# MANAGEMENT TEAM

*Commitment - Our teams showed the power of work with a vision, passion with productivity and a deep appreciation for the critical role we play in national progress and productivity.*

- |     |   |     |   |     |   |  |
|-----|---|-----|---|-----|---|--|
| 1.  |    | 2.  |    | 3.  |    | <p>1. <b>Collin Cover</b><br/>General Manager</p> <hr/> <p>2. <b>Benedict Brathwaite</b><br/>Financial Controller</p> <hr/> <p>3. <b>Dwayne Cenac</b><br/>Senior Engineer</p> <hr/> <p>4. <b>Wallace Collins</b><br/>Manager, Carriacou and Petite Martinique</p> <hr/>        |
| 4.  |   | 5.  |   | 6.  |   | <p>5. <b>Prudence Greenidge</b><br/>Manager, Corporate Communications</p> <hr/> <p>6. <b>Clive Hosten</b><br/>Chief Engineer</p> <hr/> <p>7. <b>Carlyle Ince</b><br/>Acting Manager, Generation</p> <hr/>  |
| 7.  |  | 8.  |  | 9.  |  | <p>8. <b>Jeffrey Neptune</b><br/>Manager, Information Systems</p> <hr/> <p>9. <b>Glenn Phillip</b><br/>Coordinator, Loss Reduction<br/>(Retired 15 October 2016 after serving for 33 years)</p> <hr/> <p>10. <b>Casandra Slocombe</b><br/>Manager, Customer Services</p> <hr/> |
| 10. |  | 11. |  | 12. |  | <p>11. <b>Eric Williams</b><br/>Manager, Transmission &amp; Distribution</p> <hr/> <p>12. <b>Jacqueline Williams</b><br/>Manager, Human Resources</p>  |

# MANAGEMENT REVIEW AND ANALYSIS

## Where Your \$ was spent in 2016



Fuel	51,946,761	<span style="color: yellow;">■</span>
Dividends	66,880,000	<span style="color: red;">■</span>
Debt Servicing	20,723,416	<span style="color: orange;">■</span>
Taxes (Income, VAT, Env Levy)	17,596,812	<span style="color: purple;">■</span>
Donations	1,402,485	<span style="color: black;">■</span>
Capital Expenditure	12,200,968	<span style="color: grey;">■</span>
Operations	48,095,063	<span style="color: cyan;">■</span>

## Highlights

- Combined gross generation of 216.8GWh was the highest on record.
- Achieved highest peak demand (31,827kW) on record.
- kWh sales grew by 6.6%.
- Revenues were \$137.60M.
- Pre-tax profits were \$23.29M.
- System losses were 7.58%.
- Return on invested capital was 20.0%.
- Fuel efficiency was 15.96kWh/USG.
- More than \$1.4M invested through Grenlec's Community Partnership Initiative (GCPI).
- 937kW Solar PV project completed (11 sites)—the single largest solar investment in Grenada to date.

## Overview

As our communications throughout the year underscored, the story of our Company's continued success is one of collaboration between shareholders, service providers, team members and customers that allows us to positively impact the customers and communities we serve.

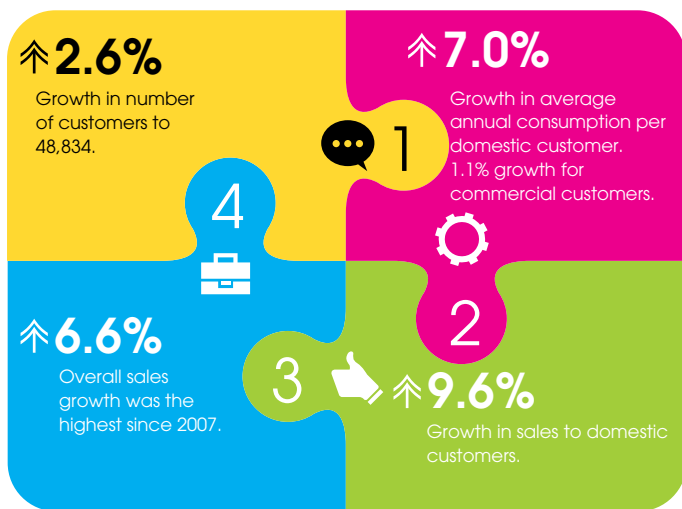
Notably, while our customers enjoyed relatively low rates, your Company recorded its third best financial performance. The link between what is happening in the wider economy and its impact on Grenlec was again evident, as the Company's kWh sales grew by 6.6% in keeping with national economic growth of over 5% in 2014 and 2015 reported by the government in the 2016 budget presentation. The 2017 budget presentation also projected national growth of 3.4% and 3% for 2016 and 2017 respectively.

Two significant factors in the reduced profitability of \$23.29M, compared to \$25.94M and \$26.85M in 2015 and 2014 respectively, were financing costs and a fuel cost recovery rate of 103.6% that was well below the 119.3% and 112.2 % of 2015 and 2014 respectively. This was partially offset by the strongest sales growth since 2007, low system losses and lower operating costs than in 2015.

# Financial Review

## Sales

Customer Category	GWh Sales (\$M)	% of Sales	Growth in kWh Sales
Domestic	76.78	39.1	6.7M
Commercial	109.06	55.6	5.4M
Industrial / Streetlights	11.2	5.3	Remained steady
Total	197.04	100	12.23M



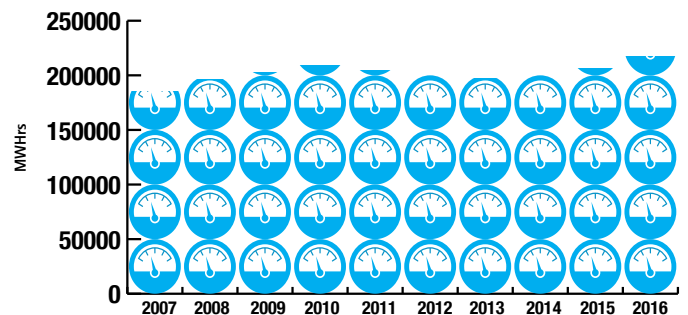
Sales growth of 6.6% is the highest since 2007. The number of customers at the end of 2016 was 48,834, an increase of 2.6% over the 47,597 at the end of 2015, while the average annual consumption per customer increased by 7% for domestic and 1.1% for commercial.

The most significant factor in the sales growth and consumption increases was low fuel prices, which meant lower rates. Given these lower prices, our customers, in particular the domestic, have increased their average consumption by relaxing measures aimed at lowering their electricity bills. Additionally, the 9.6% growth in sales to domestic customers, also suggests that changes to energy efficient bulbs and appliances that had occurred over the past five years may have been less significant in 2016.

## Total Revenues

	2016	2015	Notes
Total Revenue (EC\$M)	\$137.60M	\$151.28M	\$13.68M (20.4%) decline, primarily due to a decrease of 39% in the average fuel charge.
Average Fuel Price/ Imperial Gallon paid by Company (EC\$)	\$4.59	\$5.66	Lower world fuel prices compared to 2015.
Average Fuel Charge paid by Customers (EC\$)	\$0.2744	\$0.3785	Lower fuel prices passed on to customers.
Revenue from Non-Fuel Charge	\$82.04M	\$79.6M	\$2.44M (3.1%) increase. While there was a non-fuel rate decrease of 2.35% from 1 January, growth in kWh sales accounted for the increase in revenue.

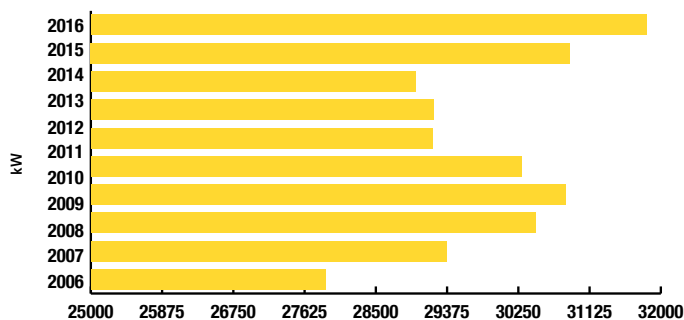
## GROSS GENERATION



Combined gross generation increased by 5.26% to 216.8GWh. Highest generation on record.



## PEAK DEMAND



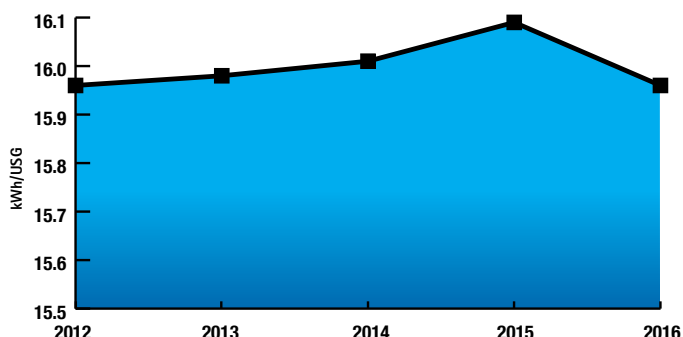
Highest peak demand of 31,827kW achieved in September, an increase of 3% from the previous year.

## Net Fuel Cost Recovery

The fuel cost recovery rate of 103.6% was markedly below that of the two prior years when it exceeded 112%, reaching as high as 119.3% in 2015. In 2016, fuel prices although trending upwards fluctuated between a low of \$3.53 in February to a high of \$5.45 in December. Given that the fuel charge is calculated on a three-month average, the slow rate of change of fuel prices meant a lower fuel cost recovery rate. The net fuel cost recovery rate accounted for the difference in the net fuel revenue of \$1.9M in 2016 and \$11.7M of 2015.

