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FIVE YEAR
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Vision

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

Mission

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

CORPORATE INFORMATION

CORPORATE PROFILE

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

The Grenada Electricity Services Ltd. (GRENLEC), the sole licensed provider of electricity in Grenada, Carriacou and Petite Martinique, is publicly traded on the Eastern Caribbean Securities Exchange (ECSE). With a customer base of more than 50,000, our Company has been providing integrated services of generation, transmission and distribution of electricity since 1960. With total installed capacity of 50.9MW and peak demand of 32MW, GRENLEC generates from three locations in Grenada, Carriacou and Petite Martinique. A 33kV transmission network and two substations at Queen's Park and Grand Anse ensure reliability in the south of Grenada. Since privatisation in 1994, GRENLEC has risen to the challenge of providing safe, reliable service by continually investing in service enhancement, its employees, infrastructure and communities.

DIRECTORS

G. Robert Blanchard Jr. – Chairman
Robert Blenker
Robert Curtis
Winnifred Duncan-Phillip
Russell Fielden
Ashton Frame
Linda George-Francis
Duane Noel
Edward Parry
Deborah Roseman
Murray Skeete
Cleaver Williams

GENERAL MANAGER

Collin Cover

COMPANY SECRETARY

Benedict A. Brathwaite

REGISTERED OFFICE

Grand Anse
St. George
Grenada

BANKERS

CIBC FirstCaribbean International Bank (Barbados) Limited

Church Street
St. George's, Grenada

Republic Bank (Grenada) Limited

Republic House
Grand Anse
St. George, Grenada

Cayman National Bank

Grand Cayman
Cayman Islands

RBTT Bank Grenada Limited

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

Bank of Nova Scotia

Cnr. Granby and Halifax Streets
St. George's, Grenada

Grenada Co-operative Bank Limited

Church Street
St. George's, Grenada

The Bank of Tampa

Florida, U.S.A.

ATTORNEYS-AT-LAW

Mitchell and Co.
Grand Anse
St. George, Grenada

AUDITORS

PKF Accountants and Business Advisers

Pannell House
Grand Anse
St. George's, Grenada

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixtieth 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 Thursday, 9 May 2019 at 4:30 p.m. to:

- Receive the Annual Reported Financial Statements for the year ended 31 December 2018 together with the Auditors' Report thereon.
- Appoint the Auditors and authorise the Directors to determine their remuneration.
- Elect Directors

Close of Business

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

Dated Wednesday, 13 March 2019.

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, 17 April 2019 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



Robert Blenker



Robert Curtis



Winnifred Duncan-Phillip



Russell Fielden



Ashton Frame



Linda George-Francis



Duane Noel



Edward Parry



Deborah Roseman



Murray Skeete



Cleaver Williams

CHAIRMAN'S REPORT

Our theme, 'Increasing Resilience', addresses our on-going efforts to continue strengthening our Company's ability to withstand the test of years, a changing business environment and natural disasters.

We are achieving this objective by continually focusing on our people and adapting our technology and operations to improve the strength of our electricity generation system and distribution network. This approach has allowed us to maintain reliable, high quality service to our customers, rapid recovery from service interruptions and stable returns for our shareholders.

These goals were at the heart of our operations in 2018 and have driven us to perform well even as uncertainty about the regulatory environment persists. These regulatory changes and their implications continue to command our attention and action.

2016 ELECTRICITY SUPPLY ACT

Since the 1 August 2016 commencement date for the 2016 ESA that was gazetted on July 28, 2016 there has been little notification of activity.

The Company continues to await a functioning Public Utilities Regulatory Commission (PURC) that will determine the regulations, grant licences and permits that would guide the development of the electricity sector in Grenada. It is also our hope that governing standards and grid codes will be enacted soon. While we have been asked to provide input in some discussions about the grid codes, to our knowledge at the time of the writing of this report, these have not been finalised. These regulations are critical for Grenlec to have a full understanding of the impact that the new legislation and regulatory environment will have on our operations.

UPDATE ON CONSTITUTIONAL CHALLENGE OF 5% 'SOCIAL FUND' LEGISLATION

On 29 December 2017, the Government of Grenada (GoG) passed an amendment to section 20 of the 2016 Electricity Act that requires Grenlec, as the country's sole 'network licensee', to pay 5% of its pre-tax profits to a social fund to be managed by a Committee appointed by the Minister for Public Utilities. Prior to this amendment, in accordance with the Share Purchase Agreement between the majority shareholder Grenada Private Power (GPP) and the GoG, the Company set aside 5% of pre-tax profits that was disbursed through the non-political Grenlec Community Partnership Initiative (GCPI). The donations under the GCPI were managed by a committee that included a representative nominated by the GoG and one from civil society.

After obtaining a legal opinion on this amendment, the Company, in February 2018, filed a legal challenge to that amendment on the grounds that it constituted an unconstitutional taking of the Company's property, which is protected by Section 6 of the Constitution. This matter was first scheduled for a hearing in the High court on 30 April 2018. After several adjournments, partly due to a lack of available court facilities, a hearing on the matter took place on 24 January 2019. This hearing was not on the merits of the case, but on the GoG filing for a stay on the grounds that the matter should not be adjudicated prior to the settlement of the ICSID arbitration. The Company disagreed. We are still awaiting a ruling on this matter.




“

Over the years, we have built resilience through significant investments in our people and systems.

Art Buckner



\$22.8
Million
Profit before Tax



5.7%
Increase
in Profit



19.6%
Return on
invested Capital

Despite the challenges and uncertainty of the regulatory environment, the Company's financial performance improved in 2018

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

In 2018, GPP/WRB assumed full financial responsibility for the arbitration arising from GoG's adoption of the 2016 ESA, recognising that it seemed unlikely there would be a negotiated settlement prior to an ICSID hearing.

At various points during the past year-plus, GPP/WRB and the GoG have been required to submit filings to the arbitration panel. This submission process is expected to conclude in May 2019, and the arbitration panel has scheduled hearings in mid-June 2019. We are unable to predict how long it will take after this date for the tribunal to issue its ruling.

FINANCIAL PERFORMANCE

Despite the challenges and uncertainty of the regulatory environment, the Company's financial performance improved in 2018 with a 5.7% increase in profit before tax to \$22.28M compared to \$20.77M in 2017. This increase was achieved through kWh sales growth of 4.4%, with additional gains from lower finance costs and lower system losses (7.2% compared to 8.12% in 2017), which significantly impact financial performance. Note that over the past 7 years, our Company has successfully contained system losses near or below 8%, well below the regional average. Fuel efficiency of 15.86 kWh/USG, marginally higher than 15.84 kWh/USG in 2017, helped keep the fuel cost recovery up (100.5% against 100.4% in 2017) despite the increase in world fuel prices, which averaged USD64.94 compared to USD50.80 in 2017. The return on invested capital of 19.6% was higher than 19.2% of 2017.

Higher operating costs compared to 2017 were driven by recurring maintenance requirements on the large generators at the Queen's Park station, which were \$2.08M above 2017 and 5.2% above budget in 2018. In

all other areas, expenses were within or below budget. These higher operating costs related to engines were absorbed by the higher kWh sales and efficiency improvements.

DIVIDENDS

Your Company's earnings per share (EPS) of ninety-four cents was higher than the ninety cents of 2017. This growth in EPS is a positive indicator of your Company's efforts to provide an attractive return to our investors. Total dividends of fifty-two cents paid in four quarterly payments of thirteen cents per share was the same as that of 2017.

Your shares listed on the ECSE traded at \$10.00 per share in 2018 and were listed at a price of \$10.00 per share as of 5 March 2019.

INCREASING OUR RESILIENCE

Over the years, we have built resilience through significant investments in our people and systems. Our goal to continue increasing our Company's resilience is underpinned by training and staff development programmes; financial planning; resource allocation; efficiency, service enhancement, communication and cost containment programmes; investments in technology; maintenance programmes and ongoing plant and distribution network upgrades.

The ability to successfully and quickly recover in the event of destructive weather or other disastrous occurrences is also a priority for our Company. Our team members implement physical measures to reinforce the system against damage during storms, as well as processes that support rapid recovery after storms.

As a member of the Caribbean Electric Utility Services Corporation (CARILEC), Grenlec receives and provides recovery support to sister islands to help restore

electricity service after storms. It is under this programme that our Company provided recovery support to Anguilla and Tortola in 2017 and Dominica in 2018, when DOMLEC was able to safely accommodate our team. I'd like to thank the team members who put in tremendous efforts to help our sister islands.

A final critical component of our Disaster Recovery Plan is a self-insurance fund which ensures quick access capital for the purchase of restoration materials and services after disasters. The Hurricane Reserve increased to \$26M by the end of 2018.

Combined, these programmes allow our team to anticipate and respond to changes that impact our business and customers. The result is a Company which continues to meet its commitment to its customers to provide high quality, reliable service that keep their homes and businesses running smoothly and that has been able to offer disaster assistance to the other electric utilities in the region when our Company was not affected.

OUR TEAM

In May 2018, we were saddened by the passing of Ronald Roseman, who served as Director of our Company since privatisation. We extend warm wishes to his wife Deborah Roseman, a current Director of Grenlec, and the rest of his family as they cope with this loss. We continue to mourn Ron and will remember his commitment and dedication to our Company.

BOARD OF DIRECTORS

At the AGM on May 8, 2018 three retiring Directors Mr. Lawrence Samuel, Mr. Alister Bain and Ms. Anthea DeBellotte opted not to put their names forward for re-election. We thank them for their service to the Board over the years. They were replaced by Mrs. Winnifred Duncan-Phillip, Mr. Russ Fielden and Mr. Cleaver Williams who were elected by the shareholders at the AGM. We welcome the new Directors and thank the continuing Directors for their contributions at a time when the Company is faced with many challenges.

