AUDITED FINANCIAL STATEMENTS OF THE GUYANA POWER AND LIGHT INC.

FOR THE YEAR ENDED
31 DECEMBER 2013

CONTRACTED AUDITORS:

NIZAM ALI & CO.
215 'C' CAMP ST.
NORTH CUMMINGSBURG
GEORGETOWN

AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

AUDITED FINANCIAL STATEMENTS OF THE GUYANA POWER AND LIGHT INC. FOR THE YEAR ENDED 31 DECEMBER 2013

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105/PC: 64/2/2014

08 May 2014

Mr. Winston Brassington
Chairman
Guyana Power and Light Inc.
15 Duke Street
Georgetown.

Dear Mr. Brassington,

AUDIT OF THE BOOKS AND ACCOUNTS OF THE
GUYANA POWER AND LIGHT, INC.
FOR THE YEAR ENDED 31 DECEMBER 2013

Please find attached ten (10) copies of the audited financial statements, together with the report of the Auditor General, thereon.

Should you need any further explanation, please do not hesitate to contact us.

With best regards.

Yours sincerely,

AUDIT OFFICE OF GUYANA

J. Dillon
Audit Manager
for Auditor General

Audit Office of Guyana
P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana
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AG: 44/2014

08 May 2014

REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE GUYANA POWER AND LIGHT, INC. ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Chartered Accountants Nizam Ali and Company have audited on my behalf the financial statements of Guyana Power and Light Inc. for the year ended 31 December 2013, as set out on pages 2 to 33. The audit was conducted in accordance with the Audit Act 2004.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC) and those of the International Organisation of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, working papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Guyana Power and Light Inc. as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion I draw attention to Note 32 which explains that the Company has incurred losses since its incorporation and that future operation of the Company is dependent on ongoing financial support of the Government of Guyana.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Companies Act 1991.

AUDIT OFFICE OF GUYANA

D. SHARMA
AUDITOR GENERAL

AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

Nizam Ali & Company

Chartered Accountants

215 'C' Camp Street
North Cummingsburg
Georgetown

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REPORT OF CHARTERED ACCOUNTANTS
NIZAM ALI AND COMPANY
TO THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF GUYANA POWER AND LIGHT, INC.
FOR THE YEAR ENDED DECEMBER 31, 2013

AUDITORS' REPORT

To the Shareholder of Guyana Power and Light Inc.

We have audited the accompanying financial statements of Guyana Power and Light Inc. which comprise the statement of financial position as at December 31, 2013 and the statement of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Office of Guyana Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to note 32 which explains that the company has incurred losses since its incorporation and that future operations of the company is dependent on ongoing financial support of the Government of Guyana.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Companies Act 1991.

Nizam Ali & Co.

Chartered Accountants
Georgetown, Guyana

May 6, 2014

Partners: Nizam Ali - FCCA, CTA; Leslie Veerasammy - FCCA

GUYANA POWER AND LIGHT, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

Guyana Power and Light, Inc.
Statement of Financial Position
As at December 31, 2013
With comparative figures for 2012
(Expressed in Guyana Dollars)

ASSETS	Notes	2013 $'000	2012 $'000 *Restated **
Non current assets			
Property, plant and equipment	5	23,745,490	22,514,198
Intangible fixed assets	6	643,291	643,291
Work-in-progress	7	11,301,240	10,581,708
		35,690,021	33,739,197
Current assets			
Inventories	9	5,484,050	5,123,127
Receivables	10	4,862,827	5,368,663
Deposit	11	47,131	23,172
Related parties	12 (a)	3,561,645	2,991,807
Cash resources		2,403,987	693,933
		16,359,640	14,200,702
Total Assets		52,049,661	47,939,899
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	23,118,244	21,486,755
Accumulated deficit		(15,600,863)	(13,105,740)
		7,517,381	8,381,015
Non current liabilities			
Deferred tax	8	377,078	573,633
Related parties	12 (c)	29,449,631	20,464,806
Advances customer financed projects	14	6,553,896	6,872,434
Provision for decommissioning	15	242,900	242,900
Customer deposits	16	1,708,341	1,597,616
Defined benefit pension	17	940,300	1,101,300
Loan	18	-	839,140
		39,272,146	31,691,829
Current liabilities			
Related parties	12 (b)	1,945,323	1,655,831
Loan	18	25,927	208,512
Deferred income	19	15,596	3,747
Payables	20	3,273,288	5,998,965
		5,260,134	7,867,055
Total equity and liabilities		52,049,661	47,939,899

* see note 30

On behalf of the Board

CHAIRMAN

DIRECTOR

The accompanying notes form an integral part of these financial statements.

Guyana Power and Light, Inc.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2013
With comparative figures for 2012
(Expressed in Guyana Dollars)

	Notes	2013 $'000	2012 $'000 *Restated* *
Revenue			
Turnover		30,639,951	29,028,087
Expenditure			
Generation costs	21	25,706,704	27,078,136
		4,933,247	1,949,951
Other expenses			
Employment costs	22	2,875,578	2,627,146
Repairs and maintenance - T & D		207,220	164,265
Depreciation	23	2,527,800	2,187,520
Administrative expenses	24	1,218,892	1,088,363
Rates and taxes		83,694	24,518
Property tax		21,927	48,599
Loss on exchange		406,372	62,649
Bad debts		428,005	419,721
PUC assessment and license		50,000	50,480
		7,819,488	6,673,261
Loss from operations		(2,886,241)	(4,723,310)
Interest expenses		675,226	645,123
		(3,561,467)	(5,368,433)
Other income		591,989	793,091
Loss before taxation		(2,969,478)	(4,575,342)
Taxation	25	279,895	(2,740,433)
Loss		(2,689,583)	(7,315,775)
Other comprehensive income			
Remeasurement of defined benefit		277,800	(478,600)
Related tax		(83,340)	143,580
Other comprehensive income net of tax		194,460	(335,020)
Total comprehensive income		(2,495,123)	(7,650,795)
Loss per share	26	(21)	(62)

* see note 30

The accompanying notes form an integral part of these financial statements.

