



Nizam Ali & Company

Chartered Accountants

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April 13, 2017

Mr. Loris Nathoo
Director of Finance
Guyana Power and Light Inc.
Main Street
Georgetown

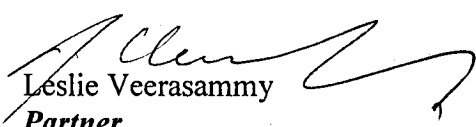
Dear Mr. Nathoo,

**Re: Guyana Power and Light Inc.
Draft Financial Statements
For the year ended December 31, 2016**

We enclose one copy of the abovementioned financial statements for your review and approval. If you are in agreement with these financial statements please arrange for two directors to sign ten (10) copies of the statement of financial position and return same to us. We will then proceed to issue our opinion thereon.

Kindly acknowledge receipt of the enclosure by signing and returning the attached copy of this letter.

Yours truly,
NIZAM ALI & COMPANY


Leslie Veerasammy
Partner

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guyana Power & Light Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Guyana Power & Light Inc., which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 12 (d) which explains that the recoverability of \$2,282,627,833 representing net amount due from Guysuco is dependent on the outcome of ongoing discussions between the Company and the Government of Guyana.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Guyana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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

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

Auditor's 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 auditor's 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 can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

Chartered Accountants
Georgetown, Guyana

April 21, 2017

Guyana Power and Light, Inc.
Statement of Financial Position
As at December 31, 2016
With comparative figures for 2015
(Expressed in Guyana Dollars)

ASSETS	Notes	2016 \$'000	2015 \$'000
Non-current assets			
Property, plant and equipment	5	31,408,070	33,867,504
Intangible assets	6	695,721	674,824
Work-in-progress	7	1,541,895	1,123,431
Deferred tax	8	2,884,441	-
		<u>36,530,127</u>	<u>35,665,759</u>
Current assets			
Inventories	9	3,846,995	3,643,995
Receivables	10	3,237,805	5,387,487
Deposits	11	260,427	28,975
Related parties	12 (a)	9,836,453	7,954,708
Deposit on shares	18	828,000	828,000
Cash resources		15,876,863	7,316,214
		<u>33,886,543</u>	<u>25,159,379</u>
Total Assets		<u><u>70,416,670</u></u>	<u><u>60,825,138</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	23,118,244	23,118,244
Accumulated deficit		(7,045,049)	(13,275,652)
		<u>16,073,195</u>	<u>9,842,592</u>
Non-current liabilities			
Related parties	12 (c)	29,023,157	29,938,279
Advances customer financed projects	14 (b)	4,065,714	4,699,841
Provision for decommissioning	15	242,900	242,900
Customer deposits	16	2,481,224	2,184,966
Defined benefit liability	17 (c)	1,540,100	1,386,000
		<u>37,353,095</u>	<u>38,451,986</u>
Current liabilities			
Related parties	12 (b)	9,937,150	6,840,441
Advances customer financed projects	14 (a)	694,711	692,981
Deferred income	19	21,655	24,076
Payables	20	6,190,394	4,973,062
Taxation		146,470	-
		<u>16,990,380</u>	<u>12,530,560</u>
Total equity and liabilities		<u><u>70,416,670</u></u>	<u><u>60,825,138</u></u>

Going concern- Note 1(iii)

On behalf of the Board of Directors

.....
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, 2016
With comparative figures for 2015
(Expressed in Guyana Dollars)

	Notes	2016 <u>\$'000</u>	2015 <u>\$'000</u>
Revenue		28,967,457	30,042,915
Expenditure			
Generation costs	21	(14,647,196)	(16,089,268)
		<u>14,320,261</u>	<u>13,953,647</u>
Other expenses			
Employment costs	22	(3,653,833)	(3,543,424)
Repairs and maintenance - T & D		(358,815)	(233,527)
Depreciation	23	(3,334,901)	(3,341,637)
Administrative expenses	24	(2,066,626)	(2,023,446)
Rates and taxes		(11,894)	(41,167)
Property tax		(35,311)	(55,244)
Loss on exchange		(234,656)	(883)
Bad debts		(398,113)	(412,374)
PUC assessment and license		(50,870)	(50,000)
		<u>(10,145,019)</u>	<u>(9,701,702)</u>
Profit from operations		4,175,242	4,251,945
Interest expenses		(1,535,620)	(1,601,739)
		<u>2,639,622</u>	<u>2,650,206</u>
Other income		<u>853,010</u>	<u>847,621</u>
Profit before taxation		3,492,632	3,497,827
Taxation	25	<u>2,737,971</u>	<u>-</u>
Profit for the year		6,230,603	3,497,827
Other comprehensive loss			
Remeasurement of defined benefit		-	(155,700)
Related tax		-	-
Other comprehensive loss net of tax		<u>-</u>	<u>(155,700)</u>
Total comprehensive income		<u>6,230,603</u>	<u>3,342,127</u>
Earnings per share	26	<u><u>49</u></u>	<u><u>26</u></u>