Grenlec's fuel cost recovery rate is affected by changes in fuel prices along with operational efficiencies. A positive movement in system losses that were lower by 0.68% in 2016 was partially offset by a fuel efficiency decline of 0.6%. Efficiency improvements are imperative for the continued sustainable development of the Company.

## FUEL EFFICIENCY



Fuel efficiency was 15.96kWh/USG, marginally below the 16.02kWh/USG of 2015.

## Non-Fuel Operating Expenses and Finance Costs

Having embarked on a cost containment programme five years ago, management has continued to exercise strict control over operating costs. This is a strategic focus of the Company and has been integral in achieving the financial performance improvement seen in recent years. In 2016, the operating expense was \$48.14M, a decrease of \$4.55M from the \$52.69M of 2015. This decrease was mainly due to a change in depreciation rates resulting from a depreciation rate study that was undertaken by Duff & Phelps in late 2015 and implemented in 2016. The decrease is particularly noteworthy, given increases in expenditure for professional and legal services of over \$1M directly related to the 2016 ESA. Decreases in the wage bill of \$617K as well as decreases in planned overhaul spares of \$657K served to offset the increases noted. We appreciate that the nature of the industry will result in cost fluctuations from year to year based on maintenance schedules such as generator overhauls.

Finance costs increased by \$2.48M. This resulted from the new borrowings from CIBC FirstCaribbean which, though at reduced rates meant an increase in the balance at year end by \$29.34M compared to the \$15.70M of 31 December 2015. Management will continue to maintain its cost conscious culture without negatively affecting the quality of services, operations or safety.

## Financial Condition

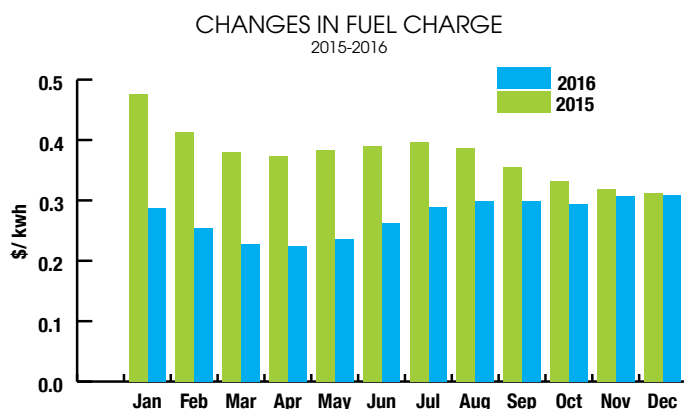
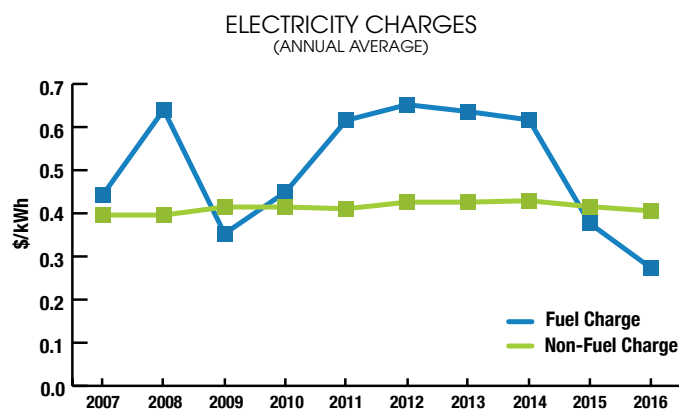
At 31 December 2016, the date of the statement of changes in financial position, the Company had total assets of \$155.36M, \$15.03M less than the \$170.39 at the end of 2015. The payment of the special dividend and the repayment of borrowings would have been factors in the decline in assets between the years. Liabilities of the Company increased with a total liability of \$81.97M in 2016 in comparison to the \$68.15M of 2015. The movement in liabilities was directly attributable to the new borrowings from CIBC FirstCaribbean. The Company's net assets at the financial year-end was \$73.39M.

As expected, retained earnings decreased from \$69.61M in 2015 to \$19.05M in 2016, while the debt to equity ratio increased to 61% from 13%. The Company continued to operate well within all of its stipulated debt covenants such as the current and debt service coverage ratios of 2.97:1 and 4.7:1 respectively.

Trade receivables decreased by \$0.47M (3.1%) in 2016. Despite this, debtor days outstanding increased from 34.15 in 2015 to 36.37. The Government of Grenada's receivables remained current for the entire year and ended with a balance of \$1.12M, equivalent to the \$1.13M of 2015. With the exception of hotels, all other sectors saw decreased balances with the most noteworthy being commercial at 4.5% and domestic at 2.5%. The reductions were partially due to the lower rates of electricity, as customers were better placed to meet their obligations to the Company. We are grateful for our customers' conscientious efforts to meet their obligations, as we continue to strive to improve their service.

## Cash Flows

Cash flow generated from operations of \$26.63M was above the \$21.73M of 2015. Investing activities had a net outflow of \$5.45M. Expenditure related to new assets amounted to \$12.16M, with \$6M of this sum invested in a renewable energy project. Cash utilised in financing activities of \$35.94M was significantly above the \$15.49M of 2015 based on the special and regular dividends and repayment of existing and prior borrowings that were not totally offset by the CIBC loan of \$48.05M. The overall decrease in cash and cash equivalents for the year was \$14.76M.



## Fuel Rate

World fuel prices averaged USD43.19 per barrel as compared to \$48.66 in 2015. At year-end, world fuel prices had risen to an average of USD 52.01 easily above the USD 37.23 of December 2015. The fuel charge mechanism continued to work well for customers with the three-month rolling average resulting in the lowest annual rate since 2004 when the average fuel price was below \$5.00/IG. This mechanism has reduced volatility in rates, while ensuring that customers receive the benefits of declining fuel prices.

## Non-Fuel Rate Adjustment

A non-fuel rate decrease of 2.35% was implemented on 1 January 2016. This was the fifteenth year since privatization in 1994 that non-fuel rates were either decreased or remained unchanged. It is therefore not surprising that in real terms the non-fuel rates based on the formula in the 1994 ESA of the Reference Price Index less two percentum (RPI - 2%) has resulted in a decrease in real terms of 33.3 percent. With the 2016 ESA, the basis for rate adjustments is likely to change hence no application was filed for a rate adjustment in 2017. The Company therefore continues to operate with the non-fuel rates of 1 January 2016.

## Risk Management

The Hurricane Reserve, which increased to \$22M by the end of 2016, mitigates the risk of natural disasters that might affect our distribution system. The fund is now above the level of the expenses (\$20M) that resulted after Hurricane Ivan. With a much more robust system, it gives some level of comfort that this risk is being minimised continually. Additionally, all our other assets are adequately covered by commercial insurance policies.

The Hurricane Reserve was restated for 2015 to shareholders' equity to be consistent with the presentation in 2016 and International Financial Reporting Standards. However, the reserve is not available for distribution to shareholders.

We have the added comfort of assistance from our regional counterparts through the CARILEC Disaster Assistance Programme (CDAP) of the Caribbean Electric Utility Services Corporation, of which Grenlec is a member. Through this initiative, five Grenlec team members joined members of six other utilities in assisting with restoration in the Bahamas following the passage of Hurricane Matthew. We are grateful to our ambassadors Miekell Mitchell, Joseph Jones, James Nicholas,

Gary Paul and Jaworski Toussaint for their excellent work.



Greeting the Team Members returning from assisting with electricity restoration in the Bahamas after Hurricane Matthew

Hurricanes remain our primary focus, given our past, but we will continue to ensure that systems are in place to mitigate all other identified areas of risk such as operational, credit, interest rate, exchange rate and liquidity. Management and or Committees of the Board monitor these.

## Energy Efficiency and Renewable Energy

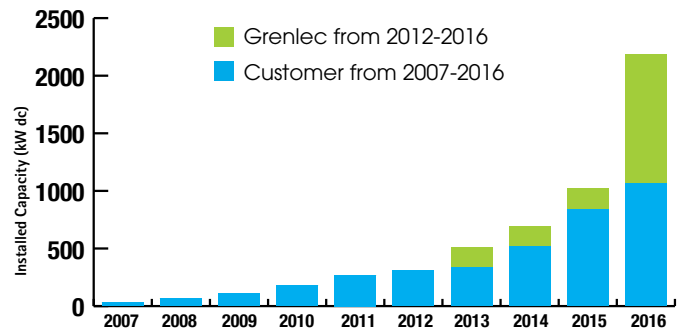
Despite the slowdown in renewable energy (RE) development necessitated by uncertainties introduced with the passage of the 2016 ESA, we successfully completed an 11-installation solar PV project that utilised facilities already owned by Grenlec at Grand Anse, Queen’s Park and Plains, St. Patrick. This project was approved in 2015 to facilitate RE development while our Company navigated the challenges of acquiring land and permits associated with implementing larger PV installations. The project is Grenlec’s largest RE project to date, adding 937.44kW (DC), and bringing Grenlec’s RE portfolio to 1.12MW (DC). *(Photo highlights on page 7)*

The project is probably better technically described as distributed, heterogenous PV systems because it involved the construction of eleven individual installations, featuring three different mounting arrangements, across three sites. It was comprised of five rooftop installations, three carport structures, two ground mounted installations and a storage shed. These multiple types of structures and multiple sites, whilst presenting technical and logistical challenges also created additional

productive uses for existing assets, created new facilities (shaded parking for customers and team members, as well as a storage shed for the T&D department). It was also a learning experience for our team that we will leverage to allow us to more cost effectively implement other projects under development.