Guyana Power and Light, Inc.
Statement of Changes in Shareholder's Equity
For the year ended December 31, 2013
With comparative figures for 2012
(Expressed in Guyana Dollars)

	Share capital *(Note 13)* $'000	Accumulated Surplus/ (Deficit) $'000	Total $'000
At January 1, 2012 as previously stated	15,486,755	(5,319,565)	10,167,190
Restatement (note 30)		(135,380)	(135,380)
Restated	15,486,755	(5,454,945)	10,031,810
Total comprehensive income			
Profit - restated	-	(7,315,775)	(7,315,775)
Other Comprehensive income- restated	-	(335,020)	(335,020)
Transactions with owners of the company			
Capital contribution during the year	6,000,000	-	6,000,000
At December 31, 2012 restated	**21,486,755**	**(13,105,740)**	**8,381,015**
At January 1, 2013- restated	21,486,755	(13,105,740)	8,381,015
Total comprehensive income			
Loss	-	(2,689,583)	(2,689,583)
Other comprehensive income	-	194,460	194,460
Transactions with owners of the company			
Capital contribution during the year	1,631,489	-	1,631,489
At December 31, 2013	**23,118,244**	**(15,600,863)**	**7,517,381**

The accompanying notes form an integral part of these financial statements.

Guyana Power and Light, Inc.
Statement of Cash Flows
For the year ended December 31, 2013
With comparative figures for 2012
(Expressed in Guyana Dollars)

	2013 $'000	2012 $'000
Cash flows from operating activities		
Net comprehensive loss before taxation	(2,969,478)	(4,575,342)
Adjustments for:		
Depreciation	2,527,800	2,187,520
Deferred Income	11,849	(47,024)
Defined pension benefit liability	(161,000)	742,900
Interest expense	675,226	645,123
Amortisation of customer finance project	(416,816)	(398,437)
Gain on remeasurment of pension liability	277,800	(672,000)
	2,914,859	2,458,082
Operating loss before working capital changes	**(54,619)**	**(2,117,260)**
Working capital changes		
Receivables	505,836	(781,269)
Inventories	(360,923)	(740,859)
Payables	(3,309,085)	2,434,625
Related parties	(280,347)	(247,136)
	(3,444,519)	665,361
Net cash outflow from operating activities	**(3,499,138)**	**(1,451,899)**
Cash flow from investing activities		
Purchase of tangible fixed assets	(4,172,120)	(9,209,681)
Interest capitalised	(306,504)	-
Increase in deposit	(23,959)	122,465
Net cash outflow from investing activities	(4,502,583)	(9,087,216)
Cash flow from financing activities		
Non-current related parties	8,984,827	4,011,251
Net movement in loans	(1,021,725)	594,183
Capital contribution during the year	1,631,489	6,000,000
Interest paid	(91,818)	(60,304)
Customer deposits	110,724	174,962
Customer financed projects	98,278	634,241
Net cash inflow from financing activities	9,711,775	11,354,333
Net increase in cash and cash equivalents	1,710,054	815,218
Cash and cash equivalents - January 1	693,933	(121,285)
Cash and cash equivalents - December 31	2,403,987	693,933
Represented By:		
Cash on hand and at bank	2,403,987	693,933
	2,403,987	693,933

The accompanying notes form an integral part of these financial statements.

1. **Incorporation and Principal Activity**

(i) **Incorporation**

The company was incorporated in the Cooperative Republic of Guyana on September 29, 1999 under the Companies Act, 1991.

(ii) **Principal activity**

The principal activity of the company is the generation and distribution of electricity in Guyana.

2. **New standards and interpretations**

(i) The following new interpretation and amendments to existing guidance have been published and are effective for the current financial period but they do not have a significant impact on the Company's financial reporting.

Amendments to IAS 1 Financial statement presentation

The main change resulting from these amendments is a requirement for entitites to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

Amendment to IFRS 7 Financial instrument disclosure

This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10 Consolidated financial statements

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity to present consolidated financial statements. It defines the principle of control and establishes control as the basis of consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 Joint arrangements

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of asset, liabilities, revenue and expenses. Joint venture arises where the joint venturer has rights to the net assets or the arrangements and therefore equity accounts for its interest. Proportional consolidation of joint venutre is no longer allowed.

IFRS 12 Disclosures of interest in other entities

IFRS 12 includes the dislosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 Fair value measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within the IFRSs or US GAAP.

IAS 28 (revised) Associate and joint ventures

IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

2. New standards and interpretations, continued

IFRIC 20 Stripping cost in the production phase of a surface mine

This interpretation sets out the accounting for overburden waste removal costs in the production phase of surface mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the asset cannot be attributed to an identifiable component of an ore.

Amendments to IAS 32 Financial instruments: presentation

The amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

(ii) The following amendment to existing guidance have been published and are effective for the current financial, the adoption of this amendment has resulted in the restatement of the previous year financial statement. See note 3.15

Amendment to IAS 19 Employee benefits

The amendment eliminates the corridor approach and calculates finance cost on a net funding basis.

(iii) New standards and amendments to standards and interpretations not effective for annual periods beginning after January 1, 2013, have not been applied in preparing these financial statements. Other than IFRS 9 none of these is expected to have any effect on the financial statements of the company.

IFRS 9 Financial instruments

IFRS 9 retains but simplifies the mix measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial asset.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the previous year.

3.1 Basis of preparation

The financial statements are prepared in Guyana dollars in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention method as modified by the valuation of financial assets available for sale and financial assets at fair value through profit or loss and no account has been taken for the effects of inflation.

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements and income and expenses during the year. Actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The accounting standards as required by the Electricity Sector Reform Act . 1999 for tariff calculation has been applied as to:

- The terms and conditions of the company's licence
- Generally accepted accounting principles
- International Financial Reporting Standards (Inclusive of International Accounting Standards and Interpretations)

These financial statements were approved for issue by the Board of Directors on May 6, 2014.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Expenditure on assets, which will benefit the company economically for a period greater than the current financial accounting period, is capitalised and written off over the useful life of the assets.

Individual assets or group of items making up a single identifiable asset of value less than $10,000 is not capitalised but is expensed in the accounting period in which the costs are incurred.

The capitalised asset value of purchased assets is measured at the full cost of bringing the assets to working condition for the intended use. Self constructed assets are stated at the accumulated cost of purchased elements together with the element of internal cost incurred in constructing the asset. Borrowing costs that are directly attributable to the constructing of the tangible assets are capitalised as part of the cost of those asset. Capitalisation of borrowing costs ceases when the asset is brought into use.