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, 2016
With comparative figures for 2015
(Expressed in Guyana Dollars)

	Share capital (Note 13) <u>\$'000</u>	Accumulated Deficit <u>\$'000</u>	Total <u>\$'000</u>
At January 1, 2015	23,118,244	(16,617,779)	6,500,465
Total comprehensive loss			
Loss for the year	-	3,497,827	3,497,827
Other Comprehensive loss net of tax	-	(155,700)	(155,700)
At December 31, 2015	<u>23,118,244</u>	<u>(13,275,652)</u>	<u>9,842,592</u>
At January 1, 2016	23,118,244	(13,275,652)	9,842,592
Total comprehensive income			
Profit for the year	-	6,230,603	6,230,603
Other Comprehensive loss net of tax	-	-	-
At December 31, 2016	<u>23,118,244</u>	<u>(7,045,049)</u>	<u>16,073,195</u>

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, 2016
With comparative figures for 2015
(Expressed in Guyana Dollars)

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Cash flows from operating activities		
Profit before taxation	3,492,632	3,497,827
Adjustments for:		
Depreciation	3,334,901	3,341,637
Deferred income	(2,421)	(1,671)
Defined pension benefit liability	154,100	285,600
Interest expense	1,535,620	1,601,739
Amortisation of customer finance project	(695,039)	(695,499)
Loss on remeasurement of pension liability	-	(155,700)
Operating profit before working capital changes	7,819,793	7,873,933
Working capital changes		
Receivables	2,149,682	(339,045)
Inventories	(203,000)	794,424
Payables	1,217,332	371,648
Related parties	1,214,964	(1,295,003)
Net cash inflow from operating activities	<u>12,198,771</u>	<u>7,405,957</u>
Cash flow from investing activities		
Purchase of tangible fixed assets	(1,293,931)	(1,397,642)
Purchase of intangible fixed assets	(20,897)	(31,533)
Increase in deposit	(231,452)	106,337
Net cash outflow from investing activities	<u>(1,546,280)</u>	<u>(1,322,838)</u>
Cash flow from financing activities		
Advance from related party	-	(839,423)
Repayment on related party balance	(475,420)	-
Movement in related party balance	(439,701)	180,874
Deposit on shares	-	(828,000)
Interest paid	(524,580)	-
Interest payable	(1,011,040)	(1,601,739)
Customer deposits	991,296	1,021,364
Customer financed projects	(632,397)	(608,044)
Net cash outflow from financing activities	<u>(2,091,842)</u>	<u>(2,674,968)</u>
Net increase in cash and cash equivalents	8,560,649	3,408,151
Cash and cash equivalents - January 1	7,316,214	3,908,063
Cash and cash equivalents - December 31	<u>15,876,863</u>	<u>7,316,214</u>
Represented By:		
Cash on hand and at bank	<u>15,876,863</u>	<u>7,316,214</u>

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

1. Incorporation and Principal Activity and going concern

(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.

(iii) Going concern

Guyana Power and Light Inc. is wholly owned by the Government of Guyana. The Company incurred accumulated losses of \$7,045,049,000 since its incorporation. Future operations of the company is dependent on the ongoing financial support of the Government of Guyana and/or the company's ability to generate profits in the future.

These financial statements have been prepared on a going concern basis, under which the company is assumed to be able to realise its assets and discharge its liabilities in the normal course of operations. The company's ability to continue as a going concern is therefore dependent upon its ability to finance its current and future operational and capital expenditures. The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

2. Changes in accounting policies and disclosures

2.1 New and amended standards and interpretations adopted

The following standards and interpretations which became effective in the current financials year were adopted.

Disclosure Initiative amendments to IAS 1.

The amendment clarifies, the materiality requirement in IAS 1, that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to the financial statements and that the share of OCI of associates and Joint Ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will be subsequently reclassified to profit or loss.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and

The amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of the asset.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method.

Annual improvements to IFRS's 2012 -2014 cycle.

o IFRS 5 – *Non- current asset held for sale and discontinued operations* - The amendment clarifies that changing from one disposal method to another would not be considered a new plan of disposal, rather it is a continuation of the original plan.

2. Changes in accounting policies and disclosures, continued

2.1 New and amended standards and interpretations adopted, continued

Annual improvements to IFRS's 2012 -2014 cycle.

o IFRS 7 – *Financial instrument: disclosure*- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.

o IAS 19 – *Employee benefits* - The amendment clarifies that market depth of high quality corporate bond is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. Where there is no deep market for high quality corporate bond in that currency, government bond rates must be used.

o IAS 34 – *Interim financial reporting*- The amendment clarifies that the required interim financial disclosures must either be in the interim financial statements or incorporated by cross reference between the interim financial statements and whether they are included within the interim financial report.