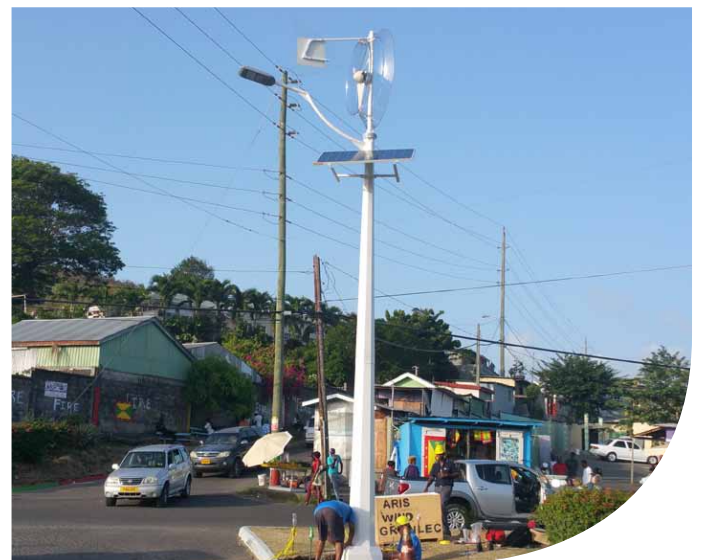
Additionally, Grenlec commissioned 225kW of new customer-owned RE grid tied installations under our Customer RE interconnection programme, bringing the total installed customer-owned capacity to 1,066.43kW (DC) and the collective total to 2,186.82 kW (DC).

CUMULATIVE RE CAPACITY



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GRENLEC (kW)	0.00	0.00	0.00	0.00	0.00	1.84	181.91	181.91	181.91	1119.35
Customers (kW)	28.71	69.10	112.03	179.34	269.53	309.96	332.89	515.93	841.43	1066.43

## Facilitating Testing of New Technology in Our Region



Joining Aris Wind to test new RE Technology

Consistent with our ethos of supporting renewable energy research and development, our Company supported Aris Wind as they seek to test the effectiveness of their products in typical Caribbean conditions.

Grenlec collaborated with the US-based company to install a Remote Power Unit (RPU), an off-grid lighting solution powered by renewable energy (wind and solar), at the Sugar Mill Roundabout. The unit features an 80-watt energy efficient LED (light emitting diode), a 250-watt solar photovoltaic (PV) panel and a 300-watt wind turbine, which is shrouded by ducts to augment the speed of wind across the turbine blades for enhanced performance. The energy is stored in batteries that are designed to provide power to the light for up to 5 days.

### Promoting Efficiency through LED Streetlights

The joint UNDP, Government of Grenada (GOG) and Grenlec pilot project to replace sixty 100-watt High Pressure Sodium (HPS) Streetlights with 52-watt Light Emitting Diode (LED) in Grenada and Carriacou, was completed in the second quarter. The project follows a Grenlec pilot and joint review in 2015 during which various lights were tested to select a suitable replacement for the conventional high pressure sodium (HPS) lights. Each light results in approximately 50% reduction in energy consumed compared to the HPS.

### Electric Vehicle Technology



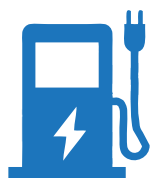
**21506**  
Total Miles



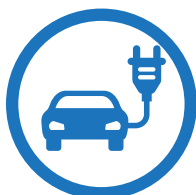
**8246**  
Energy Used

**97**  
Miles per US Gallon  
Equivalent

**\$7,172.79**  
Energy Cost



**37%**  
Fuel Savings



**2.61**  
Miles/kWh

**\$4,653.98**  
Fuel Savings

**6.92**  
CO<sub>2</sub> Savings  
MT

Performance Data for Grenlec's Three Electric Vehicles

In the sixteen months of our Electric Vehicle (EV) Programme to test performance and promote awareness, the three vehicles have travelled over 21,000 miles combined, averaging 97 MPGe (gallons of gas equivalent). Continuing with a programme to allow customers to experience the vehicles, they were prominently displayed at a car show, during which members of the public had an opportunity to ask questions, test drive or ride in an EV. Mechanical Engineering students of the T.A. Marryshow Community College also had the opportunity to interact with the vehicles.

### Training and Development

Continuing to build our human resources, we hosted a company-wide Financially Smart Workshop, as well as an Assertiveness Building & Emotional Intelligence Workshop for 35 team members.

Twenty-two students, including children of team members from secondary school, community college and university benefitted from scholarships and internships directly administered by Grenlec.

### EV Mechanic Training

Complementing our Electric Vehicle Programme, 3 Grenlec team members and one instructor from our community college were among 14 mechanics from 8 Caribbean countries who were trained on EV Repair and Replacement. Grenlec collaborated with GIZ REETA, CARICOM and Megapower Barbados to host this one-week training seminar.



EV Mechanic Training

## Apprenticeship Programme

In October, our team welcomed 15 young men as trainees in our Generation and Lineman Apprenticeship Programmes. The programme is designed to develop participants' skills and experience over a two-year period and provides a pool from which trained apprentices can be hired for available positions.

## Co-hosting the 2016 CARILEC Human Resource, Corporate Communication and Customer Service Conference



Hosting CARILEC's 2016 HR, Corporate Communications & Customer Service Conference

We were pleased to host representatives from 11 countries under the theme "Engaged Employee, Engaged Customer". It aims to assist professionals to understand the factors shaping developments in these fields and manage organisational and environmental changes. Participants included utility practitioners in the fields of Human Resources, Corporate Communications and Customer Service.

Grenlec is honoured to recognise our General Manager, Collin Cover as the new Chair of the Caribbean Electric Utility Services Corporation (CARILEC).

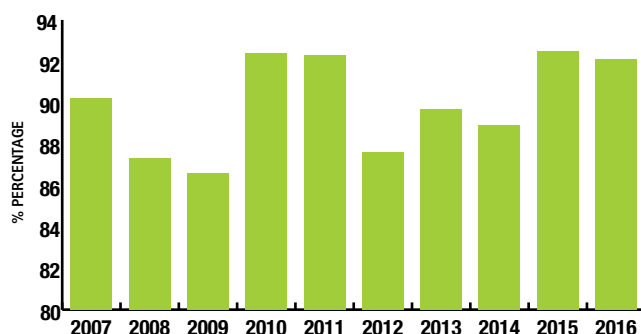


GRENLEC'S General Manager Elected Chairman of CARILEC's Governing Board

## Maintaining Reliability & Safety

Plant Availability refers to the ability of the engines to meet customer demand.

PLANT AVAILABILITY



Plant Availability was 92.06 compared to 92.5% in 2015.

## Protecting Equipment from Wildlife

Protection was installed on three step down 20/15 MVA transformers and five 33kV outdoor breakers at our substations. The objective of this project was to eliminate or significantly reduce the occurrence of animals climbing on top of these transformers and circuit breakers and getting into contact with any energised components within the substation. Plans are being made to complete a second phase in 2017 to further reduce outages that result from animals coming into contact with energised components..

## Transformer Line Differential Project

The installation of differential protection for the power cables between the Generation bulk feed and Substation step up transformers at the Queen's Park Power Station was completed to improve system reliability. Any fault on these cables will result in an instantaneous trip to prevent damage to additional equipment and enable quicker restoration of power.

## Breaker Failure Scheme Project

This project aimed at improving system reliability and safety by limiting trips to the bus section associated with a particular fail breaker rather than disconnecting the entire system. This allows us to bypass those failed sections and continue operations while the failed equipment is removed from service.

## Safety

Like reliability, safety is an essential area of continuous focus in our business to preserve the health and safety of our team members and customers. Consequently, we have sought to build a culture of safety in our business that is supported by regular activities that improve awareness and monitor adherence to safety procedures. Our communications also seek to reinforce these procedures to team members and the general public.

Notably, in 2016 all designated drivers of Grenlec were trained in the “Smith Systems Defensive Driving”, which significantly improved the company’s vehicular safety record.

Additionally, at year end, our Transmission & Distribution and Planning & Engineering departments had worked for over 1,000 days (approximately one million exposure hours) without a lost time accident. This is particularly impressive given that so much of the work our team members do is often in difficult terrain.

### Safety Statistics 2012 - 2016

(based on Canadian Electrical Association Standard adopted by CARILEC)

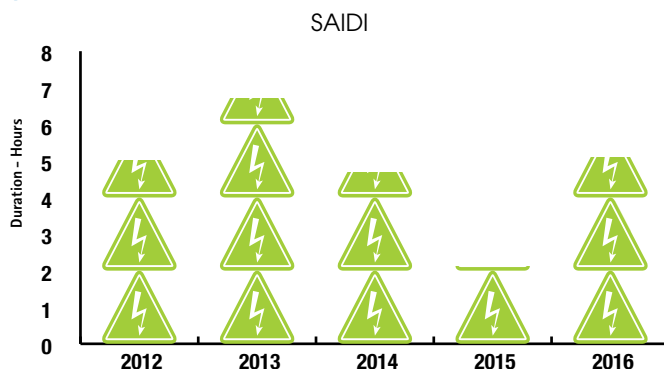
Year	2012	2013	2014	2015	2016
Lost-Time Injury Frequency Rate (No. of accidents x 200,000/ actual work hours)	0.6	1.1	1.5	1.0	1.5
All Injury Frequency (AIF) Rate (includes days lost because of injury, injuries for which medical treatment is sought and fatalities x 200,000 / exposure hours)	2.9	1.1	2.7	2.2	1.7
Lost-Time Injury Severity Rate (No. of lost days x 200,000 /exposure hours)	83.4	17.9	12.0	6.4	8.7
Vehicular Incident Frequency Rate /1 million	27.5	18.5	4.6	6.8	1.2

### Outage Management System

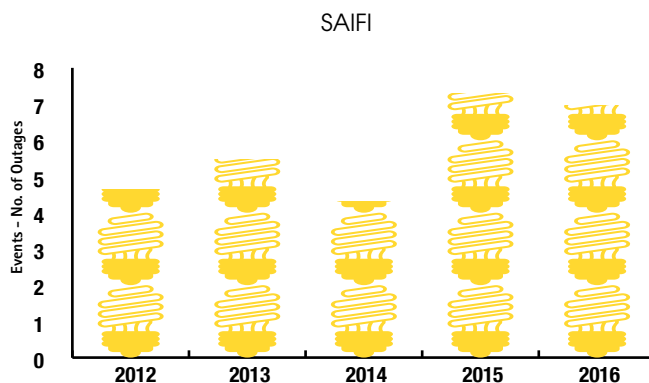
Continuing to employ technology in our operations to enhance our reliability and response time, we commissioned an Outage Management System (OMS) that is built on our existing Geographic Information System (GIS) platform. The OMS also provides real-time integration with our Automatic Vehicle Location, Supervisory Control and Data

Acquisition applications and gives users across the Company the ability to record and view customer fault reports through a browser interface. This technology improves information sharing allowing us to better track and respond to customer queries.