Subsequent expenditure on existing assets is capitalised where the expenditure provides an enhancement of the economic benefits of the asset in excess of the previously assessed standard of performance.

Any revaluation increase arising on the revaluation of assets is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expended. A decrease in the carrying amount arising on the revaluation of the land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued building and machinery is recognised in the statement of profit or loss and other comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

3. Summary of significant accounting policies, continued

3.2 Property, plant and equipment, continued

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets on the same basis as other property assets commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the finance year and any changes in estimate is accounted for immediately.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

Depreciation on all property, plant & equipment is charged on a straight-line basis. The following rates used are expected to write off the value of the assets over their useful economic lives:

	Vested Assets	New Assets
Land	Unlimited	Unlimited
Buildings	33 years	33 years
Generation Plant – New	20 years	20 years
Generation Plant – Mobile	N/A	10 years
Generation Plant – Other	10 years	10 years
Transmission & Distribution Networks	13 years	13 years
Motor Vehicles	2 years	5 years
Office and Computer Equipment	3 years	3 years

3.3 Impairment of long-lived assets

At the end of each reporting period, the company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Summary of significant accounting policies, continued

3.3 Impairment of long-lived assets, continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that has been determined had no impairment loss been recognised for the asset (or cash-generating unit) in the prior years. Reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at the revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.4 Work-in-progress

Depreciation is not charged on work- in- progress. The useful life of assets capitalised from work in progress commences when the assets have been put into use.

3.5 Leased assets

Plant and equipment acquired under finance leases are included in the statement of financial position at their equivalent capital value and are depreciated over their expected useful lives. The interest element of the finance lease payments is charged to the statement of profit or loss and other comprehensive income. Operating lease rentals are charged to the statement of profit or loss and other comprehensive income on a straight line basis over the lease term.

3.6 Inventories - maintenance spares

These are valued at the lower of cost and net realisable value. The weighted average cost method is primarily used to determine cost.

3.7 Provision for bad and doubtful debts

Provision is made in these financial statements for amounts included in receivables of which the eventual cash realisation is considered remote. The provision has been estimated at 1.5% of turnover (excluding revenue from prepaid sales) based on previous experience and is provided for in the statement of profit or loss and other comprehensive income as at December 31, 2013.

3.8 Foreign currency

Functional and Presentation Currency

The company's financial statements are presented in Guyana Dollars. This is the currency of the primary economic environment in which the entity operates (its functional currency).

Transactions and Balances

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

3. **Summary of significant accounting policies, continued**

3.9 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past transaction and it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable can be recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Turnover

Turnover comprises billed sales of electricity and services to customers. Rates payable by customers are determined by reference to the company's license.

3.11 Taxation

Taxation expense represents the sum of the statutory tax charge and deferred tax.

Statutory tax

The tax payable is based on the taxable profit for the year. Taxable profit differs from the net profit as reported in the statement of profit or loss and other comprehensive income because it includes items of income and expenses that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The current tax charge is calculated using tax rate that have been enacted at the date of the statement of financial position.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and the tax laws) that have been enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequence that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liability.

Statutory and deferred tax for the period

Current and deferred taxes are recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when they relate to items that are recognised outside the statement of profit or loss and other comprehensive income (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside the statement of profit or loss and other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for business combination.

3. Summary of significant accounting policies, continued

3.12 Employee benefits

The company's pension scheme is managed independently by the Hand in Hand Trust Corporation Inc. Pension costs are assessed in accordance with the advice of independent actuaries. The Trust Deed requires an actuarial valuation at least every five years. The latest actuarial valuation for the scheme was as at December 31, 2013 which revealed a past deficit (refer to note 17).

The provisions in respect of the guaranteed post-employment benefits and the termination gratuities represent the present value of the obligations at the statement of financial position's date minus the fair value of any assets held to cover the obligations, together with adjustment for actuarial gains/losses. The obligations have been calculated by an independent actuary using hybrid method as charged or credited to income over the average remaining lives of the related employees.

3.13 Advances customer financed projects

The non-refundable amounts contributed by the Inter American Development Bank through the Government of Guyana, Guyana Power and Light Inc., the Government of Guyana and private customers in respect of capital works carried out under the Unserved Areas Electrification Programme (U.A.E.P.), are accounted for as deferred income which is amortised over the same period that the related asset is depreciated.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

3.15 Comparatives

Comparative information has been restated in respect of the change in accounting policy on the adoption of IAS 19 Revised and the correction of an error regarding the computation of interest charges (see note30).

Certain comparatives were also reclassified to conform with current year presentation.

4. Critical accounting estimates and judgment in applying accounting policies

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the company's accounting policies. Management evaluates estimates and judgment incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Statutory taxes

Provision is made for taxes at the tax rate effective at the date of the statement of financial position. Any additional tax due is provided for as a current tax expense.

(ii) Provisions

Provisions are made for expenses relating to the current year for which there is no set amount to be incurred. These amounts are best estimates based on the closest comparable amount.

Judgment in applying the company's policies

The company exercises judgment in the following areas:

- Provisions for bad debts
- Depreciation
- Pension obligation
- Intangible fixed asset
- Deferred income

5. Property, plant and equipment

2013

	Land and Buildings $'000	Generation Facilities $'000	Transmission & Distribution Facilities $'000	Motor Vehicles $'000	Furniture & Equipment $'000	Total $'000
Cost/Valuation						
January 1,	1,067,007	20,513,948	15,869,880	193,614	772,538	38,416,987
Additions	14,012	7,635	3,693,983	14,110	29,352	3,759,092
December 31,	**1,081,019**	**20,521,583**	**19,563,863**	**207,724**	**801,890**	**42,176,079**
Depreciation						
As at January 1,	267,800	8,650,489	6,129,872	147,734	706,894	15,902,789
Charged for the year	25,239	1,227,724	1,201,705	17,917	55,215	2,527,800
December 31,	**293,039**	**9,878,213**	**7,331,577**	**165,651**	**762,109**	**18,430,589**
Net Book Values:						
As at December 31, 2013	787,980	10,643,370	12,232,286	42,073	39,781	23,745,490