Despite the challenges, our Company continues to perform well, in large measure because of our current employees' relentless commitment and work ethic. We are grateful for their stewardship of our Company's interests and service to our customers, which have held our Company in good stead over the years.



G. Robert Blanchard Jr.
Chairman

MANAGEMENT TEAM



Collin Cover
General Manager



Benedict Brathwaite
Financial Controller



Dwayne Cenac
Manager, Planning and
Engineering



Wallace Collins
Manager, Carriacou and
Petite Martinique



Prudence Greenidge
Manager, Corporate
Communications



Clive Hosten
Chief Engineer

MANAGEMENT TEAM



Selcrest Husbands
Manager, Generation



Jeffrey Neptune
Manager, Information
Systems



Casandra Slocombe
Manager, Customer
Services



Eric Williams
Manager, Transmission &
Distribution



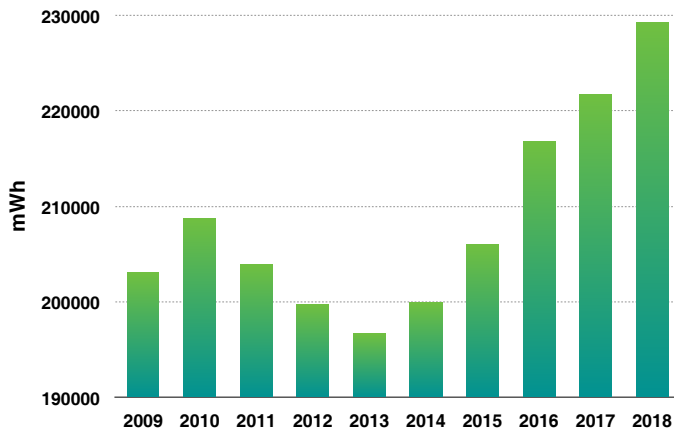
Jacqueline Williams
Manager, Human
Resources

MANAGEMENT REVIEW AND ANALYSIS

OVERVIEW

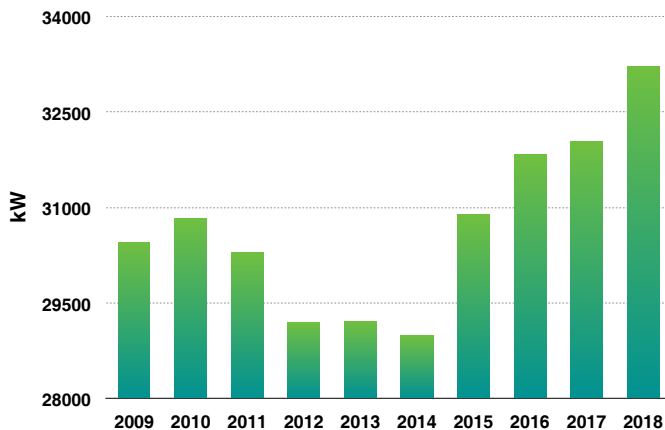
- Highest gross generation on record, 229.2 GWh.
- Highest peak demand recorded at 33,213 kW.
- Sales (kWh) grew by 4.4% over 2017
- Revenues were \$181.74M.
- Pre-tax profits were \$22.28M.
- System losses were 7.27%, the lowest on record.
- Fuel efficiency was 19.05 kWh/IG.
- Return on equity was 18.2%.
- Relocation of Grenville Customer Care Centre to Ben Jones Street.

GROSS GENERATION 2009-2018



Highest gross generation on record (229.2 GWh). 3.4% increase over 2017.

PEAK DEMAND 2008-2017

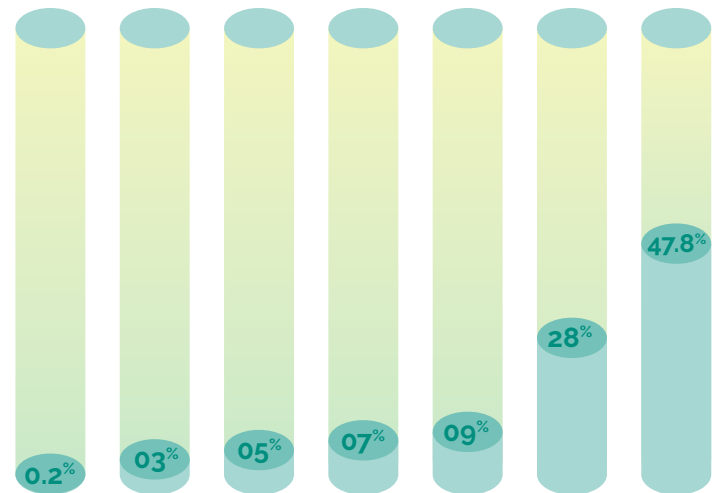


A new system peak demand of 33,213 kW was recorded in October, an increase of 4.4% over 2017.

FINANCIAL REVIEW

How Grenlec's Dollar was Spent in 2018 (EC\$)

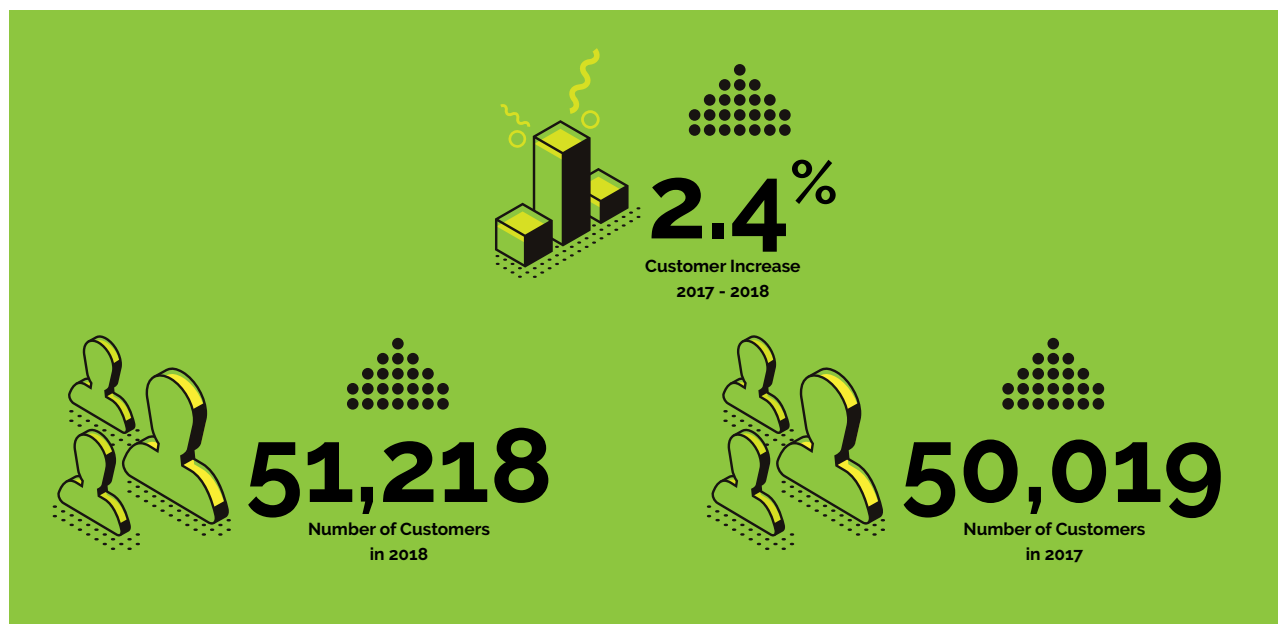
Donations	447,153	0.2%
Debt Servicing	5,882,176	3%
Dividends	9,880,000	5%
Capital Expenditure	12,960,606	7%
Taxes (Income, VAT, Env Levy)	17,873,677	9%
Operations	54,714,737	28%
Fuel	91,744,790	47.8%
TOTAL	193,503,139	



Sales

2018 Sales

Customer Categories	GWh Sales	% of Sales	Increase in sales (MWh)	Change in average annual consumption per customer in 2018
Domestic	80.51	38.5%	1,832	0.1% decrease
Commercial	116.96	56%	6,506	3.2% increase
Industrial / Street Light	11.43	5.5%	413	8.3% increase
Total	208.9		8,751	



While there has been an inextricable link between growth in the economy and kWh sales increases, this direct relationship did not materialise in 2017 when growth of 4.5% did not match a 1.6% increase in kWh sales. In contrast, this link was evident in 2018 with a 4.4% kWh sales growth, which was consistent with Government's report, in the 2019 Budget Presentation, of an estimated 5.2% economic growth in real terms in 2018.

KWh sales increased, with monthly records set in ten of the twelve months, despite a general increase in fuel prices billed to customers over the course of 2018. Growth of 7.9% in kWh sales in the last quarter was the highest of any quarter since 2010.

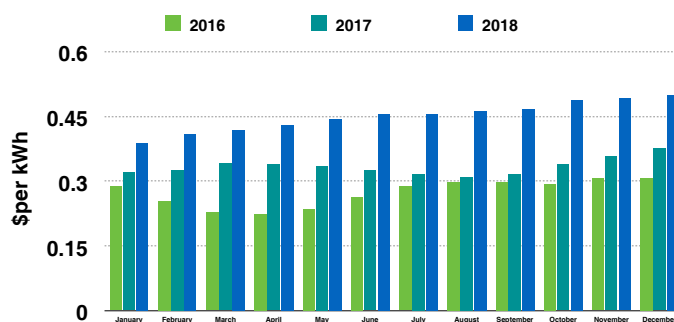
The increase in consumption for commercial customers was not surprising given that Silver Sands and several apartment buildings in the south of the island opened their doors in the second half of 2018. A total of 7.2 MVA in transformer capacity was added to the network contributing to the load growth recorded during the year.