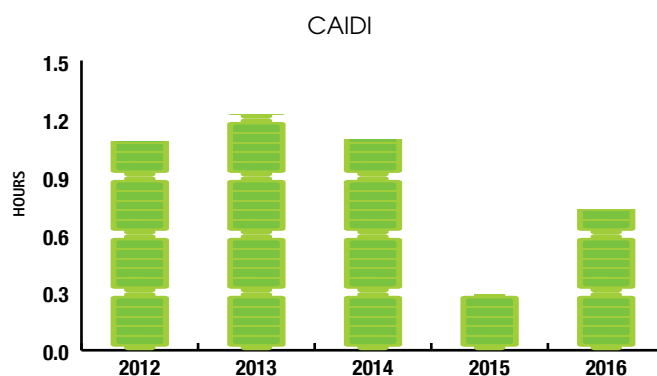
**SAIFI, SAIDI and CAIDI are used to measure distribution system reliability – the ability of the power network to deliver electricity in the quantity and at the quality required by customers.**



SAIDI (5.1 hrs. in 2016) is the average duration of interruptions per customer during the year.



The average number of sustained interruptions per customer during the year. On average, a customer experienced 7 outages in 2016.

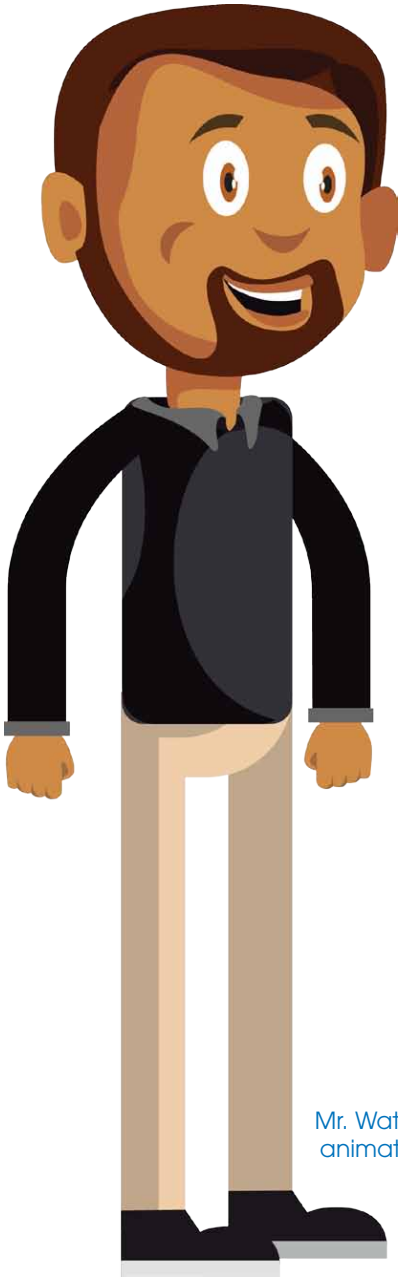


CAIDI is the average duration of an interruption to the power supply. In 2016 it was 52.8 minutes.

## In Our Communities

Our communications during the year focused on providing information to our team members, customers and other stakeholders about our business, achievements, energy efficiency, electrical safety, and hurricane preparedness, among others.

We continued to utilise the traditional media, emails and expanded our online presence through our website, Facebook, YouTube, Instagram and Twitter. To assist us with our customer education, we were pleased to introduce Mr. Watts. Mr. Watts is a teacher, who takes the time to research and share information about energy matters and is well respected in his community. We follow him through real life situations as he interacts with his animated family, students, friends and neighbours in real-life situations.



Mr. Watts - GRENLEC's animated character.

## Grenlec Community Partnership Initiative

The GRENLEC Community Partnership Initiative (GCPI) contributes to community development in Grenada, Carriacou and Petite Martinique by partnering with communities and organisations to empower vulnerable groups and communities. In 2016, our investment in this area exceeded \$1.4M. Beneficiaries of this programme continue to bear witness to the remarkable role of the GCPI in transforming lives over the last 22 years.

*(More photo highlights on pages 12, 13 & 25)*



Rotaract Spelling Bee



Scholarships and other school Programmes - Grencoda, J.J. Robinson Trust, PAM

### 2016 ESA

The Government enacted the 2016 Electricity Supply Act on 1st August 2016. Looking ahead to 2017, we are likely to see some transition from the old regulatory system to the new one governed by the 2016 ESA. Several areas will require constructive discussions with the Public Utilities Regulatory Commission (PURC) whenever it is appointed. One example of this relates to the voltage, which is to be maintained by a network licensee within three percent and minus three percent of such voltage, measured at the consumer's side of the meter of the network licensee. Based on our research, the standard in many industrialised countries in the western world is plus or minus five percent. A cost benefit analysis of the proposed standard will be important for all to understand prior to embarking on a project that could be of significant magnitude in terms of operational requirements and costs.

The regulations for the 2016 ESA, which speak to what the electricity rate will be, have not yet been written, nor are there any service standards yet published. As such, our Company continues to operate under the 1994 ESA until new rules and regulations are put in place by the Public Utilities Regulatory Commission.

### Fuel Prices

World fuel prices in particular as it relates to their movement can have a significant impact on the operations of the Company. Because the fuel charge is calculated based on a three month rolling average it tends to create a favourable impact on the Company and our customers when prices are falling and an unfavourable one when prices are rising. At the end of 2016, the price of a barrel of oil based on the WTI was USD 52.01. The Economist Intelligence Unit (EIU) has forecast the WTI price of a barrel of oil in 2017 at USD56.50. Lending support to this prediction, the price in the first two months of 2017 averaged USD52.95 per barrel. Based on this, one would expect the fuel charge to remain below \$0.35 per kWh in 2017. This is comparatively low and would keep electricity rates stable and maintain the demand for electricity at 2016 levels.

## Renewable Energy

Notwithstanding the challenges of 2016, our expectation is that we will continue to build on our successes of Grenlec-owned PV projects and customer-owned systems. The 2016 ESA has created uncertainty in Grenlec achieving its strategic objective of 20% of generating capacity by 2020. However, it will not deter us from seeking ways to stabilise the price of electricity and reduce our carbon footprint. In this regard, we are hopeful that we will be able to revisit the development of wind generation on Carriacou as per our tender documents of 2016. Additionally, we envisage an approach to PV in Grenada that utilises multiple small installations as the way to move forward at this time.

Importantly, we must place attention on our diesel plant development, as it provides base load generation that is necessary to support the intermittent energy of solar and wind. All of this requires holistic integrated resource planning capable of identifying gaps and a plan to close them.

### Our Team

Our employees continue to make us proud, even in the face of regulatory uncertainty and unjustified characterisations of their Company. They continue to deliver excellent service day after day as experienced by the residents of Snell Hall, who showered praise on our team members for working tirelessly through the night of 22 August 2016 to restore power that had been lost because of a fallen tree that brought down poles, lines and transformers. This is only one example of the Grenlec spirit and dedication to our nation that we take pleasure in serving. Our team was also grateful to the community members for their invaluable assistance in this restoration process.

We appreciate the role that electricity plays in the lives and industry of any country. In Grenada, the reliability and efficiency improvements Grenlec has made have fuelled economic development. Our vision is to continue being the corporate leader.

Our history tells us that we have the staff with the skills and resilience to overcome and meet the challenges we face. With the continued guidance of Management, our Company will continue to grow and make all the people we serve proud of their partnership with us.