5. **Property, plant and equipment, continued**

<u>2012</u>

	Land and Buildings $'000	Generation Facilities $'000	Transmission & Distribution Facilities $'000	Motor Vehicles $'000	Furniture & Equipment $'000	Total $'000
Cost/Valuation						
January 1,	1,062,014	19,840,167	11,991,059	153,518	749,064	33,795,822
Additions	4,993	673,781	3,878,821	40,096	23,474	4,621,165
December 31,	1,067,007	20,513,948	15,869,880	193,614	772,538	38,416,987
Depreciation						
As at January 1,	243,911	7,384,437	5,224,193	136,359	726,369	13,715,269
Charged for the year	23,889	1,266,052	905,679	11,375	(19,475)	2,187,520
December 31,	267,800	8,650,489	6,129,872	147,734	706,894	15,902,789
Net Book Values:						
As at December 31, 2012	799,207	11,863,459	9,740,008	45,880	65,644	22,514,198

6. **Intangible Asset**

	2013 $ '000	2012 $ '000
Balance at beginning and end of year	643,291	643,291

This represents the cost of the Customer Information System (CIS) and Pre-Paid software that were capitalised based on the recognition criteria's set out under the International Accounting Standard (IAS) 38. This standard prescribes an assessment for impairment at the end of each reporting year in accordance with IAS 36.

7. Work-in-progress

	2013 $'000	2012 $'000
Balance - January 1	10,581,708	5,993,192
Additions	3,347,437	8,477,718
Interest Capitalised	306,504	-
Transfers to Tangible Fixed Assets	(2,934,409)	(3,889,202)
Balance - December 31	**11,301,240**	**10,581,708**

Work - in - progress represents amount spent on tangible fixed assets which have not been completed at the end of the financial year.

8. Deferred tax assets and liabilities are attributable to the following

	2013 $'000	2012 $'000
Deferred Tax		
Balance at beginning of year	(573,633)	2,023,220
Movement	196,555	(2,596,853)
Balance at end of year	**(377,078)**	**(573,633)**
Components of deferred tax		
Unused tax losses (see note)	-	-
Timing difference	(377,078)	(573,633)
	(377,078)	**(573,633)**

Note

Management has taken a decision not to recognising deferred tax asset on unused tax loss until there is sufficient evidence that the company will have sufficient taxable profit to offset.The unused tax loss at December 31, 2013 on which no deferred tax asset is recognised amounts to $16,204,484M (2012- $13,258,125M.)

9. Inventories

	2013 $'000	2012 $'000
Fuel	1,064,286	590,684
Spares	3,431,204	3,520,651
Goods in Transit	988,560	1,011,792
	5,484,050	5,123,127

The recoverable amount for the inventory on hand at the end of the year approximates the current market prices. Majority of these items are expected to be utilised within twelve (12) months.

10. Receivables

		2013 $'000	2012 $'000
	Customer accounts	11,286,876	9,546,985
	Others	831,888	2,649,609
		12,118,764	12,196,594
	Less		
(i)	Provision for bad debts (i)	(7,255,937)	(6,827,931)
		4,862,827	5,368,663

(i) The company makes an annual provision of 1.5% of turnover net of prepaid sales.

11. Deposit accounts

		2013 $'000	2012 $'000
	Letters of Credit	12	12
(i)	Republic Bank (Guyana) Ltd. - Cash Collateral A/cs	1,518	1,517
(ii)	Unserved Areas Electrification Programme Counterpart A/c	3,774	21,643
(iii)	Unserved Areas Electrification Programme IDB A/c	41,827	-
Total		47,131	23,172

(i) Represents amounts held against letters of credit for the purchase of supplies from Hexing Electrical Company Limited for the use in the Unserved Areas Electrification Programme.

(ii) & (iii) These represent funds received from the Government of Guyana in respect of the Unserved Areas Electrification Programme and the Additional Unserved Areas Electrification Programme. The use of these funds is restricted to these programmes.

12. Related parties

			2013 $'000	2012 $'000
(a)	Current assets			
	(i)	Agent - Bill Direct	184,264	184,264
	(ii)	Receivable- Guyana Sugar Corporation	3,377,381	2,807,543
			3,561,645	2,991,807
(b)	Current liabilities			
	(i)	Guyana Electricity Corporation - Customer Deposits	12	12
	(ii)	Related Party Payable-Guysuco	1,578,983	1,289,491
	(iii)	Government of Guyana - Petro Caribbean Loan	366,328	366,328
			1,945,323	1,655,831
(c)	Non-current liabilities			
	(i)	Government of Guyana - Infrastructural development	7,320,257	5,940,469
	(ii)	Government of Guyana - Petro Caribbean Loan	16,758,489	13,532,572
	(iii)	Government of Guyana - IDB Loan	600,885	991,765
	(iv)	Government of Guyana - Capital expenditure	4,770,000	-
			29,449,631	20,464,806

12. Related parties, continued

(a)(i) This represents amount owed by collection agent - Bill Direct, for remittances received from GPL's customers which were not remitted to GPL. GPL received judgment from the High Court in its favour. Subsequent measures are being taken to recover full amount.

(ii) This represents amount owing by Guyana Sugar Corporation for Heavy Fuel Oil loaned and/or utilised from GPL's inventory.

(b)(i) This represents the amount remaining due to the Guyana Electricity Corporation for amounts collected on its behalf in respect of electricity sold prior to the incorporation of Guyana Power & Light, Inc. in accordance with the Operation and Agency Agreement. These were written off in 2009 and the balance represents the amount that is still owing as a result of a stale dated cheque.

(ii) This represents amount owing to the Guyana Sugar Corporation for electricity purchased under the Power Purchase Agreement.

(iii) This represents financing under the Petrocaribe Loan Agreement between the Government of Guyana and the Guyana Power & Light Inc. for the procurement of 20.7MW and 15.6MW Kingston Wartsila Power Plants, 26MW Vreed-en-Hoop Wartsila Power Plant, 69KV Transmission Lines and five (5) Caterpillar sets. Interest is charged at 3% per annum and repayment is over a fifteen (15) year period.