Fuel Cost and Fuel Charge

Over the course of 2018, world fuel prices averaged USD64.94 compared to USD50.80 in 2017. By year-end, world fuel prices had fallen to a December average of USD49.52 well below the USD57.88 of December 2017.

The fuel charge mechanism has worked well with fuel charge as an average of the cost of fuel over the prior three months. When world fuel prices are increasing, this three-month rolling average adjusts electricity rates at a slower rate than the actual changes in world fuel prices. Consequently, volatility in rates is reduced and customers are better able to adjust for the impact of fuel price movement.

CHANGES IN FUEL CHARGE

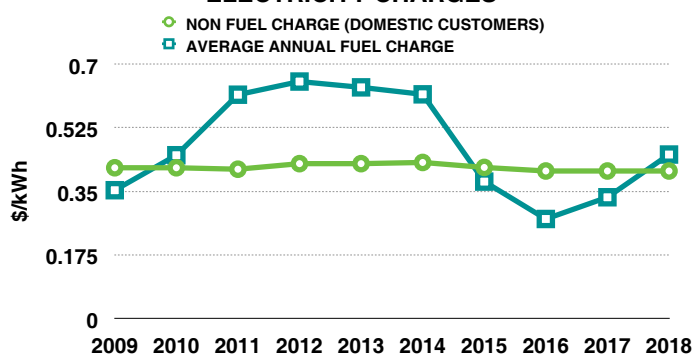


The fuel price increased due to higher world fuel prices. Throughout the year, Grenlec encouraged customers to be conscious of the higher prices and to manage their bills by curtailing their electricity use.

Non-Fuel Rate Adjustment

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

ELECTRICITY CHARGES



The non-fuel charge remained the same in 2018. Over the last 24 years, the non-fuel charge has only increased by 3 cents compared to the fuel charge which has fluctuated with world fuel prices..

Total Revenues

	2018	2017	Change from 2017 - 2018	Notes
Total Revenue (EC\$M)	181.74	151.54	\$30.2M increase	Increase primarily due to higher average fuel charge paid by customers resulting from higher average fuel prices paid by the Company.
Average Fuel Prices/ Imperial Gallon paid by Grenlec (EC\$)	7.67	5.63	31.6% increase	Increase resulted from higher world fuel prices.
Average Fuel Charge paid by Customers (EC¢/ kWh)	44.29	32.91	34.6% increase	Increase due to higher prices paid by the Company for fuel, the result of higher world fuel prices.
Revenue from Non-fuel Charge (EC\$M)	86.67	83.29	4.1% increase	Consistent with the 4.4% increase in kWh sales.

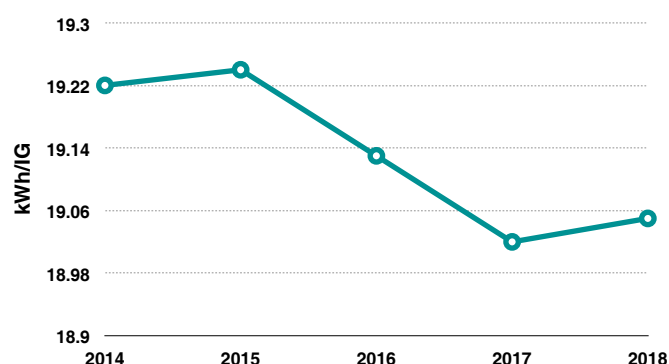
Net Fuel Cost Recovery

The fuel cost recovery rate of 100.5% matched the 100.4% of 2017 with both well below the 103.6% and 119.3% of 2015 and 2016.

In 2018, fuel prices rose in every month except June. Given the three-month average in the calculation of the fuel charge, it generally meant a lower fuel cost recovery rate. Net fuel revenue of \$0.42M was marginally above the \$0.27M of 2017. For the first time in years, the net fuel cost recovery was not a factor in a comparison of the financial performance between the years.

Changes in fuel prices along with operational efficiency movements also impact Grenlec's fuel cost recovery rate. A positive movement in system losses that was lower by 0.85% along with a fuel efficiency improvement of 0.13% also helped to keep the fuel cost recovery rate up despite generally increasing fuel prices. These efficiency improvements are imperative for the continued sustainable development of the Company.

FUEL EFFICIENCY 2014-2018



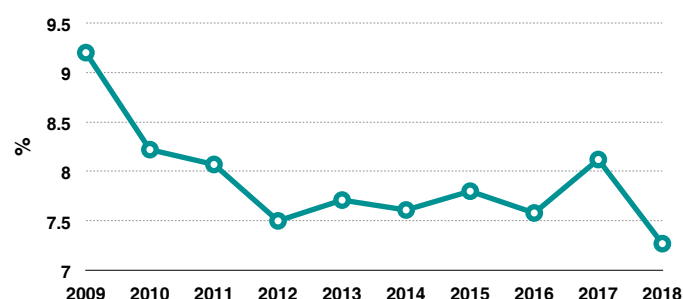
At 19.05 kWh/IG, fuel efficiency was marginally higher than 19.02 kWh/IG in 2017. This efficiency helped keep the fuel cost recovery up (100.5% against 100.4% in 2017).

Non-Fuel Operating Expenses and Finance Costs

Non-fuel operating expenses of \$55.68M were \$2.31M more than the \$53.37M of 2017. Mainly responsible for this is the natural fluctuation of expenses based on maintenance of generators. In 2018, expenses related to overhauls and maintenance of engines was \$2.08M higher than that of 2017 as significant maintenance had to be undertaken on DG#5 in addition to a scheduled overhaul. Unexpected maintenance on DG#'s 5 and 12 meant that operating expenses were 5.2% above budget despite expenses being tightly controlled by Management. Apart from Generation, the other departments were either in line or below budget.

Finance costs decreased by \$0.13M as there were no new borrowings. The Company funded capital expenditure and system improvement through its operating cash flows. Management will continue to maintain its cost consciousness culture without negatively affecting the quality of services, operations or safety.

SYSTEM LOSSES 2009 - 2018



System losses have a significant impact on financial performance. 7.2% compared to 8.12% in 2017. Over the past 7 years, system losses contained near or below 8%, well below the regional average.

Financial Position

	2018	2017	Change from 2017-2018	Notes
Total Assets (EC\$M)	173.30	163.48	\$9.82M increase	The primary drivers for this increase were investment in fixed assets in the amount of \$2.61M, capital work in progress \$2.27M and an increase in cash and cash equivalents of \$3.87M.
Total Liability (EC\$M)	86.79	84.87	\$1.92M increase	
Net Assets (EC\$M)	86.51	78.61	\$7.9M increase	
Retained Earnings (EC\$M)	28.17	22.27	\$5.9M increase	
Debt to Equity Ratio (%)	43%	54%	11% decrease	

The Company continued to operate well within its stipulated debt covenants, including the current and debt service coverage ratios which stood at 2.63:1 and 5.3:1 respectively.

	2018	2017	Change from 2017-2018	Notes
Trade Receivables (EC\$M)	\$18.38M	\$16.14M	\$2.24M (13.9%) increase	The increase in trade receivables was due to a combination of higher electricity rates and increased kWh unit sales. The December 2018 billings were \$17.09M in comparison to the \$14.33M of December 2017.
Debtor days outstanding	34.8 days	36.35 days	Decrease of 1.55 days	The Collections Team consistently exceeded their targets ending the year with a positive \$1.99M

The GoG's receivables remained current for the entire year and ended with a balance of \$1.36M, which was higher than the \$1.15M of 2017 because of the comparative increase in rates at year-end. Except for industrial, all other sectors ended with increased balances, compared to 2017, with the commercial at 19.6%, domestic at 7.9%, hotels at 15.7% and statutory bodies at 39.7%.

We depend on our customers meeting their obligations in a timely manner to manage our receivables and yet again they have done so. In the last two months of 2018, while rates were 16.9% higher and kWh sales 8% above what they were in the equivalent two months of 2017, trade receivables were 13.9% more. For this, we are forever grateful to our customers

Cash Flows

Cash flows generated from operations are generally determined by the amount and timing of cash received from customers and payments made to vendors, as well as the nature and amount of non-cash items. The

\$28.31M from operating activities in 2018 was higher than the \$19.99M of 2017 due to \$2M higher profits, increase in payables because of fuel prices and the accrual of the 5% GCPI.

Cash flows used in investing activities consists primarily of capital expenditure and had a net outflow of \$10.27M as expenditure related to new assets amounted to \$12.42M.

Cash flows from financing activities relate to supplemental cash provided both for day-to-day operations and capital requirements as needed. During 2018 there were the regular dividends of \$9.88M and principal repayments of \$4M on the CIBC loan, the same as 2017. Cash used in financing activities in both years was \$11.88M.

The overall increase in cash and cash equivalents for the year was \$6.16M.

Risk Management

The Hurricane Reserve, which increased to \$26M by the end of 2018, mitigates the risk of natural disasters that might affect our distribution system. The fund is now well above the level of the expenses (\$17M) that resulted after Hurricane Ivan. With a much more robust system, it gives some level of comfort that this risk is being minimised continuously. Additionally, all our other assets are adequately covered by commercial insurance policies.