# 2016 GRENLEC DEBATES



1. Champion - Hillsborough Secondary, Carriacou
2. Top Debater - Timothy Stanislaus, Hillsborough Secondary
3. Second Place - Bishop's College, Carriacou

4. Voted Favourite Debater on Facebook - Paul McBurnie, Presentation Brothers' College
5. Third Place - St. Joseph's Convent, Grenville
6. Third Place - St. Andrew's Anglican Secondary School

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

***Opinion***

We have audited the financial statements of Grenada Electricity Services Limited, which comprise the statement of financial position at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

***Basis for Opinion***

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

***Key Audit Matters***

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**

**GRENADA ELECTRICITY SERVICES LIMITED**

**(continued)**

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

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

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

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

GRENADA

March 14<sup>th</sup>, 2017



Accountants & Business Advisers:

# Statement of Financial Position

## At 31st December, 2016

(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2016 \$	2015 \$
<b>Non-Current Assets</b>			
Property, plant and equipment	4	71,934,183	72,882,900
Suspense jobs in progress	5	2,296,655	2,268,137
Capital work in progress	6	8,645,737	2,372,233
Deferred exchange gain		-	(396,122)
Available-for-sale financial assets	8 (a)	<u>800,066</u>	<u>824,120</u>
		<u>83,676,641</u>	<u>77,951,268</u>
<b>Current Assets</b>			
Inventories	9	16,441,221	14,824,650
Trade and other receivables	10	19,969,894	21,378,671
Loans and receivables financial assets	8 (b)	33,411,543	39,775,932
Cash and cash equivalents	11	<u>1,859,489</u>	<u>16,614,231</u>
		<u>71,682,147</u>	<u>92,593,484</u>
<b>TOTAL ASSETS</b>		<u>155,358,788</u>	<u>170,544,752</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Stated capital	12	32,339,840	32,339,840
Other reserves		-	8,040
Hurricane insurance reserve	16	22,000,000	20,000,000
Retained earnings		<u>19,053,572</u>	<u>69,607,254</u>
		<u>73,393,412</u>	<u>121,955,134</u>
<b>Non-Current Liabilities</b>			
Customers' deposits	13	14,921,944	14,039,360
Long-term borrowings	14	41,042,708	9,124,712
Deferred tax liability	22	<u>1,879,231</u>	<u>430,047</u>
		<u>57,843,883</u>	<u>23,594,119</u>
<b>Current Liabilities</b>			
Amount due to related company	17	-	84,013
Short-term borrowings	14	4,008,251	6,576,914
Trade and other payables	18	12,365,037	10,493,031
Customers' contribution to line extensions	2 (m)	1,583,807	1,192,640
Provision for retirement benefits	15	195,255	326,755
Provision for profit sharing		4,960,633	5,178,075
Provision for income tax		<u>1,008,510</u>	<u>1,144,071</u>
		<u>24,121,493</u>	<u>24,995,499</u>
<b>TOTAL LIABILITIES</b>		<u>81,965,376</u>	<u>48,589,618</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>155,358,788</u>	<u>170,544,752</u>

The notes on pages 33 to 60 are an integral part of these financial statements.

 :Director

 :Director

## Statement of Comprehensive Income For the Year Ended 31st December, 2016

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2016 \$	2015 \$
<b>INCOME</b>			
Sales - non fuel charge		82,036,736	79,580,943
- fuel charge		53,838,920	72,117,273
Unbilled sales adjustments	2 (v)	<u>105,655</u>	<u>(1,976,753)</u>
Gross Sales		135,981,311	149,721,463
Other income	19	<u>1,622,400</u>	<u>1,557,640</u>
Total income		<u>137,603,711</u>	<u>151,279,103</u>
<b>LESS: OPERATING EXPENSES</b>			
Production expenses		11,530,094	15,689,589
Diesel consumed		51,946,761	60,428,191
Administrative expenses		19,119,283	17,363,216
Distribution services		14,875,159	16,883,737
Planning and engineering		<u>2,614,048</u>	<u>2,749,682</u>
Total operating expenses		<u>100,085,345</u>	<u>113,114,415</u>
Operating profit		37,518,366	38,164,688
Less: Finance costs	20	<u>4,321,674</u>	<u>1,835,609</u>
Profit for year before allocations and taxation		<u>33,196,692</u>	<u>36,329,079</u>
<b>ALLOCATIONS</b>			
Less: Transfer to hurricane insurance reserve		2,000,000	2,000,000
Donations		1,559,835	1,716,454
Profit sharing		<u>6,352,845</u>	<u>6,672,981</u>
		<u>9,912,680</u>	<u>10,389,435</u>
Profit for year before taxation		23,284,012	25,939,644
Less: Provision for taxation			
Current tax		5,508,510	7,269,495
Deferred tax		<u>1,449,184</u>	<u>430,047</u>
Profit for year after taxation		16,326,318	18,240,102
<b>Other comprehensive income</b>			
Disposal of available-for-sale financial assets		(8,040)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>16,318,278</u>	<u>18,240,102</u>
<b>EARNINGS PER SHARE</b>		<u>0.86</u>	<u>0.96</u>

The notes on pages 33 to 60 are an integral part of these financial statements.

## Statement of Changes in Equity

### For the Year Ended 31st December, 2016

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital \$	Other Reserve \$	Hurricane Insurance Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 <sup>st</sup> January, 2015	32,339,840	8,040	18,000,000	61,247,152	93,595,032
Dividends paid	-	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	-	2,000,000	-	2,000,000
Total comprehensive income for the year: Profit for the year after taxation	-	-	-	18,240,102	18,240,102
Balance at 31 <sup>st</sup> December, 2015	32,339,840	8,040	20,000,000	69,607,254	121,955,134
Dividends paid	-	-	-	(66,880,000)	(66,880,000)
Allocation for the year	-	-	2,000,000	-	2,000,000
Total comprehensive income for the year: Profit for the year after taxation	-	-	-	16,326,318	16,326,318
Sale of available-for-sale financial assets	-	(8,040)	-	-	(8,040)
Balance at 31 <sup>st</sup> December, 2016	32,339,840	-	\$22,000,000	19,053,572	73,393,412

The notes on pages 33 to 60 are an integral part of these financial statements.

## Statement of Cash Flows

### For the Year Ended 31st December, 2016

(Expressed in Eastern Caribbean Currency Dollars)

	2016 \$	2015 \$
<b>OPERATING ACTIVITIES</b>		
Profit for the year before taxation	23,284,012	25,939,644
Adjustments for:		
Depreciation	6,613,807	10,357,980
Profit on disposal of property, plant and equipment	<u>(125,816)</u>	<u>(10,240)</u>
<b>Operating surplus before working capital changes</b>	29,772,003	36,287,384
Decrease in trade and other receivables	1,408,777	8,876,817
Increase/(decrease) in trade and other payables	3,145,757	(4,781,307)
Decrease in provision for retirement benefits	(131,500)	(12,464,964)
(Increase)/decrease in inventories	(1,616,571)	76,934
Decrease in amount due to related company	(84,013)	(80,951)
(Decrease)/increase in provision for profit sharing	<u>(217,442)</u>	<u>139,543</u>
Income tax paid	32,277,011	28,053,456
	<u>(5,644,071)</u>	<u>(6,325,681)</u>
Cash provided by operating activities	<u>26,632,940</u>	<u>21,727,775</u>
<b>INVESTING ACTIVITIES</b>		
Decrease in available-for-sale financial assets	24,054	48,000
Disposal of property, plant and equipment	129,750	62,251
Increase in suspense jobs in progress	(28,518)	(374,309)
Increase in capital work in progress	(6,273,504)	(194,081)
Decrease/(increase) in loans and receivables financial assets	6,364,389	(2,448,708)
Decrease in segregated retirement investments	-	6,134,198
Increase in customers' contribution to line extensions	229,922	88,507
Purchase of property, plant and equipment	<u>(5,898,946)</u>	<u>(5,826,336)</u>
Cash used in investing activities	<u>(5,452,853)</u>	<u>(2,510,478)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(66,880,000)	(9,880,000)
Decrease in other reserves	(8,040)	-
Increase in hurricane insurance reserve	2,000,000	2,000,000
Proceeds of loan	48,050,000	-
Repayment of borrowings	<u>(19,100,873)</u>	<u>(7,608,987)</u>
Cash used in financing activities	<u>(35,938,913)</u>	<u>(15,488,987)</u>
Net (decrease)/increase in cash and cash equivalents	(14,758,826)	3,728,310
Cash and cash equivalents - at the beginning of year	<u>16,614,231</u>	<u>12,885,921</u>
- at the end of year	<u>1,855,405</u>	<u>16,614,231</u>
<b>REPRESENTED BY</b>		
Cash and cash equivalents	<u>1,855,405</u>	<u>16,614,231</u>

The notes on pages 33to 60 are an integral part of these financial statements.



## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 1. CORPORATE INFORMATION

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

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

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

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

The Company employed on average two hundred and thirty (230) persons during the year (2015- 232).

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### *(a) Basis of Preparation*

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

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

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

- (i) There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1st January, 2016 that would be expected to have a material impact on the Company's financial statements.

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2016 and not early adopted. These either do not apply to the activities of the Company or have no material impact on its financial statements.

Standard	Description	Effective for annual periods beginning on or after
IAS 7	Statement of Cash Flows: Disclosure Initiative (amendments)	1 <sup>st</sup> January, 2017
IAS 12	Income taxes recognition of Deferred Tax Assets for Unrealized Losses (amendments)	1 <sup>st</sup> January 2017
IAS 40	Investment property: Transfer of Investment Property (amendments)	1 <sup>st</sup> January, 2018
IFRS2	Share-based payment: Classification and Measurement of Share-based payment transactions (amendments)	1 <sup>st</sup> January, 2018
IFRS 9	Financial Instruments: Classification and measurement	1 <sup>st</sup> January, 2018
IFRS 15	Revenue from Contracts with Customers	1 <sup>st</sup> January, 2018
IFRS 16	Leases	1 <sup>st</sup> January, 2019

## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *Recognition and Measurement*

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

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

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

##### *Subsequent Expenditure*

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

##### *Depreciation*

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

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### Depreciation

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

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

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

### (d) Foreign Currencies Translation

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

EC\$2.7169 to US\$1.00	-	(2015: EC\$2.7169)
EC\$2.94828 to €1.00	-	(2015: EC\$3.04143)

Differences on exchange on current liabilities are reflected in the statement of comprehensive income in arriving at net income for the year, while differences on long term borrowings are deferred until realised.

### (e) Financial Instruments

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

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

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### *Recognition and measurement*

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

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

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

###### *Financial assets*

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

###### *Loans and receivables*

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

###### *Available-for-sale*

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

## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *Fair Value*

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

##### *Impairment of financial assets*

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

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

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

- (i) Significant financial difficulty of the issuer or obligor.
- (ii) A breach of contract, such as default or delinquency in interest or principal payments.
- (iii) It is becoming probable that the borrower will enter bankruptcy or other financial re-organization.
- (iv) The disappearance of an active market for that financial asset because of financial difficulties.
- (v) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Company or national or economic conditions that correlate with defaults on assets in the Company.