(c)(i) This represents financing under the GPL Infrastructure Development Project -Government Concessional Loan Agreement between the Government of Guyana and the Export-Import Bank of China. Interest is charged at 4% per annum and repayment is over a twelve (12) year period, with a five (5) years moratorium.

(ii) See b(iii) above.

(iii) This represents an agreement with the Government of Guyana through the International Development Bank (IDB) to finance the extension of the distribution system for Unserved Areas, the setup of a Loss Reduction Programme and to support the negotiation of Power Purchase Agreements.

(iv) This represents financing from the Govenrment of Guyana for Capital Expenditure during 2013.

13. Stated / issued capital	Number	Minimum Issue Price $	2013 Value $'000	2012 Value $'000
Authorised:				
(i) Common shares	Unlimited	100	-	-
(ii) Class A Preference Shares	12,000,000	100	-	-
(iii) Class B Preference Shares	12,000,000	100	-	-
Special Share	1	100	-	-
Issued:				
(iv) Common shares	55,074,228	182	9,999,361	9,999,361
(v) Net liabilities to common shares	18,496,667	182	3,366,394	3,366,394
(vi) Promissory note to common shares	3,450,000	180	621,000	621,000
(vii) Conversion of subsidy	8,241,758	182	1,500,000	1,500,000
(viii) Conversion of subsidy	32,967,033	182	6,000,000	6,000,000
New issues:				
(ix) Conversion of subsidy	5,494,505	182	1,000,000	-
(x) Conversion of grant	3,469,720	182	631,489	-
	127,193,911		23,118,244	21,486,755

All shares are owned by the Co-operative Republic of Guyana.

(i) The company is authorised to issue an unlimited amount of common shares at a minimum price of G$100.

(ii) In 2004, all Class A preference shares were automatically and permanently converted to 12,000,000 common shares of G$180 each.

(iii) In 2005, all class B preference shares were converted to common shares retroactively to October 1, 2004.

(v)& (vi) In 2010 the Government of Guyana approved the retroactive conversion of G$3.336B in net liabilities and a G$621M promissory note to common shares.

(vii) During 2011 the company converted G$1.5B of fuel subsidy granted by the Government of Guyana (GOG) to share capital.

(viii) During 2012 the company converted G$6B of fuel subsidy granted by the Government of Guyana (GOG) to share capital.

(ix) During 2013 the company converted G$1B of subsidy granted by the Government of Guyana (GOG) to share capital.

(x) During the year the company converted proceeds from IDB grant drawn to date to share capital.

14. Advances customer financed projects

In accordance with the accounting policy described in note 3.13, the following capital contributions received from the Inter American Development Bank, the Government of Guyana and private customers are amortised over the period that the related asset (transmission and distribution network) is depreciated.

	2013 $'000	2012 $'000
Contributions:		
At January 1	9,117,266	8,483,025
Contributions during the year	98,278	634,241
At December 31	9,215,544	9,117,266
Amortisation:		
At January 1	(2,244,832)	(1,846,395)
Amortisation during the year	(416,816)	(398,437)
At December 31	(2,661,648)	(2,244,832)
Net deferred income at December 31	6,553,896	6,872,434

15. Provision for decommissioning

This provision was made at incorporation to be utilised for the future cost of decommissioning certain generation facilities as and when they arise. Management has reviewed this amount and has considered it adequate as at December 31, 2013.

16. Customer deposits

This represents monies collected from customers prior to the provision of service. Up to October 31, 2011 interest was accrued at the rate of 7% per annum. Subsequently, the rate of interest has been reduced to 2.4% per annum.

Amounts initially paid by customers along with accumulated interest are refunded when customers cease to utilise the service.

17. Defined benefit pension scheme

(a) Description of scheme

The Guyana Power and Light Inc.'s Pension Plan is managed independently by the Hand in Hand Trust Corporation Inc. and continues to operate under the original name Guyana Electricity Corporation Superannuation Scheme as a hybrid between a defined contributions scheme and a final pension scheme in that the benefit paid on retirement is either:

(i) A pension payable for life based on completed service and final average salary at retirement, or

(ii) The benefit otherwise payable on termination of service, which is a refund of members' own contributions with interest plus, if the member has more than 10 years service, the company's contributions with interest.

(b) Funding

Members pay regular contribution of 5% salaries. The company meets the balance of the cost of funding the defined benefits. Currently it pays a contribution of 7% of salaries. The company expects to pay $86 million to the pension plan for 2014.

(c) Items for inclusion in the statement of financial position.

	2013 $'000	2012 $'000
Present value of defined benefit obligation	3,587,300	3,369,500
Fair value of assets as per actuarial valuation	(2,647,000)	(2,268,200)
Net IAS 19 defined benefit liability	940,300	1,101,300

17. Defined benefit pension scheme, continued

(d) **Reconciliation of opening and closing statement of financial position entries**

	2013 $'000	2012 $'000
Opening defined benefit liability	3,369,500	2,568,900
Current service cost	150,300	123,600
Interest cost	166,200	125,700
Members; contribution	63,800	55,700
Re- measurements	(70,500)	606,900
Benefits paid	(92,000)	(111,300)
	3,587,300	3,369,500

(e) **Liability profile**

The defined benefit obligation was allocated between the scheme's members as follows:

- Active members 86%
- Pensioners 14%

The weighted average duration of the defined benefit obligation at the year-end was 20 years.
59% of the benefits for active members were vested.
41% of the defined benefit obligation for active members were conditional on future salary increases.