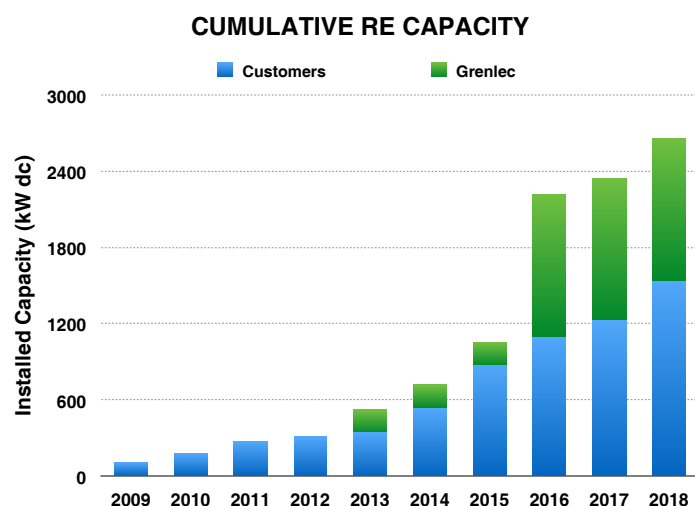
The Hurricane Reserve, which was restated in 2015 to shareholders' equity, is not available for distribution to shareholders.

Given our past, hurricanes remain our primary focus, 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.

RENEWABLE ENERGY

The Company's plans for large scale renewable energy projects have been hindered by the absence of clear public sector policies as we await the transition to a new regulatory system for the electricity sector.

Grenlec approved 33 customer interconnections in 2018 amounting to 892.33kWp and commissioned 17, which added 245.16kWp to the installed RE capacity.



Renewable energy generation rose by 6.8% due to customer interconnections.

		Estimated RE Benefits			
		2015	2016	2017	2018
Actual RE Penetration		0.89%	1.11%	1.47%	1.51%
Total RE Generation	kWh	1,829,754	2,308,347	3,093,403	3,302,286
Average homes supplied	Homes	1,017	1,282	1,719	1,835
Avoided diesel quantity	USG	114,216.84	145,918.00	193,096.31	207,066.00
Avoided CO2 Emissions	Metric tonnes	1,158.72	1,480	1,985	2,101

ENHANCING CUSTOMER SERVICE AND RELIABILITY

Relocating the Grenville Customer Centre 2018

In recent years, conducting business at Seaton Browne Street, Grenville, St Andrew presented many challenges for team members and negatively impacted comfort and privacy of customers. Among these were the size and configuration of the space, security concerns and limited options to implement service improvements.

After exploring various options over the years, the ground floor of the building formerly known as Bain's Upper Level on Ben Jones (Albert) Street became available. The project commenced in April with a design to create a more welcoming, open space and a semi-private area for customer discussions. We started operations at the new location on Monday, 23 July.



Grenville Customer Care Centre

Give a Wish Customer Promotion

In the last quarter of 2018, the Company launched its "Give A Wish" promotion inviting customers to nominate someone or a cause to receive a gift from Grenlec.

Thousands of nominations were made via Grenlec's online platform and in-store boxes.

To participate, customers' accounts had to be current. Fifteen winners were randomly selected to receive a New Year's wish of their choice valued at up to \$1,500.

The Top Hill Home in Carriacou was among the recipients. Among the wishes made were beds, stoves, cooking gas, pampers, a washing machine, groceries and payment of utility bills. The customers who nominated the winners of the fifteen wishes received \$500 electricity vouchers and an additional 230 Grenlec customers received \$75 electricity vouchers.

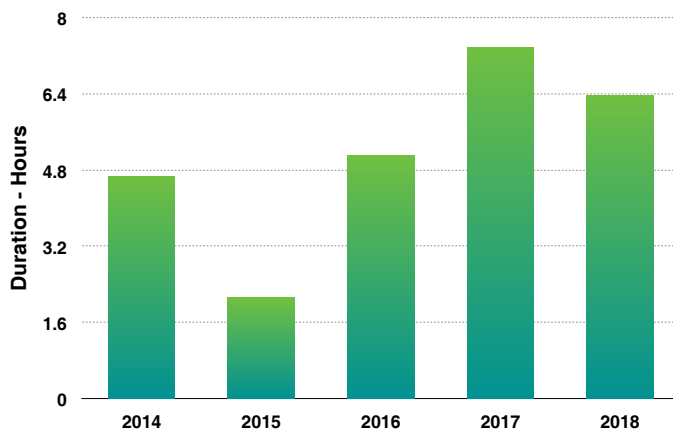


Top Hill Home receives the Gift of a Wish

Reliability

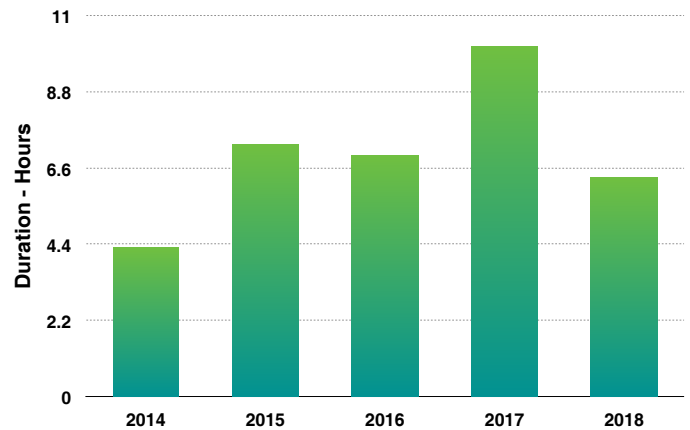
GRENLEC routinely tracks three reliability indices, namely System Average Interruption Frequency Index (SAIFI); System Average Interruption Duration Index (SAIDI) and Customer Average Interruption Duration Index (CAIDI). These indices serve as a measure of the quality of service provided to customers. In 2018, Average System Availability Index (ASAI) was added. ASAI is a measure of the time supply was available to customers on demand. ASAI in 2018 was 99.93%.

SAIDI - SYSTEM AVERAGE INTERRUPTION DURATION INDEX 2014 - 2018



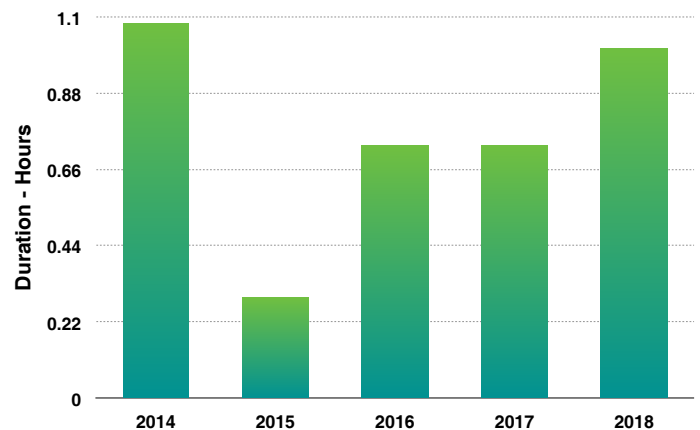
SAIDI is the average duration of interruptions per customer during the year.

SAIFI - SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX 2014 - 2018



SAIFI is the average number of sustained interruptions per consumer during the year.

CAIDI - CONSUMER AVERAGE INTERRUPTION DURATION INDEX 2014 - 2018



CAIDI is the average duration of an interruption. The average duration of an interruption to the power supply in 2018 was 60 minutes.



Apprentices fully engaged in overhaul of engine

SGU Generation Expansion Project

Installed generation capacity increased marginally from, 48.6 MW to 50.9 MW, with the addition of a 2.0MW unit at St. George's University. The genset was successfully commissioned in July 2018.

Preventive Maintenance

Preventive maintenance programmes in generation as well as transmission and distribution helped improve reliability by identifying and repairing possible points of failure at the plant and on the T&D network. These programmes reduce and prevent forced outages and improve reliability.



Cross departmental substation transformer maintenance team

Major maintenance work on two substation transformers was among these initiatives. In Generation, work on utility vehicle aerial devices and three major engine overhauls on units DG#4, DG#5 and CAT108B resulted in efficiency and reliability improvements.

Infrared thermography is one of the technologies assisting our teams to detect areas or points of abnormally high temperatures (Hot Spots) on the electrical system. In 2018, these cameras helped detect several hotspots and these were remedied before they could cause forced outages.

Beausejour Plant Control System Upgrade

In September 2018, design work started with the aim of modernising the generator and switchgear Control System at the Beausejour Power Plant in Carriacou. Modernisation will allow other generators to operate in parallel with the current generators. In November, work started on the Construction of the control panel which will house most of the new equipment. The second phase of the project, which entails installation and commissioning is scheduled for the first quarter of 2019.

Distribution System Optimisation

Distribution system optimisation was undertaken to improve reliability and reduce losses. This involved installing a voltage regulator bank on the Industrial feeder to boost the end of line voltage in the town of Grenville. This added flexibility in the supply to the town and enhanced system reliability. Subsequent to the installation, the Grenville load was transferred from the Grenville feeder to the Industrial feeder reducing thermal loading on the Grenville feeder and positively and significantly impacting system losses in the latter half of the year.

Additionally, switched capacitor banks were installed on the St. George's West and Grenville feeders. The placement of these capacitors was based on two conditions (i) loss reduction and (ii) kvar compensation.

BUILDING HUMAN CAPITAL

At the end of December 2018, the permanent staff complement was 218.