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

i. Financial assets measured at amortised cost

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

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

(ii) Financial assets measured at cost

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

### *Financial Liabilities*

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

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

## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) *Inventories*

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

#### (g) *Trade receivables*

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

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

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

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

#### (i) *Stated capital*

Ordinary shares are classified as equity.

#### (j) *Trade payables*

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



## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Borrowings

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

#### (l) Customers' deposits

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

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

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

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

#### (n) Employee benefits

##### *Profit sharing scheme*

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

## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) *Income tax*

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

#### (p) *Provisions*

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

#### (q) *Revenue recognition*

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

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

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

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

Interest income is recognised on an accrual basis.

#### (r) *Dividends*

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

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

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (s) *Related parties*

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

##### (t) *Finance costs*

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

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

Provision is made as follows:

100% on receivables  $\geq 90$  days

and 50% on receivables  $\geq 60$  days, both net of Government of Grenada balances.

Accounts are written off against the provision when they are considered to be uncollectible. The total provision at 31st December, 2016 amounted to \$4,057,889.36 (2015 - \$5,236,249).

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

The provision and adjustment with comparatives at 31st December, 2016 are calculated as follows:

	<b>2016</b>	2015
	\$	\$
Sales revenue for December after discounts	<u>11,684,812</u>	<u>11,473,502</u>
50% of above	= provision at 31/12/16	5,736,751
	= provision at 31/12/15	<u>7,713,504</u>
Decrease in provision during the year	<u>105,655</u>	<u>(1,976,753)</u>

## Notes to the Financial Statements At 31st December, 2016 (continued)

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

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

#### *Impairment of financial assets*

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

#### *Property, plant and equipment*

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

#### *Impairment of inventory*

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

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
<b>Balance at 1<sup>st</sup> January, 2015</b>						
Cost	1,467,468	30,463,658	223,376,855	9,442,227	14,023,632	278,773,840
Accumulated depreciation	-	(17,415,642)	(158,580,678)	(8,861,662)	(9,308,670)	(194,166,652)
<b>NET BOOK VALUE</b>	<b><u>\$1,467,468</u></b>	<b><u>\$13,048,016</u></b>	<b><u>\$64,796,177</u></b>	<b><u>\$580,565</u></b>	<b><u>\$4,714,962</u></b>	<b><u>\$84,607,188</u></b>
<b>For year ended 31<sup>st</sup> December, 2015</b>						
Opening book value	1,467,468	13,048,016	64,797,960	580,565	4,714,962	84,607,188
Additions for the year	-	65,484	3,560,594	797,611	1,402,647	5,826,336
Disposals for the year -Cost	-	-	(56,959)	(257,950)	(67,386)	(382,295)
Disposals for the year	-	-	12,341	257,950	59,993	330,284
- Accumulated depreciation	-	(493,157)	(8,468,775)	(392,570)	(1,003,478)	(10,357,980)
Depreciation charge for year	-	-	-	-	-	-
<b>NET BOOK VALUE</b>	<b><u>\$1,467,468</u></b>	<b><u>\$12,620,343</u></b>	<b><u>\$59,843,378</u></b>	<b><u>\$985,606</u></b>	<b><u>\$5,106,738</u></b>	<b><u>\$80,023,533</u></b>
<b>Balance at 31<sup>st</sup> December, 2015</b>						
Cost	1,467,468	30,529,142	226,880,490	9,981,888	15,358,893	284,217,881
Accumulated depreciation	-	(17,908,799)	(167,037,112)	(8,996,282)	(10,252,155)	(204,194,348)
Less: Customer contribution to line extensions	1,467,468	12,620,343	59,843,378	985,606	5,106,738	80,023,533
	-	-	-	-	-	(7,140,633)
<b>NET BOOK VALUE</b>	<b><u>\$1,467,468</u></b>	<b><u>\$12,620,343</u></b>	<b><u>\$59,843,378</u></b>	<b><u>\$985,606</u></b>	<b><u>\$5,106,738</u></b>	<b><u>\$72,882,900</u></b>

**Notes to the Financial Statements**  
**At 31st December, 2016 (continued)**

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
<b>For year ended 31<sup>st</sup> December, 2016</b>						
Opening book value	1,467,468	12,620,343	59,843,378	985,606	5,106,738	80,023,533
Additions for the year	-	26,125	3,792,105	1,474,541	606,175	5,898,946
Disposals for the year -Cost	-	-	-	(497,034)	(2,631,062)	(3,128,096)
Disposals for the year	-	-	-	497,034	2,627,128	3,124,162
- Accumulated depreciation	-	(487,253)	(4,547,505)	(271,630)	(1,307,419)	(6,613,807)
Depreciation charge for year	-	(487,253)	(4,547,505)	(271,630)	(1,307,419)	(6,613,807)
<b>NET BOOK VALUE</b>	<b>\$1,467,468</b>	<b>\$12,159,215</b>	<b>\$59,089,761</b>	<b>\$2,188,517</b>	<b>\$4,401,560</b>	<b>\$79,304,738</b>
<b>Balance at 31<sup>st</sup> December, 2016</b>						
Cost	1,467,468	30,555,267	230,672,595	10,959,395	13,334,006	286,988,731
Accumulated depreciation	-	(18,396,052)	(171,584,617)	(8,770,878)	(8,932,446)	(207,683,993)
Less: Customer contribution to line extensions	1,467,468	12,159,215	59,087,978	2,188,517	4,401,560	79,304,738
	-	-	-	-	-	(7,370,555)
<b>NET BOOK VALUE</b>	<b>\$1,467,468</b>	<b>\$12,159,215</b>	<b>\$59,087,978</b>	<b>\$2,188,517</b>	<b>\$4,401,560</b>	<b>\$71,934,183</b>

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 5. SUSPENSE JOBS IN PROGRESS

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

#### 6. CAPITAL WORK IN PROGRESS

	2016 \$	2015 \$
Generation	7,986,199	1,324,002
Computers and software upgrades	289,471	345,187
Tools and equipment	46,329	-
Furniture and equipment	9,194	142,014
Distribution	313,386	232,485
Building and construction	-	17,350
Motor vehicles	<u>1,158</u>	<u>311,195</u>
	<u>8,645,737</u>	<u>2,372,233</u>

#### 7. DEFERRED EXCHANGE GAIN/ LOSS

This loan was repaid during the year. There is no reason therefore to give consideration to the gain or loss on exchange.

#### 8. FINANCIAL ASSETS

##### (a) Available for sale

536 ordinary shares in the Republic Bank (Grenada) Limited	-	24,120
Government of Grenada - Treasury Bills	<u>800,066</u>	<u>800,000</u>
	<u>800,066</u>	<u>824,120</u>

##### (b) Loans and receivables

Fixed deposit – Republic Bank (Grenada) Limited	8,867,313	6,848,315
Fixed deposit – Grenada Co-operative Bank Limited	11,876,072	8,046,077
Fixed deposit – Bank of Nova Scotia	-	13,749,379
Fixed deposit – RBTT Bank Grenada Limited	9,946,862	8,407,705
US\$ certificate of deposit- Cayman National Bank	<u>2,721,296</u>	<u>2,724,456</u>
	<u>33,411,543</u>	<u>39,775,932</u>

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 8. FINANCIAL ASSETS (continued)

Included in the above is an amount of \$22,293,123 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, Cayman National Bank and the Grenada Co-operative Bank Limited and Bank of Nova Scotia.

#### 9. INVENTORIES

The following is a breakdown of stock on hand:

	2016 \$	2015 \$
Motor vehicle spares	977,981	952,596
Distribution	6,011,939	5,258,415
Generation spares	7,665,896	6,920,398
Fuel and lubricating oil	600,953	488,193
General stores	<u>2,324,093</u>	<u>2,231,066</u>
	17,580,862	15,850,668
Less: Obsolescence provision	<u>1,139,641</u>	<u>1,026,018</u>
	<u>16,441,221</u>	<u>14,824,650</u>

#### 10. TRADE AND OTHER RECEIVABLES

Customers' accounts	14,814,735	15,288,237
Less: Provision for doubtful debts	<u>3,594,296</u>	<u>4,802,325</u>
	<u>11,220,439</u>	<u>10,485,912</u>
Other debtors	1,721,252	1,420,412
Less: Provision for doubtful debts	<u>463,594</u>	<u>433,924</u>
	<u>1,257,658</u>	<u>986,488</u>
	12,478,097	11,472,400
Provision for unbilled sales	5,842,406	5,736,751
Prepayments	<u>1,649,391</u>	<u>4,169,520</u>
	<u>19,969,894</u>	<u>21,378,671</u>

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

	30 days	31- 60 days	61-90 days	Over 90 days	Total
<b>2016</b>	<u>\$9,768,731</u>	<u>\$1,325,126</u>	<u>\$268,529</u>	<u>\$3,452,346</u>	<u>\$14,814,732</u>
<b>2015</b>	<u>\$8,523,574</u>	<u>\$2,309,585</u>	<u>\$303,655</u>	<u>\$4,151,423</u>	<u>\$15,288,237</u>



## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 11. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash on hand	6,200	6,200
Bank of Tampa	595,595	597,590
Bank of Nova Scotia	686,479	5,792,302
Republic Bank (Grenada) Limited	-	3,685,000
FirstCaribbean International Bank Limited	368,587	6,016,859
Grenada Co-operative Bank Limited	<u>202,628</u>	<u>516,280</u>
	1,859,489	16,614,231
Bank overdraft (note 14)	<u>(4,084)</u>	-
Cash and cash equivalents in the statement of cash flows	<u>1,855,405</u>	<u>16,614,231</u>