(f) **Movement in fair value of plan assets**

	2013 $'000	202 $'000
Fair value of plan assets at start of year	2,268,200	2,017,100
Interest income	114,700	101,400
Return on plan assets, excluding interest income	207,300	128,300
Company's contribution	85,000	77,000
Member's contribution	63,800	55,700
Benefits paid	(92,000)	(111,300)
	2,647,000	2,268,200
Asset allocation		
Local equities	782,400	529,200
Local bonds	313,900	313,900
Overseas equities and bonds	153,100	189,800
Money market instruments	1,260,000	1,078,600
Cash and net current assets	137,600	156,700
	2,647,000	2,268,200

(g) **Items for inclusion in the statement of profit and loss and other comprehensive income**

	2013 $'000	2012 $'000
Current service cost	150,300	123,600
Net interest on net defined benefit obligation	51,500	24,300
	201,800	147,900

(h) **Re-measurement recognised in other comprehensive income**

	2013 $'000	2012 $'000
Experience (gains) losses	(277,800)	478,600
	(277,800)	478,600

17. Defined benefit pension scheme, continued

(i) Summary of main assumptions

	2013 % pa	2012 % pa
Discount rate	5	5
Salary increases	8	8
Proportion of retirees opting for pension rather than joint balance	90	90

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at December 31, 2013 are as follows:

	2013	2012
Life expectancy at age 60 for current pensioner in years		
- Male	18.0	18.0
- Female	22.5	18.0
Life expectancy at age 60 for current members age 40 in years		
- Male	18.7	18.7
- Female	23.4	23.4

(j) Sensitivity analysis

The calculation of defined benefit obligation is sensitive to the assumptions used. The following table summaries how the defined benefit obligations as at December 31, 2013 would have changed as a result of a change in the assumptions used.

	1% pa higher $'000	1% pa lower $'000
Discount rate	(589,900)	777,200
Future salary increases	329,400	(278,600)
Future pension increases	309,800	n/a

	10% higher $'000	10% lower $'000
Proportion of retirees opting for pension rather than joint balances	155,500	(155,200)

An increase on one year in the assumed life expectancy shown above would increase the defined benefit obligation at December 31, 2013 by 92.8 million dollars.

18. Loan

		2013 $'000	2012 $'000
(i)	Republic Bank (Guyana) Limited - US$	7,317	105,382
(ii)	Republic Bank (Guyana) Limited	18,610	130,270
(iii)	Republic Bank (Guyana) Limited	-	812,000
		25,927	1,047,652
	Repayable within one year	25,927	208,512
	Repayable within two to five years	-	27,140
	Repayable after five years	-	812,000
		-	839,140
		25,927	1,047,652

18. Loan, continued:

(i) This loan was initially taken from Republic Bank Limited - Trinidad and was transferred to Republic Bank (Guyana) Limited in 2010. It is repayable over a 10 year period. The principal sum was US$ 3.1 M and repayment commenced in 2004 with interest charged at 10% per annum over the USD prime rate.

(ii) This loan is repayable over a 10 year period. The principal sum was G$ 1.117 M and repayment commenced in 2004. Interest is charged at 3% per annum below Republic Bank (Guyana) Limited prime rate.

(iii) This loan is repayable over a 10 year period. The principal sum was G$ 1,015 M and repayment commenced in 2013. Interest is charged at 8% per annum.

Security

The company's long-term debt is secured by a debenture, granting charges on all its assets, except those purchased subsequent to the establishment of the debenture agreement.

19. Deferred income

	2013 $'000	2012 $'000
	15,596	3,747

This represents prepaid services sold at the end of the year but not consumed. The company's policy is to account for 10% of prepaid sales in any given month as deferred income.

20. Payables

	2013 $'000	2012 $'000
Trade creditors	2,035,018	3,931,299
Employment costs	78,148	157,662
Property tax	21,590	364,896
Other accruals	1,138,532	1,545,108
	3,273,288	5,998,965

21. Generation costs

	2013 $'000	2012 $'000
Fuel	22,942,096	24,089,144
Fuel agency fee	67,092	63,384
Operations and maintenance contract	1,664,920	1,458,272
Purchased power	278,162	215,731
Repairs and maintenance - generation facilities	471,856	907,835
Rental of equipment - generation	282,578	343,770
	25,706,704	27,078,136

22. Employment costs

	2013 $'000	2012 $'000
Gross salaries	2,576,690	2,384,962
Social security costs	97,088	94,284
Pension costs	201,800	147,900
	2,875,578	2,627,146

The number of permanent employees at the end of the period was 819 (2012 - 802).

23. Depreciation

	2013 $'000	2012 $'000
Buildings	25,240	23,889
Plant and machinery	1,227,723	1,266,052
Transmission and distribution networks	1,201,705	905,679
Motor vehicles	17,917	11,375
Equipment	21,017	(35,295)
Computer equipment	34,198	15,820
	2,527,800	2,187,520

24. Administrative expenses

		2013 $'000	2012 $'000
Administrative Expenses		1,218,892	1,088,363
The following expenses were charged in the above amounts:			
Repairs and maintenance	- Motor vehicles & tools	45,314	40,278
	- Buildings	42,730	21,412
	- Equipment	86,161	12,670
Audit Fees and audit expenses		8,056	8,836

25. Taxation

	2013 $'000	2012 $'000
Derecognition of deferred tax asset	-	2,515,607
Origination of timing differences - others	(279,895)	224,826
Total Deferred Taxes	**(279,895)**	**2,740,433**

Reconciliation of effective tax rate	**2013 $'000**	**2012 $'000**
Loss before taxation	(2,969,478)	(4,872,770)
Corporation tax calculated at the enacted rate	(890,842)	(1,461,830)
Valuation allowance	890,842	1,461,830
Derecognition of deferred tax asset	-	2,515,607
Deferred Tax -Pension Liability	(279,895)	224,130
Expenses not deductible for tax purposes	-	696
Total tax included in statement of comprehensive income	(279,895)	2,740,433

26. Earnings per share in dollars

Earnings per share is calculated by dividing the net profit by weighted average number of common shares outstanding during the year.

	2013 $'000	2012 $'000
Net loss after taxation	(2,689,583)	(7,315,775)
Divided by: Weighted average number of ordinary shares	127,193,911	118,229,686
Loss per share in dollars	(21)	(62)

27. Foregone revenue

During the period, the Company maintained its policy of foregoing revenues where actual rates charged to customers were lower than that determined by the licence. Under its licence, the company has the option of including foregone revenues as a notional expense in determining future rates of electricity payable by customers.

Foregone revenues for the years 2003 to 2013 amounted to G$34.271bn of which G$6.398bn was utilized as notional expenses in computing the Final Return Certificate for 2013.

28. Compensation to key management personnel

The remuneration paid to 30 (2012- 29) key management personnel during the year was as follows:

	2013 $'000	2012 $'000
(a) Short-term employee benefits	352,382	331,074
(b) Post-employment benefits	6,812	6,222
	359,194	337,296

29. Contingencies

(a) The company is a defendant or plaintiff in several matters for which the ultimate liability or asset of the company, if any, has not been determined. Management does not believe that the outcome of these proceedings will have material adverse effect on the company's result of operations and accordingly no provision is necessary.