Training and development once again featured strongly with selected team members participating in a number of programmes, including:

- Public Utilities Regulatory Committee (PURC)/ World Bank International Training Program on Utility Regulation & Strategy
- PhotoVoltaic (PV) 401 Solar Course
- Leadership training

In Carriacou, both the Generation and Distribution teams have improved markedly. To this end, several members were promoted during the year under review.



Carriacou T&D team joined by Grenada team members for distribution feeder upgrade project

In addition, the Company provided development and training opportunities for twenty young people through the Scholarship and Summer Internship Programmes for Children of Employees, and Internship Partnership Programmes with TAMCC and St. George's University. Strong focus was placed on building capacity with

many major projects undertaken by cross-departmental teams. The SGU Expansion and substation transformer maintenance projects provided opportunities for Grenlec engineers and technicians to perform many of the substantive requirements of the projects for the first time.



Grape juice toast to the success of our newest scholarship recipients

Linemen and Generation Apprenticeship Programme

During the year, the successful completion of another Linemen and Generation Apprenticeship Programme allowed us to engage fifteen trained linemen, mechanics, technicians and operators. With an on the job training model, these apprentices contributed to the success of our operations and are expected to be valuable assets to our team.



CARILEC Assessment Team praised Apprentices' Performance



Linemen upgrading lines

Safety

Year	2014	2015	2016	2017	2018
Lost-Time Injury Frequency Rate (No. of accidents x 200,000/ actual work hours)	1.5	1.0	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)	2.7	2.2	1.7	1.0	2.7
Lost-Time Injury Severity Rate (No. of lost days x 200,000 /exposure hours)	12.0	6.4	8.7	11.1	32.6
Recordable LFMV Incident Frequency Rate /1 million	4.6	6.8	1.2	1.2	3.6



Safety and job discussion before start of work

CORPORATE SOCIAL RESPONSIBILITY

In 2018, 5% of pretax profits \$1.5M was set aside for the Grenlec Community Partnership Initiative. The GCPI remains suspended pending the outcome of the Company's ongoing legal challenge of Government's 5% 'social fund' legislation.



Ambulance Presented to Hospital Services. Minister of Health and Other Health Officials in Attendance

handovers of a renewable energy installation and lighting project at the Beausejour Playing Field, an ambulance for the Hospital Services and renewable energy installations at the Dorothy Hopkin Home and Hillview Home for the Aged.



Solar Panels at Beausejour Playing Field



RE Installation Handover - Dorothy Hopkin Home



RE Installation Handover - Hillview Home



Solar Installation at Dorothy Hopkin Home



Solar Installation at Hillview Home

The Company continues to meet commitments that were made prior to 2018 and for which funding had already been allocated. Significantly, the Company participated in

Grenlec Debates

Our Board of Directors approved \$175,000 for training and awards for schools and students participating in the 11th Season of the 2018 Grenlec Debates. These awards were traditionally funded through the GCPI, while all other costs related to the Debates were budgeted under the Company's public relations. The Board decision that the Grenlec Debates would be the major Corporate Social Responsibility Programme for 2018 was supported by the significant visibility, reach and impact the programme has had over its lifetime on participants as well as a national audience.

OUTLOOK

Regulatory Environment

While our Company continues to perform well, the lengthy delay in the transition to a new regulatory system has led to uncertainty. Among other things, this situation has negatively impacted long term plans with regards to renewable energy and fossil fuel generation. We are hopeful that this transition phase will begin sometime in 2019. Engagement with the PURC is critical for the Company to fully understand the operating environment and the processes for implementing new regulations. The Company is well positioned to adapt to a new regulatory regime and has sent key members of the management team to the PURC training programme at the University of Florida.

The issues surrounding the 2016 Electricity Act (EA), whether at ICSID or the 5% social fund in the Grenada Court, are likely to have a determination in 2019. While the rulings of the Tribunal and Court will determine in many ways the future operations of the Company, at the very least they will remove the existing uncertainty and allow for clear strategic and operation plans on the way forward. There is still hope that a negotiated settlement can be arrived at as electricity plays such a significant part in most aspects of economic development and is relied on by our citizens and investors now more than ever. Clearly, the Company has an enormous responsibility in the development of the country and can only do so through successful partnerships with Government and all other stakeholders.

Growth

Real GDP growth of 4.2% was projected for 2019 in the Government's budget presentation. If achieved, this will augur well for the Company given the direct relationship we have seen with kWh sales growth in most years. Another indicator may be the more than 30 requests for estimates for various sized rental projects in the south of the island, some of which may begin in 2019. Additionally, some large projects that came on stream in the last quarter of 2018 are likely to have a spill over impact on sales in the first three quarters of 2019.

Fuel Prices

World fuel prices hovered between a monthly average of USD62.23 and USD70.98 a barrel for the first ten months of 2018. By December it had decreased to USD49.52 a barrel. A new fuel supply contract with Sol saw a first in first out (FIFO) pricing arrangement which meant that the falling fuel prices did not impact the fuel charge calculation in 2018. This will be felt in the first quarter of 2019, when there should be a significant positive impact on the fuel cost recovery rate. The projection by analysts on Energy Information Administration (EIA) is for world fuel prices on the WTI to average USD 54.20 a barrel in 2019, which is marginally above the December 2018 average price. This would mean insignificant movements in fuel prices and fuel charge to customers and little or no impact on the Company's cash flow.

Our People

Through all the uncertainties and challenges, our team members have been committed, responding positively in every instance. The Distribution and Planning and Engineering Departments have combined to lower system losses to a record 7.27%. The Production team has had to work long hours in the face of an aging plant and increased demand for generation. They have stood resolute and ensured that the downtime of generators at the Plant was as short as possible. Our Collections team has been driven by a strong desire to meet our targets and they have come up trumps. Our Carriacou and Petite Martinique Team has continued to improve their performance. Every other department has contributed by containing costs and meeting their objectives. Well done team Grenlec; it is because of you we are able to provide world class service to the people of Grenada, Carriacou and Petite Martinique. Let us all look forward to another successful year in 2019.

2018 grenlec Debates Season II



St. Joseph's Convent, St. George's – 2018 Champion



Bishop's College – Second Place



The Anglican High School – Third Place



Presentation Brothers' College – Third Place



**Sir Paul Scoon
Top Debater Award**
Sherissa Sylvester
St. Joseph's Convent,
St. George's



**People's Choice
Debater**
Omni McNeil
Bishop's College

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

Opinion

We have audited the financial statements of Grenada Electricity Services Limited ('the Company'), which comprise the statement of financial position at December 31st, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31st, 2018 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 13th, 2019



Accountants & Business Advisers

GRENADA ELECTRICITY SERVICES LIMITED
Statement of Financial Position
at 31st December, 2018

(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2018 \$	2017 \$
Non-Current Assets			
Property, plant and equipment	4	82,003,320	79,385,244
Suspense jobs in progress	5	2,158,140	1,621,984
Capital work in progress	6	<u>8,625,034</u>	<u>6,360,367</u>
		<u>92,786,494</u>	<u>87,367,595</u>
Current Assets			
Inventories	8	18,091,756	17,212,092
Trade and other receivables	9	24,643,400	22,941,058
Income tax prepaid		-	92,157
Financial assets at amortised cost	7	32,457,315	34,406,935
Cash and cash equivalents	10	<u>5,325,629</u>	<u>1,460,892</u>
		<u>80,518,100</u>	<u>76,113,134</u>
TOTAL ASSETS		<u>173,304,594</u>	<u>163,480,729</u>
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	11	32,339,840	32,339,840
Hurricane insurance reserve	15	26,000,000	24,000,000
Retained earnings		<u>28,170,393</u>	<u>22,266,799</u>
		<u>86,510,233</u>	<u>78,606,639</u>
Non-Current Liabilities			
Customers' deposits	12	16,525,518	15,404,496
Long-term borrowings	13	33,034,375	37,038,542
Deferred tax liability	20	<u>6,763,168</u>	<u>5,301,241</u>
		<u>56,323,061</u>	<u>57,744,279</u>
Current Liabilities			
Due to related company		117,489	-
Short-term borrowings	13	4,004,167	6,300,573
Trade and other payables	16	20,148,200	14,660,688
Customers' contribution to line extensions	2 (m)	457,735	1,167,900
Provision for retirement benefits	14	193,554	405,678
Provision for profit sharing		4,775,925	4,594,972
Provision for income tax		<u>774,230</u>	<u>-</u>
		<u>30,471,300</u>	<u>27,129,811</u>
TOTAL LIABILITIES		<u>86,794,361</u>	<u>84,874,090</u>
TOTAL EQUITY AND LIABILITIES		<u>173,304,594</u>	<u>163,480,729</u>

The accompanying notes form an integral part of these financial statements

These financial statements were approved by the Board of Directors on March 13th, 2019 and signed on its behalf by:

:Director 

:Director 

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Comprehensive Income
for the year ended 31st December, 2018
(Expressed in Eastern Caribbean Currency Dollars)