#### 12. STATED CAPITAL

Authorised		
25,000,000 ordinary shares of no par value		
Issued and fully paid		
19,000,000 ordinary shares of no par value	<u>32,339,840</u>	<u>32,339,840</u>

#### 13. CUSTOMERS' DEPOSITS

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

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 14. BORROWINGS

	2016 \$	2015 \$
<i>Long-term</i>		
(i) European Investment Bank (EIB)	-	5,239,806
(ii) National Insurance Scheme	-	922,820
(iii) Grenlec ECSE Bonds	-	9,539,000
(iv) CIBC FirstCaribbean	<u>45,046,875</u>	<u>-</u>
	45,046,875	15,701,626
Less: Current portion	<u>4,004,167</u>	<u>6,576,914</u>
Total long-term	<u>41,042,708</u>	<u>9,124,712</u>
<i>Short-term</i>		
Bank overdraft	4,084	-
Borrowings current portion	<u>4,004,167</u>	<u>6,576,914</u>
Total short-term	<u>4,008,251</u>	<u>6,576,914</u>
Total borrowings	<u>45,050,959</u>	<u>15,701,626</u>

#### *CIBC FirstCaribbean*

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

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 5.90% subject to a floor of 3.60% per annum. Presently the prime rate is 9.50% per annum. The loan is amortized over a twelve year period and repayable via 32 quarterly principal payments of XCD\$1,001,041.67 with a balloon payment of XCD\$16,016,666.56. Interest will be paid quarterly in arrears and accrue on an actual/365 day basis. The facility is collateralized under a first priority mortgage obligation and debenture charge over the fixed and floating assets of the Borrower stamped to cover XCD\$48,050,000.

Proceeds from the new mortgage debenture were used to retire the Company's debt to EIB, the National Insurance Scheme, ESCE bonds and to make a special dividend payment.

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 15. PROVISION FOR RETIREMENT BENEFITS

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

The balance of \$195,255 at the statement of financial position date relates to amounts payable to the Trusts for December 2016.

#### 16. PROVISION FOR HURRICANE INSURANCE RESERVE

	<b>2016</b>	2015
	\$	\$
Balance at beginning of year	20,000,000	18,000,000
Add: Provision for the year	<u>2,000,000</u>	<u>2,000,000</u>
Balance at end of year	<u>22,000,000</u>	<u>20,000,000</u>

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

17. AMOUNT DUE TO RELATED COMPANY	2016	2015
	\$	\$
Amount due to WRB Enterprises, Inc.	<u>          -</u>	<u>84,013</u>
18. TRADE AND OTHER PAYABLES		
Trade creditors	5,907,782	4,814,460
Sundry creditors	4,113,159	2,316,629
Accrued expenses	<u>2,344,096</u>	<u>3,361,942</u>
	<u>12,365,037</u>	<u>10,493,031</u>
19. OTHER INCOME		
Sundry revenue	1,496,584	1,547,400
Gain on disposal of fixed assets	<u>125,816</u>	<u>10,240</u>
	<u>1,622,400</u>	<u>1,557,640</u>
20. FINANCE COSTS		
Bank loans/Bond interest	3,762,440	1,321,722
Other bank interest	2,117	-
Other	<u>557,117</u>	<u>513,887</u>
	<u>4,321,674</u>	<u>1,835,609</u>

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 21. RELATED PARTY TRANSACTIONS

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

	2016 \$	2015 \$
a) Sale of electricity - NIS	<u>195,538</u>	<u>237,918</u>
b) Management services- WRB Enterprises, Inc.	<u>600,000</u>	<u>600,000</u>
c) Loan repayments- NIS	<u>936,978</u>	<u>2,142,603</u>
d) Payment of dividends:		
NIS	<u>7,761,030</u>	<u>1,146,516</u>
Grenada Private Power Limited	<u>33,440,000</u>	<u>4,940,000</u>

- ii) Compensation of key management personnel of the Company:

Salaries and other benefits	<u>3,415,895</u>	<u>3,289,631</u>
Past employment benefit provisions	<u>458,828</u>	<u>463,348</u>

- iii) Loans receivable from key management personnel

	<u>138,927</u>	<u>56,402</u>
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## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 22. TAXATION

##### *Current year*

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

	2016 \$	2015 \$
Profit for the year before taxation	<u>23,284,012</u>	<u>25,939,644</u>
Tax at applicable statutory rate (30%)	6,985,204	7,781,893
Tax effect of items that are adjustable in determining:		
Tax exempt income	(143,005)	(112,048)
Effect of expenses not deductible for tax purposes	<u>(1,333,689)</u>	<u>(400,350)</u>
Provision for taxation	<u>5,508,510</u>	<u>7,699,542</u>

##### *Deferred Tax*

Deferred tax liability is due to the acceleration of tax depreciation as shown:

Accounting written down value	58,307,499	58,795,089
Taxation written down value (tax base)	<u>(52,043,396)</u>	<u>(57,361,599)</u>
Temporary difference	<u>6,264,103</u>	<u>1,433,490</u>
Tax on temporary difference @ statutory rate (30%)	<u>1,879,231</u>	<u>430,047</u>
Balance at beginning of year	430,047	-
Charge for the year	-	<u>430,047</u>
Balance at end of year	<u>\$1,449,184</u>	<u>\$430,043</u>

#### 23. COMPARATIVE FIGURES

The 2015 Hurricane Reserve comparative figures have been reclassified to conform to the current year's financial statement presentation. These changes have no impact on the surplus reported for that year.

## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 24. CONTINGENT LIABILITIES

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

### 25. DIVIDENDS

During the year ended December 31<sup>st</sup>, 2016, a dividend of 52 cents per ordinary share amounting to \$9,880,000 as well as a special dividend of \$3.00 per ordinary share amounting to \$57,000,000 were declared and paid.

### 26. FINANCIAL RISK MANAGEMENT

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

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

#### Audit Committee

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

#### Loans Committee

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

## Notes to the Financial Statements At 31st December, 2016 (continued)

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### 26. FINANCIAL RISK MANAGEMENT (continued)

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

#### *Credit risk*

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

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

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

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31<sup>st</sup>, 2016.

#### *Operational risk*

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



## Notes to the Financial Statements

### At 31st December, 2016 (continued)

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

##### *Operational risk (continued)*

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

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

##### *Insurance risk*

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

##### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management monitors the Company's liquidity reserve, which comprises overdraft facilities and cash and cash equivalents, on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short term obligations.

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 26. FINANCIAL RISK MANAGEMENT (continued)

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

Balance at 31 <sup>st</sup> December, 2016	Current	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	1,859,489	-	-	-	1,859,489
Loans and receivable financial assets	3,012,764	-	-	30,398,779	33,411,543
Prepayments	1,649,391	-	-	-	1,649,391
Trade and other receivables	15,589,964	1,325,126	268,529	1,136,884	18,320,503
Inventories	16,441,221	-	-	-	16,441,221
	<u>38,552,829</u>	<u>1,325,126</u>	<u>268,529</u>	<u>31,535,663</u>	<u>71,682,147</u>
<b>Current liabilities</b>					
Provision for income tax	-	-	1,008,510	-	1,008,510
Short-term borrowings	4,084	-	1,001,042	3,003,125	4,008,251
Trade payables and accrued expenses	8,081,990	1,533,419	82,072	2,667,556	12,365,037
Consumers' advances for construction	-	-	-	1,583,807	1,583,807
Provision for retirement benefits	195,255	-	-	-	195,255
Provision for profit sharing	-	-	-	4,960,633	4,960,633
	<u>8,281,329</u>	<u>1,533,419</u>	<u>2,091,624</u>	<u>12,215,121</u>	<u>24,121,493</u>
<b>NET LIQUIDITY SURPLUS</b>	<u>30,271,500</u>	<u>(208,293)</u>	<u>(1,823,095)</u>	<u>19,320,542</u>	<u>47,560,654</u>

## Notes to the Financial Statements

### At 31st December, 2016 (continued)

#### 26. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31 <sup>st</sup> December, 2015	Current \$	31-60 days \$	61-90 days \$	Over 90 days \$	Total \$
<b>Current Assets</b>					
Cash and cash equivalents	16,614,231	-	-	-	16,614,231
Loans and receivable financial assets	3,000,251	2,718,036	4,661,674	29,395,971	39,775,932
Prepayments	4,169,520	-	-	-	4,169,520
Trade and other receivables	13,761,211	2,309,585	151,867	986,488	17,209,151
Inventories	14,824,650	-	-	-	14,824,650
	<u>52,369,863</u>	<u>5,027,621</u>	<u>4,813,541</u>	<u>30,382,459</u>	<u>92,593,484</u>
<b>Current liabilities</b>					
Amount due to related company	84,013	-	-	-	84,013
Provision for income tax	-	-	1,144,071	-	1,144,071
Short-term borrowings	-	-	1,677,183	4,898,731	6,575,914
Trade payables and accrued expenses	6,257,271	1,673,903	756,344	1,805,513	10,493,031
Consumers' advances for construction	-	-	-	1,192,640	1,192,640
Provision for retirement benefits	326,755	-	-	-	326,755
Provision for profit sharing	-	-	-	5,178,075	5,178,075
	<u>6,668,039</u>	<u>1,673,903</u>	<u>3,577,598</u>	<u>13,074,959</u>	<u>24,994,499</u>
<b>NET LIQUIDITY SURPLUS</b>	<u>45,701,824</u>	<u>3,353,718</u>	<u>1,235,943</u>	<u>17,307,500</u>	<u>67,598,985</u>