(b) No provision for decommissioning has been made for the new Kingston power plant.

(c) **Operating lease commitments**

	2013 $'000	2012 $'000
Operating lease commitments are as follows:		
Less than one year	24,437	17,412
2 to 5 years	25,307	13,766
	49,744	31,178

30. *Restatement*

(i) As a result of IAS 19 (2011) the company has changed its accounting policy with respect to the basis for determining the income or expenses related to its post- employment defined benefit plan.

Under IAS 19 (2011) the company determines the net interest (income)on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then- net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefits payments. Consequently, the net interest on the net defined liability (asset) now comprised: interest cost on defined benefit obligation, interest income on plan assets, and interest on the effect of asset ceiling.

(ii) The Board has restated the previous year's financial statements as a result of an error in the interest charges on balances due to related parties. During 2012 interest charges on the Petro Caribe loans was over charged by $366,327K

Reclassification

The company reclassifed property tax in the statement of profit and loss and other comprehensive income from *taxation* to *property tax*. This reclassification was done so that the amount disclosed as taxation in the Statement of profit and loss and other comprehensive income only repesent tax on income as prescribed by IAS 1- *Presentation of financial statements*.

The quantitative impact of the change is set out below:

Statement of financial position	As previously reported	Reclassification	Restatement (i)	Restatement (ii)	As restated
	$'000	$'000	$'000	$'000	$'000
Deferred tax	781,322	-	(207,689)	-	573,633
Defined benefit pension	409,000	-	692,300	-	1,101,300
Taxes recoverable	(9,828)	9,828			-
Taxation	374,724	(374,724)			-
Payables	5,634,069	364,896			5,998,965
Related parties					
Government of Guyana - Petro Caribbean Lo	13,898,900	-	-	(366,328)	13,532,572
Accumulated deficit					
Opening	(5,319,565)	-	(135,380)		(5,454,945)
Closing	(12,987,457)	-	(484,611)	366,328	(13,105,740)
Statement of profit or loss and other comprehensive income					
Employment costs	2,606,846	-	20,300	-	2,627,146
Property tax	-	48,599			48,599
Taxation	2,795,122	(48,599)	(6,090)		2,740,433
Interest expense	1,011,451	-	-	(366,328)	645,123
Loss	(7,667,892)	-	(14,211)	366,328	(7,315,775)
Remeasurement of defined benefit	-	-	478,600	-	478,600
Related tax	-	-	(143,580)	-	(143,580)
Other comprehensive income net of tax	-	-	335,020	-	335,020
Total comprehensive income	(7,667,892)	-	(349,231)	366,328	(7,650,795)

31. Financial instruments and financial risk management

Categories of financial instruments

Financial instruments as at the date of the statement of financial position include loans, receivables, borrowings and payables.

The company classifies financial instruments as follows:

(i) Held to maturity assets

These comprise primarily of non- derivative instruments with fixed or determinable payments and fixed maturities that management intends to hold to maturity.

(ii) Loans and receivables

These comprise of non- derivative instruments with fixed or determinable payments that are not quoted in an active market.

(iii) Financial liabilities at amortised cost

Financial liabilities which are not classified as fair value through profit and loss are classified as financial liabilities measured at amortised cost.

	Loans and receivables $'000	Financial liabilities $'000	Total $'000
December 31, 2013			
Financial assets			
Receivables	4,862,827	-	4,862,827
Deposits	47,131	-	47,131
Related parties	3,561,645	-	3,561,645
Cash resources	2,403,987	-	2,403,987
	10,875,590	-	10,875,590
Financial liabilities			
Customers deposits	-	1,708,341	1,708,341
Related parties	-	31,394,954	31,394,954
Loans	-	25,927	25,927
Payables	-	3,273,288	3,273,288
	-	36,402,510	36,402,510

31. **Financial instruments and financial risk management, continued**

	Loans and receivables $'000	Financial liabilities $'000	Total $'000
December 31, 2012			
Financial assets			
Receivables	5,368,663	-	5,368,663
Deposits	23,172	-	23,172
Related parties	2,991,807	-	2,991,807
Cash resources	693,933	-	693,933
	9,077,575	-	9,077,575
Financial liabilities			
Customers deposits	-	1,597,616	1,597,616
Related parties	-	22,120,637	22,120,637
Loans	-	1,047,652	1,047,652
Payables	-	5,998,965	5,998,965
	-	30,764,870	30,764,870

Risks arising from financial instruments

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk, and foreign exchange risk. These risks are inherent to the company's operation and management of these risks lies with the Board of Directors whose objective is to identify, assess, monitor and control in an effort to minimise these risks in order to increase profitability.

The main financial risks affecting the company are as follows:

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

31. **Financial instruments and financial risk management, continued**

(i) Credit risk, continued

Except as detailed in the following table, the carrying amount of financial assets recognised in the financial statements which is net of impairment loss, represents the company's maximum exposure to credit risk. The company does not require collateral.

The following tables shows the company's maximum exposure. It does not include those assets that are not deemed to give rise to credit risks.

On statement of financial position

	2013 $'000	2012 $'000
Receivables	4,862,827	5,368,663
Deposits	47,131	23,172
Related parties	3,561,645	2,991,807
Cash resources	2,403,987	693,933
	10,875,590	9,077,575

Cash at bank does not have collateral given the nature of the banking industry and assets acquired prior to incorporation of Guyana Power and Light, Inc. are pledged as security for loans.