INCOME	Notes	2018 \$	2017 \$
Sales - non fuel charge		86,669,272	83,287,156
- fuel charge		92,155,050	65,636,365
Unbilled sales adjustments	2 (v)	<u>1,374,043</u>	<u>794,034</u>
Gross Sales		180,198,365	149,717,555
Other income	17	<u>1,540,400</u>	<u>1,818,788</u>
Total income		<u>181,738,765</u>	<u>151,536,343</u>
LESS: OPERATING EXPENSES			
Production expenses		17,792,313	14,881,136
Diesel consumed		91,744,790	65,370,240
Administrative expenses		19,773,867	20,420,675
Distribution services		15,287,470	15,436,571
Planning and engineering		<u>2,826,463</u>	<u>2,635,220</u>
Total operating expenses		<u>147,424,903</u>	<u>118,743,842</u>
Operating profit		34,313,862	32,792,501
Less: Finance costs	18	<u>2,531,740</u>	<u>2,660,580</u>
Profit for year before allocations and taxation		<u>31,782,122</u>	<u>30,131,921</u>
ALLOCATIONS			
Less: Donations		1,489,106	1,406,596
Profit sharing		<u>6,015,422</u>	<u>5,952,245</u>
		<u>7,504,528</u>	<u>7,358,841</u>
Profit for year before taxation		24,277,594	22,773,080
Less: Provision for taxation		5,032,073	4,257,843
Current tax	20	1,461,927	1,344,888
Deferred tax	20	<u>1,461,927</u>	<u>1,344,888</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>17,783,594</u>	<u>17,170,349</u>
EARNINGS PER SHARE		<u>0.94</u>	<u>0.90</u>

The accompanying notes form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED
Statement of Changes in Equity
For the year ended 31st December, 2018
 (Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital \$	Hurricane Insurance Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 st January, 2017	32,339,840	22,000,000	16,976,450	71,316,290
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	-	-	17,170,349	17,170,349
Balance at 31 st December, 2017	32,339,840	24,000,000	22,266,799	78,606,639
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	-	-	17,783,594	17,783,594
Balance at 31 st December, 2018	32,339,840	26,000,000	28,170,393	86,510,233

The accompanying notes form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows
for the year ended 31st December, 2018
(Continued)

	2018 \$	2017 \$
OPERATING ACTIVITIES		
Profit for the year before taxation	24,277,594	22,773,080
Adjustments for:		
Depreciation	6,799,845	6,210,754
Gain on disposal of property, plant and equipment	<u>(174)</u>	<u>(102,390)</u>
Operating surplus before working capital changes	31,077,265	28,881,444
Increase in trade and other receivables	(1,702,342)	(2,971,164)
Increase in trade and other payables	5,898,369	2,362,297
(Decrease)/increase in provision for retirement benefits	(212,124)	210,423
Increase in inventories	(879,664)	(770,871)
Increase in amount due to related company	117,489	-
Increase/(decrease) in provision for profit sharing	<u>180,953</u>	<u>(365,661)</u>
Income tax paid	34,479,946 <u>(4,165,686)</u>	27,346,468 <u>(5,358,510)</u>
Cash provided by operating activities	<u>30,314,260</u>	<u>21,987,958</u>
INVESTING ACTIVITIES		
Disposal of property, plant and equipment	500	102,920
(Increase)/decrease in suspense jobs in progress	(536,156)	674,671
(Increase)/decrease in capital work in progress	(2,264,667)	2,285,370
Decrease/(increase) in financial assets	1,949,620	(195,326)
Increase in customers' contribution to line extensions	741,536	2,050,665
Purchase of property, plant and equipment	<u>(10,159,783)</u>	<u>(15,713,010)</u>
Cash used in investing activities	<u>(10,268,950)</u>	<u>(10,794,710)</u>
FINANCING ACTIVITIES		
Dividends paid	(9,880,000)	(9,880,000)
Repayment of borrowings	<u>(4,004,167)</u>	<u>(4,004,167)</u>
Cash used in financing activities	<u>(13,884,167)</u>	<u>(13,884,167)</u>
Net increase/(decrease) in cash and cash equivalents	6,161,143	(2,690,919)
Cash and cash equivalents - at the beginning of year	<u>(835,514)</u>	<u>1,855,405</u>
- at the end of year	<u>5,325,629</u>	<u>(835,514)</u>
REPRESENTED BY		
Cash and cash equivalents	<u>5,325,629</u>	<u>(835,514)</u>

The accompanying notes form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018

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-three (233) persons during the year (2017- 244).

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 the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and under the historical cost convention. The financial statements are expressed in Eastern Caribbean Dollars.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 3.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures

(i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017 except for the adoption of new standards and interpretations below.

IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018.

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

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale, held-to-maturity and loans and receivables) have been replaced by:

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

Due to the above as of 1 January 2018, the Company has re-classified its previous loans and receivable financial assets, to financial assets at amortised cost.

The accounting for financial liabilities remains largely the same as it was under IAS 39 which is at amortised cost.

The classification and measurement requirements of IFRS 9 did not have a material impact on the Company. As a result, no adjustment was necessary to the prior year's figures.

The Company's classification of its financial assets and liabilities is disclosed in Note 2 (e).

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRS 9 Financial Instruments (effective 1 January 2018) (continued)

Changes to impairment calculation

The adoption of IFRS 9 has changed the Company's accounting for financial assets impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The Company now uses a provision matrix to calculate ECLs for trade receivables.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in scope for other standards, such as IAS 17 Leases (or IFRS 16, once effective). It also provides a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) (continued)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or a modified retrospective approach which is applied as an adjustment to retained earnings on the date of adoption. When the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period.

The adoption of this standard has no impact on the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective 1 January 2018)

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transactions
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The adoption of this standard has no impact on the Company.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The adoption of this standard has no impact on the Company.

(ii) Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards where appropriate, when they become effective.

- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement (Effective 1 January 2019)
- IFRS 16 - Leases (Effective 1 January 2019)
- IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (Effective 1 January 2019)
- IFRS 17 - Insurance Contracts (Effective 1 January 2021)
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor or Joint Venture – Amendments to IFRS 10 and IAS 28 - (Effective date postponed indefinitely)
- IFRS 9 – Prepayment features with negative compensation (Effective 1 January 2019)
- Amendments to IAS 28 – Long-term Interest in Associates and Joint Ventures (Effective 1 January 2019)
- Amendments to References of the Conceptual Framework in IFRS Standards (Effective 1 January 2020)

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(iii) Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRSs.

The following amendments are applicable to annual periods beginning on or after 1 January 2019.

<i>IFRS</i>	<i>Subject of Amendment</i>
IFRS 3	Business Combinations – Previously held interests in a joint operation.
IFRS 11	Joint Arrangements – Previously held interests in a joint operation.
IAS 12	Income Taxes – Income tax consequences of payments on financial instruments classified as equity.
IAS 23	Borrowing Costs – Borrowing costs eligible for capitalization.

(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 in the statement of comprehensive income.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Subsequent Expenditure

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

Depreciation

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

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

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

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.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currencies Translation

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

EC\$2.7169 to US\$1.00 - (2017: EC\$2.7169)

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

(e) Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at **amortised cost**:

- the financial asset is held in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are subsequently measured at **fair value through other comprehensive income (FVTOCI)**:

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

- the financial asset is held with the objective to achieve by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at **fair value through profit or loss (FVTPL)**.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

From 1st January 2018 the Company has been recording an allowance for expected credit losses for its trade receivables using a simplified approach to calculating ECLs whereby it recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL on these financial assets are estimated using a provision matrix that is based on its' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates used in the provision matrix are based on days past due.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on a financial instrument has not increased significantly since initial recognition the Company recognizes the loss allowance for the financial instrument at an amount equal to 12-month ECL where applicable. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or actual default occurring.

Lifetime ECL represents the expected credit losses that will result for all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible with 12 months after the reporting date.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) Significant financial difficulty of the issuer or borrower;
- (ii) A breach of contract, such as a default or past due event;
- (iii) It is becoming probable that the borrower will enter in bankruptcy or other financial re-organization; and
- (iv) The disappearance of an active market for that financial assets because of financial difficulties

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

GRENADA ELECTRICITY SERVICES LIMITED

Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

- 1) contingent consideration of an acquirer in a business combination,
- 2) held for trading, or
- 3) it is designated as at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

Financial liabilities subsequently measured at amortised cost:

Financial liabilities that are not:

- 1) contingent consideration of an acquirer in a business combination,
- 2) held-for-trading, or
- 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

IFRS 7 Financial Instruments: Disclosures Revised

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 - Financial Instruments: Disclosures revised was up-dated and the Company has adopted it, together with IFRS 9, for the year beginning 1 January, 2018. Changes include transition disclosures as shown in this Note.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position, which is the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the company's financial assets and financial liabilities as at January 1, 2018.

	IAS 39 measurement		Remeasurement		Reclassification	IFRS 9	
	Category	Amounts	Amount	ECL	Amount	Category	
Financial assets							
Cash and cash equivalents	L&R	1,460,892	-	-	1,460,892	AC	
Trade and other receivable	L&R	22,941,058	-	-	22,941,058	AC	
Loans and receivables financial assets	L&R	33,606,869	(33,606,869)	-	-		
Available-for-sales financial assets	L&R	800,066	(800,066)	-	-		
Financial asset as amortised cost:							
From loans and receivable and available for sale financial assets		-	34,406,935	-	34,406,935	AC	
		<u>\$58,808,885</u>	<u>-</u>	<u>-</u>	<u>\$58,808,885</u>		
Financial Liabilities							
Customer's deposits	AC	15,404,496	-	-	15,404,496	AC	
Loans and borrowing – long-term	AC	37,038,542	-	-	37,038,542	AC	
- short term	AC	6,300,573	-	-	6,300,573	AC	
Trade and other payable	AC	14,660,688	-	-	14,660,688	AC	
Customers' contribution to line extensions	AC	1,167,900	-	-	1,167,900	AC	
Provision for retirement benefits	AC	405,678	-	-	405,678	AC	
Provision for profit sharing	AC	4,594,972	-	-	4,594,972	AC	
		<u>\$79,572,849</u>	<u>-</u>	<u>-</u>	<u>79,572,849</u>		

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

As of 1 January 2018, the Company has re-classified its previous loans and receivable financial assets portfolio as debt securities at amortised cost. These instruments met the solely payments of principal and interest (SPPI) criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.