**Notes to the Financial Statements**  
**At 31st December, 2016 (continued)**

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**26. FINANCIAL RISK MANAGEMENT (continued)**

*Market risk*

(i) *Foreign exchange risk*

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

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

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

(ii) *Interest rate risk*

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

**FIVE YEAR OPERATIONAL RECORD 2012-2016**

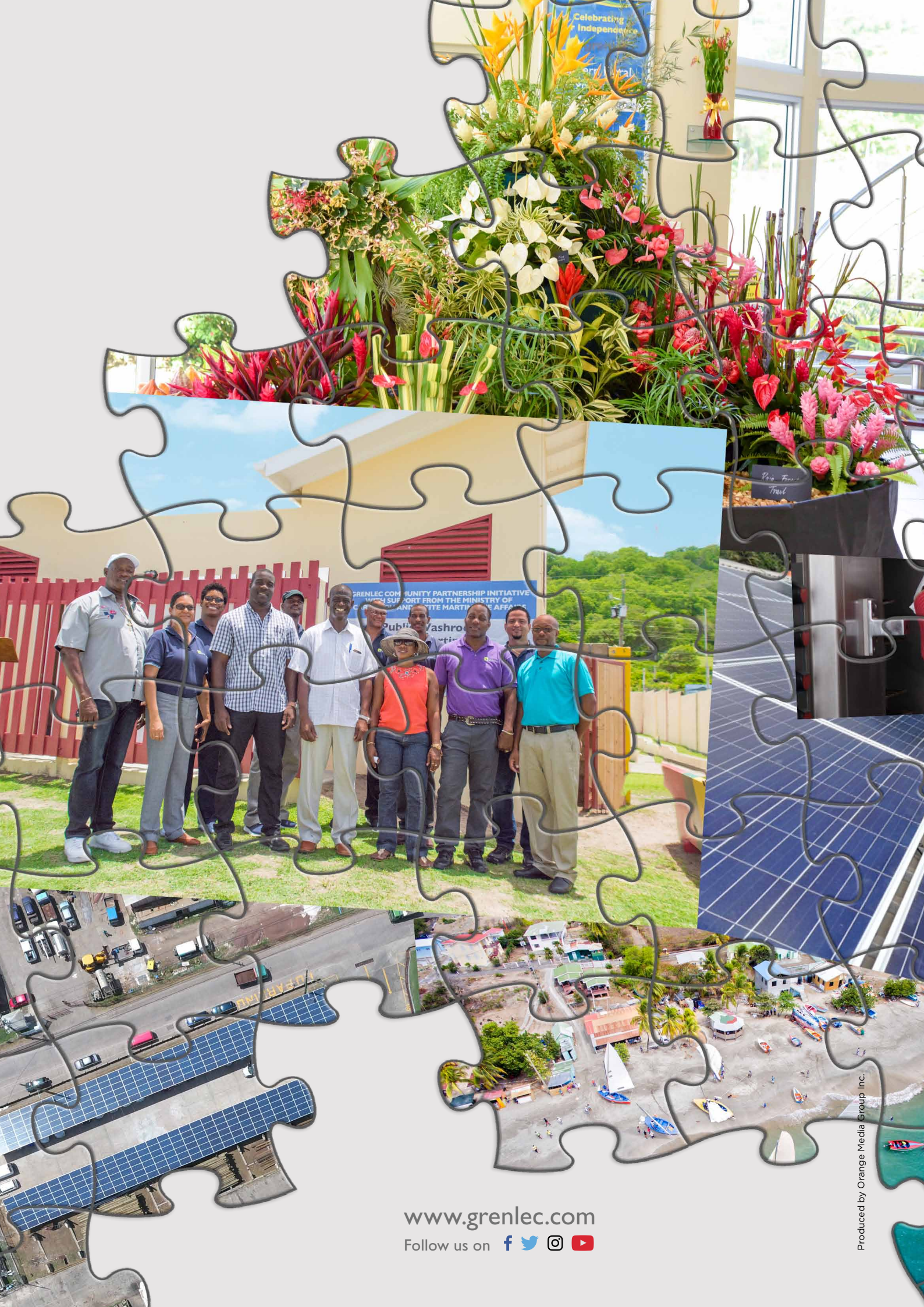
	2016	2015	2014	2013	2012
<b>PRODUCTION AND SALES</b>					
Generation - Grenlec Diesel	216,195,395	205,629,084	199,588,355	196,655,652	199,703,882
Generation - Grenlec PV	882,796	326,294	320,590		
Generation - PV Customers	1,429,955	1,011,319	620,549		
<b>Gross Generation (kWh)</b>	<b>218,508,146</b>	<b>206,966,697</b>	<b>200,529,494</b>	<b>196,655,652</b>	<b>199,703,882</b>
<b>Auxillaries &amp; Own Use</b>	6,123,818	6,285,999	5,926,777	6,085,679	6,738,808
<b>Net Generation</b>	212,384,328	200,680,698	194,602,717	190,569,973	192,965,074
Sales (kWh)					
Domestic	76,779,913	70,083,198	68,228,598	68,454,863	69,123,037
Commercial	109,061,085	103,664,062	100,431,948	96,821,536	98,783,002
Industrial	5,686,738	5,593,604	5,803,295	5,907,116	5,845,185
Street Lighting	4,701,059	4,697,707	4,697,950	4,626,682	4,680,483
<b>Total Sales</b>	<b>196,228,795</b>	<b>184,038,571</b>	<b>179,161,791</b>	<b>175,810,197</b>	<b>178,431,707</b>
Loss (% of Net Generation)	7.58%	8.26%	7.90%	7.71%	7.50%
<b>Number of Customers at Year - End</b>					
Domestic	42,293	41,298	40,329	39,762	39,132
Commercial	6,521	6,263	6,113	5,968	5,874
Industrial	39	36	36	35	36
Street Lights	8,461	8,387	8,386	8,308	8,167
<b>Total Customers</b>	<b>48,853</b>	<b>47,597</b>	<b>46,478</b>	<b>45,765</b>	<b>45,042</b>
<b>Average Annual usage per Customer Class (kWh)</b>					
Domestic	1,815	1,697	1,692	1,722	1,766
Commercial	16,725	16,552	16,429	16,223	16,817
Industrial	145,814	155,378	161,203	168,775	162,366

**FIVE YEAR FINANCIAL RECORD 2012-2016**

EXPRESSED IN EC\$ &amp; US\$

	2016	2015	2014	2013	2012
	EC\$	EC\$	EC\$	EC\$	EC\$
<b>INCOME</b>	137,603,711	151,279,103	189,938,021	192,311,801	197,480,495
<b>PROFIT BEFORE TAXES</b>	23,284,012	25,939,644	26,847,037	22,418,087	20,376,134
TAXATION	6,957,694	7,699,542	7,606,135	6,361,011	5,860,140
NET PROFIT	16,326,318	18,240,102	19,240,902	16,057,076	14,515,994
Stated Capital & Retained Earnings	51,393,412	101,955,134	93,595,032	83,474,398	76,541,074
Hurricane Insurance Reserve	22,000,000	20,000,000	18,000,000	16,000,000	14,000,000
<b>SHAREHOLDERS EQUITY</b>	<b>73,393,412</b>	<b>121,955,134</b>	<b>111,595,032</b>	<b>99,474,398</b>	<b>90,541,074</b>
REPRESENTED BY:					
TOTAL ASSETS	155,358,788	170,544,752	184,209,138	183,032,440	194,756,827
TOTAL LIABILITIES	81,965,376	48,589,618	72,614,106	83,558,042	104,215,753
<b>NET ASSETS</b>	<b>73,393,412</b>	<b>121,955,134</b>	<b>111,595,032</b>	<b>99,474,398</b>	<b>90,541,074</b>
<b>FINANCIAL RATIOS</b>					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	22.24%	14.96%	17.24%	16.14%	16.03%
Earnings Per Share	0.86	0.96	1.01	0.85	0.76
Dividends Per Share	3.52	0.52	0.48	0.48	0.48
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
<b>INCOME</b>	<b>50,964,337</b>	<b>56,029,297</b>	<b>70,347,415</b>	<b>71,226,593</b>	<b>73,140,924</b>
<b>PROFIT BEFORE TAXES</b>	<b>8,623,708</b>	<b>9,607,276</b>	<b>9,943,347</b>	<b>8,302,995</b>	<b>7,546,716</b>
TAXATION	2,576,924	2,851,682	2,817,087	2,355,930	2,170,422
<b>NET PROFIT</b>	<b>6,046,784</b>	<b>6,755,594</b>	<b>7,126,260</b>	<b>5,947,065</b>	<b>5,376,294</b>
Stated Capital & Retained Earnings	19,034,597	37,761,161	34,664,827	30,916,444	28,348,546
Hurricane Insurance Reserve	8,148,148	7,407,407	6,666,667	5,925,926	5,185,185
<b>SHAREHOLDERS EQUITY</b>	<b>27,182,745</b>	<b>45,168,568</b>	<b>41,331,494</b>	<b>36,842,370</b>	<b>33,533,731</b>
REPRESENTED BY:					
TOTAL ASSETS	57,540,292	63,164,723	68,225,607	67,789,793	72,132,158
TOTAL LIABILITIES	30,357,547	17,996,155	26,894,113	30,947,423	38,598,427
<b>NET ASSETS</b>	<b>27,182,745</b>	<b>45,168,568</b>	<b>41,331,494</b>	<b>36,842,370</b>	<b>33,533,731</b>
<b>FINANCIAL RATIOS</b>					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	22.24%	14.96%	17.24%	16.14%	16.03%
Earnings Per Share	0.32	0.36	0.38	0.31	0.28
Dividends Per Share	1.30	0.19	0.18	0.18	0.18





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