Management of investment and cash resources

Table showing exposure by location

	Guyana $'000	North America $'000	Others $'000	Total $'000
December 31, 2013				
Financial assets				
Receivables	4,862,827	-	-	4,862,827
Deposits	45,613	1,518	-	47,131
Related parties	3,561,645	-	-	3,561,645
Cash resources	2,398,642	5,345	-	2,403,987
	10,868,727	6,863	-	10,875,590
Financial Liabilities				
Customer Deposits	1,708,341	-	-	1,708,341
Related-Party Payable	7,682,536	16,392,162	7,320,256	31,394,954
Loans	25,927	-	-	25,927
Payables	2,491,918	464,595	316,775	3,273,288
	11,908,722	16,856,757	7,637,031	36,402,510
Net liability gap	(1,039,995)	(16,849,894)	(7,637,031)	(25,526,920)

31. Financial instruments and financial risk management, continued

(i) Credit risk, continued

Management of investment and cash resources, continued

	Guyana	North America	Others	Total
December 31, 2012				
Financial assets				
Receivables	3,364,535	2,004,128	-	5,368,663
Deposits	21,655	1,517	-	23,172
Related parties	2,991,807	-	-	2,991,807
Cash resources	688,593	5,340	-	693,933
	7,066,590	2,010,985	-	9,077,575
Financial Liabilities				
Customer deposits	1,597,616			1,597,616
Related parties	2,281,266	13,898,902	5,940,469	22,120,637
Loans	1,047,652			1,047,652
Payables	2,211,116	3,787,850		5,998,965
Bank overdraft	-	-		-
	7,137,650	17,686,752	5,940,469	30,764,870
Net liability gap	(71,060)	(15,675,767)	(5,940,469)	(21,687,295)

31. Financial instruments and financial risk management, continued

(ii) Liquidity risk

Management of the company's liquidity lies with the Board of Directors. This is managed using forecasted cash flows and negotiated credit from financial institutions.

	Up to one year $'000	Two to five years $'000	Over five years $'000	Total $'000
December 31, 2013				
Assets				
Receivables	4,862,827	-	-	4,862,827
Deposits	47,131	-	-	47,131
Related parties	3,561,645	-	-	3,561,645
Cash and bank	2,403,987	-	-	2,403,987
Total assets	10,875,590	-	-	10,875,590
Liabilities				
Customer Deposits	-	-	1,708,341	1,708,341
Related-Party Payable	1,945,322	9,217,247	20,232,385	31,394,954
Loans	25,927	-	-	25,927
Payables	3,273,288			3,273,288
Total liabilities	5,244,537	9,217,247	21,940,726	36,402,510
Net assets/ liabilities	5,631,053	(9,217,247)	(21,940,726)	(25,526,920)

31. Financial instruments and financial risk management, continued

(ii) Liquidity risk, continued

	Up to one year $'000	Two to five years $'000	Over five years $'000	Total $'000
December 31, 2012				
Assets				
Receivables	5,368,663	-	-	5,368,663
Deposits	23,172	-	-	23,172
Related parties	2,991,807	-	-	2,991,807
Cash and bank	693,933	-	-	693,933
Total assets	9,077,575	-	-	9,077,575
Liabilities				
Customers deposits	6,510	26,040	1,565,066	1,597,616
Related parties	1,655,829	6,823,300	13,641,508	22,120,637
Loans	203,922	65,914	777,816	1,047,652
Payables	5,998,965	-	-	5,998,965
Total liabilities	7,865,226	6,915,254	15,984,390	30,764,870
Net assets/ liabilities	1,212,349	(6,915,254)	(15,984,390)	(21,687,295)

31. Financial instruments and financial risk management, continued

(iii) Interest rate risk, continued

December 31, 2013	Weighted average effective interest rate %	Up to one year $'000	Two to five years $'000	Over five years $'000	Non interest bearing $'000	Total $'000
Assets						
Receivables		-	-	-	4,862,827	4,862,827
Deposits		47,131	-	-	-	47,131
Related parties		-	-	-	3,561,645	3,561,645
Cash and bank		-	-	-	2,403,987	2,403,987
		47,131	-	-	10,828,459	10,875,590
Liabilities						
Customers deposit	2.4	-	26,040	1,682,301	-	1,708,341
Related parties	3.25	366,328	9,217,247	15,096,057	6,715,322	31,394,954
Loans	10	25,927	-	-	-	25,927
Payables		-	-	-	3,273,288	3,273,288
		392,255	9,243,287	16,778,358	9,988,610	36,402,510
Interest sensitivity gap		(345,124)	(9,243,287)	(16,778,358)	839,849	(25,526,920)

December 31, 2012

December 31, 2012	Weighted average effective interest rate %	Up to one year $'000	Two to five years $'000	Over five years $'000	Non interest bearing $'000	Total $'000
Assets						
Receivables		-	-	-	5,368,663	5,368,663
Deposits		23,172	-	-	-	23,172
Related parties		-	-	-	2,991,807	2,991,807
Cash and bank		-	-	-	693,933	693,933
		23,172	-	-	9,054,403	9,077,575
Liabilities						
Customers deposit	6	6,510	26,040	1,565,066		1,597,616
Related parties	3.25	366,328	6,823,300	13,641,508	1,289,501	22,120,637
Loans	10	203,922	65,914	777,816		1,047,652
Payables		-	-	-	5,998,965	5,998,965
		576,760	6,915,253	15,984,391	7,288,466	30,764,870
Interest sensitivity gap		(553,588)	(6,915,253)	(15,984,391)	1,765,937	(21,687,295)

31. Financial instruments and financial risk management, continued

(iv) Foreign exchange risk

Foreign currency risk management lies with the Board of Directors. The company is exposed to this risk primarily from trading. They have not entered into any contractual arrangement to mitigate this risk but they maintain an appropriate amount of liquid funds in the respective currencies to settle liabilities as the need arises.

The following table details the sensitivity to an increase or decrease in the Guyana dollars against the United States Dollars. This shows a decrease of profit amounting to G$168,499 (2012 G$156,758), if the Guyana Dollar weakened against the United States Dollars by 1%.

	Financial Assets $'000	Financial Liabilities $'000	Net Liability $'000	% Change $'000	Impact on profit $'000
December 31, 2013					
G$ equivalent of US Dollars	6,863	16,856,757	(16,849,895)	1	(168,499)
December 31, 2012					
G$ equivalent of US Dollars	2,010,985	17,686,752	15,675,767	1	156,758

(v) Capital risk

The company manages its capital, represented by total shareholders equity on its statement of financial position, to ensure that it will be able to continue operating into the foreseeable future while maximising the return to the shareholders.

32. Economic dependence

Guyana Power and Light Inc. is wholly owned by the Government of Guyana. The Company incurred accumulated losses of$15,600,863K since its incorporation. Future operations of the company is dependent on the ongoing financial support of the Government of Guyana.