(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. The Company used a provision matrix to calculate its provision for expected credit loss.

(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.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 4.5%. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 is accounted for in the same manner as profit sharing.

(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.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 impairment of trade receivables

Provision is made as follows:

100% on receivables ≥ 90 days

50% on receivables ≥ 60 days

3% on receivables ≥ 30 days

0.5% on receivables < 30 days, all 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, 2018 amounted to \$3,470,372 (2017 - \$3,308,361).

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provision for unbilled sales

The provision and adjustment with comparatives at 31st December, 2018 are calculated as follows:

	2018 \$	2017 \$
Sales revenue for December after discounts	<u>16,020,967</u>	<u>13,272,881</u>
50% of above = provision at 31/12/18	8,010,483	6,636,440
= provision at 31/12/17	<u>6,636,440</u>	<u>5,842,406</u>
Increase in provision during the year	<u>1,374,043</u>	<u>794,034</u>

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.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

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.

Unbilled sales

A provision of 50% of the current month's billing 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 actual energy sales will be different from the estimate made.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at 1st January, 2017						
Cost	1,467,468	30,555,267	227,170,932	10,916,768	11,499,739	281,610,174
Accumulated depreciation	-	(18,396,052)	(168,081,171)	(8,728,251)	(7,099,962)	(202,305,436)
NET BOOK VALUE	\$1,467,468	\$12,159,215	\$59,089,761	\$2,188,517	\$4,399,777	\$79,304,738
For year ended 31st December, 2017						
Opening book value	1,467,468	12,159,215	59,089,761	2,188,517	4,399,777	79,304,738
Additions for the year	397,392	19,999	12,907,266	1,439,501	948,852	15,713,010
Disposals for the year	-	-	-	-	(530)	(530)
Depreciation charge for year	-	(487,233)	(4,060,714)	(439,471)	(1,223,336)	(6,210,754)
NET BOOK VALUE	\$1,864,860	\$11,691,981	\$67,936,313	\$3,188,547	\$4,124,763	\$88,806,464
Balance at 31st December, 2017						
Cost	1,864,860	30,575,266	240,078,198	12,356,269	11,769,107	296,643,700
Accumulated depreciation	-	(18,883,285)	(172,141,885)	(9,167,722)	(7,644,344)	(207,837,236)
Less: Customer contribution to line extensions	1,864,860	11,691,981	67,936,313	3,188,547	4,124,763	88,806,464
	-	-	-	-	-	(9,421,220)
NET BOOK VALUE	\$1,864,860	\$11,691,981	\$67,936,313	\$3,188,547	\$4,124,763	\$79,385,244

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

For year ended 31st December, 2018

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Opening book value	1,864,860	11,691,981	67,936,313	3,188,547	4,124,763	88,806,464
Additions for the year	-	11,728	6,923,298	1,857,000	1,367,757	10,159,783
Disposals for the year	-	-	-	-	(326)	(326)
Depreciation charge for year	-	(484,707)	(4,492,429)	(622,352)	(1,200,357)	(6,799,845)
NET BOOK VALUE	<u>\$1,864,860</u>	<u>\$11,219,002</u>	<u>\$70,367,182</u>	<u>\$4,423,195</u>	<u>\$4,291,837</u>	<u>\$92,166,076</u>
Balance at 31st December, 2018						
Cost	1,864,860	30,586,994	247,001,496	14,213,269	13,136,538	306,803,157
Accumulated depreciation	-	(19,367,992)	(176,634,314)	(9,790,074)	(8,844,701)	(214,637,081)
Less: Customer contribution to line extensions	-	-	-	-	-	(10,162,756)
NET BOOK VALUE	<u>\$1,864,860</u>	<u>\$11,219,002</u>	<u>\$70,367,182</u>	<u>\$4,423,195</u>	<u>\$4,291,837</u>	<u>\$82,003,320</u>

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(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

	2018	2017
	\$	\$
Generation	7,707,485	5,744,258
Computers and software upgrades	15,898	58,527
Furniture and equipment	470,661	-
Distribution	417,555	533,802
Motor vehicles	<u>13,435</u>	<u>23,780</u>
	<u>8,625,034</u>	<u>6,360,367</u>

7. FINANCIAL ASSETS

Amortised cost

Government of Grenada - Treasury Bills	800,066	800,066
Fixed deposit – Republic Bank (Grenada) Limited	10,027,034	10,013,884
Fixed deposit – Grenada Co-operative Bank Limited	8,431,798	10,415,563
Fixed deposit – RBTT Bank Grenada Limited	10,460,471	10,450,016
US\$ certificate of deposit- Cayman National	<u>2,737,946</u>	<u>2,727,406</u>
	<u>32,457,315</u>	<u>34,406,935</u>

Included in the above is an amount of \$26,034,700.57 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.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

8. INVENTORIES

The following is a breakdown of stock on hand:

	2018 \$	2017 \$
Motor vehicle spares	1,126,339	995,936
Distribution	6,316,377	5,825,150
Generation spares	8,902,737	8,733,543
Fuel and lubricating oil	465,372	453,585
General stores	<u>2,553,203</u>	<u>2,409,957</u>
	19,364,028	18,418,171
Less: Obsolescence provision	<u>1,272,272</u>	<u>1,206,079</u>
	<u>18,091,756</u>	<u>17,212,092</u>

9. (a) TRADE AND OTHER RECEIVABLES

Customers' accounts	18,378,502	16,136,012
Less: Provision for impairment of trade receivables	<u>3,462,155</u>	<u>3,290,368</u>
Trade receivables- net	<u>14,916,347</u>	<u>12,845,644</u>
Other debtors	977,940	1,566,326
Less: Provision for doubtful debts	<u>8,218</u>	<u>17,993</u>
	<u>969,722</u>	<u>1,548,333</u>
	15,886,069	14,393,977
Provision for unbilled sales	8,010,484	6,636,440
Prepayments	<u>746,847</u>	<u>1,910,641</u>
	<u>24,643,400</u>	<u>22,941,058</u>

As of the statement of financial position date, the lifetime expected loss provision for trade receivables is as follows:

	30 days	31-60 days	61-90 day	Over 90 days	Total
Expected loss rate	0.5%	3%	50%	100%	
Gross carrying amount	\$13,086,811	\$1,771,186	\$363,257	\$3,157,248	\$18,378,502
Expected credit loss	\$70,146	\$53,132	\$181,629	\$3,157,248	<u>\$3,462,155</u>
					<u>\$14,916,347</u>

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

9. (b) PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2018	2017
	\$	\$
(i) Customers' accounts		
As at December 31 st , 2017	3,290,368	3,594,296
Net change in provision	<u>171,787</u>	<u>(303,928)</u>
As at December 31 st , 2018	<u>3,462,155</u>	<u>3,290,368</u>
(ii) Other debtors		
As at December 31 st , 2017	17,993	463,594
Net change in provision	<u>(9,775)</u>	<u>(445,601)</u>
As at December 31 st , 2018	<u>8,218</u>	<u>17,993</u>

10. CASH AND CASH EQUIVALENTS

Cash on hand	6,700	6,700
Bank of Tampa	538,306	378,406
Bank of Nova Scotia	760,271	84,488
Republic Bank (Grenada) Limited	1,325,872	462,066
CIBC FirstCaribbean International Bank Limited	2,440,236	456,419
Grenada Co-operative Bank Limited	<u>254,244</u>	<u>72,813</u>
	5,325,629	1,460,892
Bank overdraft (note 13)	<u>-</u>	<u>(2,296,406)</u>
Cash and cash equivalents in the statement of cash flows	<u>5,325,629</u>	<u>(835,514)</u>

11. 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>

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

12. CUSTOMERS' DEPOSITS

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

13. BORROWINGS

	2018	2017
	\$	\$
<i>Long-term</i>		
CIBC First Caribbean International Bank Limited	37,038,542	41,042,709
Less: Current portion	<u>4,004,167</u>	<u>4,004,167</u>
Total long-term	<u>33,034,375</u>	<u>37,038,542</u>
<i>Short-term</i>		
Bank overdraft	-	2,296,406
Borrowings current portion	<u>4,004,167</u>	<u>4,004,167</u>
Total short-term	<u>4,004,167</u>	<u>6,300,573</u>
Total borrowings	<u>37,038,542</u>	<u>43,339,115</u>

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

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

The Company has an overdraft facility of \$6.0 million with CIBC First Caribbean International Bank Limited with interest at the rate of 6% per annum.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

14. PROVISION FOR RETIREMENT BENEFITS

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

The balance of \$193,553.84 at the statement of financial position date relates to amounts payable to the Trusts for December 2018.

15. PROVISION FOR HURRICANE INSURANCE RESERVE

	2018	2017
	\$	\$
Balance at beginning of year	24,000,000	22,000,000
Add: Provision for the year	<u>2,000,000</u>	<u>2,000,000</u>
Balance at end of year	<u>26,000,000</u>	<u>24,000,000</u>

16. TRADE AND OTHER PAYABLES

Trade creditors	9,402,962	7,944,029
Sundry creditors	4,246,846	4,050,575
Accrued expenses	<u>6,498,392</u>	<u>2,666,084</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>20,148,200</u>	<u>14,660,688</u>

17. OTHER INCOME

Sundry revenue	1,540,226	1,715,868
Gain on disposal of fixed assets	<u>174</u>	<u>102,920</u>
	<u>1,540,400</u>	<u>1,818,788</u>

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

18. FINANCE COSTS

	2018	2017
	\$	\$
Bank loans/Bond interest	1,870,714	2,060,912
Other bank interest	46,396	16,269
Customer deposit interest	<u>614,630</u>	<u>583,399</u>
	<u>2,531,740</u>	<u>2,660,580</u>

19. RELATED PARTY TRANSACTIONS

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

a) Sale of electricity - NIS	<u>230,704</u>	<u>199,083</u>
b) Management services- WRB Enterprises, Inc.	<u>600,000</u>	<u>600,000</u>
c) Payment of dividends:		
NIS	<u>1,146,516</u>	<u>1,146,516</u>
Grenada Private Power Limited	<u>4,940,000</u>	<u>4,940,000</u>

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

Salaries and other benefits	<u>3,625,056</u>	<u>3,532,413</u>
Directors' Fees	<u>267,154</u>	<u>259,520</u>
Past employment benefit provisions	<u>482,591</u>	<u>469,848</u>
Loans receivable from key management personnel	<u>76,512</u>	<u>122,527</u>

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

20. TAXATION

Current year

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

	2018 \$	2017 \$
Profit for the year before taxation	<u>24,277,594</u>	<u>22,773,080</u>
Tax at applicable statutory rate (30%)	7,283,278	6,231,924
Tax effect of items that are adjustable in determining:		
Tax effect of hurricane reserve	(600,000)	(600,000)
Tax exempt income	(27,685)	(100,745)
Effect of expenses not deductible for tax purposes	<u>(1,623,520)</u>	<u>(1,873,336)</u>
Provision for taxation	<u>5,032,073</u>	<u>4,257,843</u>

Deferred tax liability

Balance at the beginning of the year	(5,301,241)	3,956,353)
Deferred tax charge	<u>(1,461,927)</u>	<u>(1,344,888)</u>
Balance at the end of the year	<u>(6,763,168)</u>	<u>(5,301,241)</u>

The deferred tax liability consists of the following components:

Delayed tax depreciation	<u>22,543,894</u>	<u>17,676,803</u>
Deferred tax liability at 30%	<u>(6,763,168)</u>	<u>(5,301,241)</u>

21. CONTINGENT LIABILITIES

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

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

22. DIVIDENDS

During the year ended December 31st, 2018, a dividend of 52 cents per ordinary share amounting to \$9,880,000 was declared and paid.

23. RESTATED FIGURES

Statement of Comprehensive Income

The hurricane insurance reserve amount was reallocated from the statement of comprehensive income to the statement of changes in equity. The net impact was as follows:

	Previously Reported	Adjustment	Restated Amount
Net profit for 2017	<u>\$15,170,349</u>	<u>\$2,000,000</u>	<u>\$17,170,349</u>

There was an increase in the earnings per share at December 31, 2017 of \$0.10 to \$0.90.

24. 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.

24. FINANCIAL RISK MANAGEMENT (continued)

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.

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

Credit risk

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

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

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

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31st, 2018.

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.

24. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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 (Note 10), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short term obligations.

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

24. FINANCIAL RISK MANAGEMENT (continued)

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

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

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

24. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2018	Current	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	5,325,629	-	-	-	5,325,629
Financial asset at amortised cost	2,849,153	-	-	29,608,096	32,457,249
Trade and other receivables	21,722,818	1,839,076	219,413	862,093	24,643,400
Inventories	<u>18,091,756</u>	-	-	-	<u>18,091,756</u>
	<u>47,989,356</u>	<u>1,839,076</u>	<u>219,413</u>	<u>29,670,189</u>	<u>79,718,034</u>
Current liabilities					
Short-term borrowings	-	-	1,001,042	3,003,125	4,004,167
Due to related company	117,489	-	-	-	117,489
Trade payables and accrued expenses	13,307,248	888,915	538,328	5,413,709	20,148,200
Consumers' advances for construction	-	-	-	457,735	457,735
Provision for retirement benefits	193,554	-	-	-	193,554
Provision for profit sharing	-	-	-	4,775,925	4,775,925
Provision for income tax	-	-	<u>774,230</u>	-	<u>774,230</u>
	<u>13,618,291</u>	<u>888,915</u>	<u>2,313,600</u>	<u>13,650,494</u>	<u>30,471,300</u>
NET LIQUIDITY SURPLUS	<u>34,371,065</u>	<u>950,161</u>	<u>(2,094,187)</u>	<u>16,019,695</u>	<u>49,246,734</u>

24. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

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

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

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

(ii) Interest rate risk

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

The company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

Capital risk management

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

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

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

GRENADA ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
at 31st December, 2018
(Continued)

24. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

The debt-to-equity ratios are shown below:

Capital structure

	2018 \$	2017 \$
Total borrowings (Note 13)	<u>37,038,542</u>	<u>41,042,708</u>
Shareholders' equity	<u>86,510,233</u>	<u>78,606,639</u>
Debt to equity ratio	<u>0.43:1</u>	<u>0.52:1</u>

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR OPERATIONAL RECORD 2014-2018

	2018	2017	2016	2015	2014
PRODUCTION AND SALES					
Generation - Grenlec Diesel	227,651,303	220,136,016	216,195,395	205,629,084	199,588,355
Generation - Grenlec PV	1,614,893	1,655,231	882,796	326,294	320,590
Generation - PV Customers	1,681,036	1,429,782	1,429,955	1,011,319	620,549
Gross Generation (kWh)	230,947,232	223,221,029	218,508,146	206,966,697	200,529,494
Auxillaries & Own Use	6,490,799	6,215,633	6,123,818	6,285,999	5,926,777
Net Generation	224,456,433	217,005,396	212,384,328	200,680,698	194,602,717
Sales (kWh)					
Domestic	80,512,737	78,680,567	76,779,913	70,083,198	68,228,598
Commercial	116,955,264	110,449,387	109,061,085	103,664,062	100,431,948
Industrial	5,934,292	5,478,443	5,686,738	5,593,604	5,803,295
Street Lighting	4,668,193	4,710,779	4,701,059	4,697,707	4,697,950
Total Sales	208,070,486	199,319,176	196,228,795	184,038,571	179,161,791
Loss (% of Net Generation)	8.12%	7.58%	8.26%	7.90%	7.71%
Number of Customers at Year - End					
Domestic	44,250	43,229	42,293	41,298	40,329
Commercial	6,930	6,752	6,521	6,263	6,113
Industrial	38	38	39	36	36
Street Lights	8,713	8,628	8,461	8,387	8,386
Total Customers	51,218	50,019	48,853	47,597	46,478
Average Annual usage per Customer Class (kWh)					
Domestic	1,819	1,820	1,815	1,697	1,692
Commercial	16,877	16,358	16,725	16,552	16,429
Industrial	156,166	144,170	145,814	155,378	161,203

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR FINANCIAL RECORD 2014-2018

EXPRESSED IN EC\$ & US\$

	2018 EC\$	2017 EC\$	2016 EC\$	2015 EC\$	2014 EC\$
INCOME	181,738,765	151,536,343	137,603,711	151,279,103	189,938,021
PROFIT BEFORE TAXES	22,277,594	20,773,080	23,284,012	25,939,644	26,847,037
TAXATION	6,494,000	5,602,731	6,957,694	7,699,542	7,606,135
NET PROFIT	15,783,594	15,170,349	16,326,318	18,240,102	19,240,902
Stated Capital & Retained Earnings	60,510,233	54,606,639	49,316,290	101,955,134	93,595,032
Hurricane Insurance Reserve	26,000,000	24,000,000	22,000,000	20,000,000	18,000,000
SHAREHOLDERS EQUITY	86,510,233	78,606,639	71,316,290	121,955,134	111,595,032
REPRESENTED BY:					
TOTAL ASSETS	173,304,594	163,480,729	155,358,788	170,544,752	184,209,138
TOTAL LIABILITIES	86,794,361	84,874,090	84,042,498	48,589,618	72,614,106
NET ASSETS	86,510,233	78,606,639	71,316,290	121,955,134	111,595,032
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	18.24%	19.30%	22.89%	14.96%	17.24%
Earnings Per Share	0.83	0.80	0.86	0.96	1.01
Dividends Per Share	0.52	0.52	3.52	0.48	0.48
	US \$	US \$	US \$	US \$	US \$
INCOME	67,310,654	56,124,571	50,964,337	56,029,297	70,347,415
PROFIT BEFORE TAXES	8,250,961	7,693,733	8,623,708	9,607,276	9,943,347
TAXATION	2,405,185	2,075,086	2,576,924	2,851,682	2,817,087
NET PROFIT	5,845,776	5,618,647	6,046,784	6,755,594	7,126,260
Stated Capital & Retained Earnings	22,411,197	20,224,681	18,265,293	37,761,161	34,664,827
Hurricane Insurance Reserve	9,629,630	8,888,889	8,148,148	7,407,407	6,666,667
SHAREHOLDERS EQUITY	32,040,827	29,113,570	26,413,441	45,168,568	41,331,494
REPRESENTED BY:					
TOTAL ASSETS	64,186,887	60,548,418	57,540,292	63,164,723	68,225,607
TOTAL LIABILITIES	32,146,060	31,434,848	31,126,851	17,996,155	26,894,113
NET ASSETS	32,040,827	29,113,570	26,413,441	45,168,568	41,331,494
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	18.24%	19.30%	22.89%	14.96%	17.24%
Earnings Per Share	0.31	0.30	0.32	0.36	0.38
Dividends Per Share	0.19	0.19	1.30	0.18	0.18

INCREASING RESILIENCE

ANNUAL REPORT 2018



Grenada Electricity Services Ltd
P.O. Box 381, St. George's
Grenada, W.I.