The adoption of these amendments did not have any material effect on the Company's financial statements.

2.2 New and amended standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

IFRS 9 - Financial Instruments. Effective January 1, 2018

May change the measurement and presentation of many financial instruments depending on their contractual cash flows and business models under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IFRS 15- Revenue from Contracts with Customers. Effective January 1, 2018

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 customers.

IFRS 16 - Leases. Effective January 1, 2019

In January 2016, the IASB issued IFRS 16, Leases. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2017. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

Management is currently reviewing the provisions of these new standards and amendments to existing standards to determine the impact, if any, on future reporting obligations.

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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

These financial statements were approved for issue by the Board of Directors on -----

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 construction 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 in the statement of 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.

3. Summary of significant accounting policies, continued

3.2 Property, plant and equipment, continued

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.

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 financial 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 and 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

** Vested assets, are those assets that were transferred from Guyana Electricity Corporation to Guyana Power Light and Inc.*

3. Summary of significant accounting policies, continued

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.

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

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

3. Summary of significant accounting policies, continued

3.7 Receivables and Provision for bad and doubtful debts

Receivable are recorded at the invoiced amount and do not bear interest. The company review the accounts receivable and determine the necessity and amount of an allowance for doubtful accounts as their best estimate of probable credit losses in existing accounts receivable.

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, 2016.

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.

3.9 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.

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

3.10 Revenue

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

3. Summary of significant accounting policies, continued

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.

3.12 Employee benefits

The company's pension scheme is managed independently by the Hand-in-Hand Trust Corporation Inc. and is governed by a Trust Deed. The Trust deed requires an Actuarial valuation at least once every three years. However, pension costs are assessed annually in accordance with the advice of independent actuaries.

3. Summary of significant accounting policies, continued

3.12 Employee benefits, continued

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 plan assets held to cover these obligations, together with adjustment for actuarial gains/losses.

The obligations have been calculated by the independent actuary using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread regular costs over the service lives of employees.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets(excluding interest) are recognised immediately through other comprehensive income.

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.

4. Critical accounting estimates and judgement 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 judgement 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.

Judgement in applying the company's policies

The company exercises judgement in the following areas:

- Provisions for bad debts
- Depreciation
- Pension obligation
- Intangible assets
- Deferred income

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5. Property, plant and equipment

2016

	Land and buildings \$'000	Generation facilities \$'000	Transmission & distribution facilities \$'000	Motor vehicles \$'000	Furniture & equipment \$'000	Total \$'000
Cost/Valuation						
January 1,	1,180,786	29,374,023	26,019,779	556,504	955,584	58,086,676
Additions	82,796	-	720,066	34,875	37,730	875,467
December 31,	1,263,582	29,374,023	26,739,845	591,379	993,314	58,962,143
Depreciation						
As at January 1,	345,124	12,607,293	10,154,548	269,980	842,227	24,219,172
Charge for the year	27,728	1,466,562	1,694,416	83,184	63,011	3,334,901
December 31,	372,852	14,073,855	11,848,964	353,164	905,238	27,554,073
Net Book Values:						
As at December 31, 2016	890,730	15,300,168	14,890,881	238,215	88,076	31,408,070

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5. Property, plant and equipment, continued

2015

	Land and buildings \$'000	Generation facilities \$'000	Transmission & distribution facilities \$'000	Motor vehicles \$'000	Furniture & equipment \$'000	Total \$'000
Cost/Valuation						
January 1,	1,133,449	27,855,329	24,982,368	360,711	873,192	55,205,049
Additions	47,337	1,518,694	1,037,411	195,793	82,392	2,881,627
December 31,	<u>1,180,786</u>	<u>29,374,023</u>	<u>26,019,779</u>	<u>556,504</u>	<u>955,584</u>	<u>58,086,676</u>
Depreciation						
As at January 1,	318,515	11,073,975	8,496,851	194,527	793,667	20,877,535
Charge for the year	26,609	1,533,318	1,657,697	75,453	48,560	3,341,637
December 31,	<u>345,124</u>	<u>12,607,293</u>	<u>10,154,548</u>	<u>269,980</u>	<u>842,227</u>	<u>24,219,172</u>
Net Book Values:						
As at December 31, 2016	<u>835,662</u>	<u>16,766,730</u>	<u>15,865,231</u>	<u>286,524</u>	<u>113,357</u>	<u>33,867,504</u>

6. Intangible assets

	2016 \$'000	2015 \$'000
Balance at beginning of year	674,824	643,291
Additions	20,897	31,533
Balance at end of year	<u>695,721</u>	<u>674,824</u>

This represents the cost of software that were capitalised based on the recognition criteria 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.

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7. Work-in-progress	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Balance - January 1	1,123,431	2,607,416
Additions	800,922	449,420
Reclassification	(201,831)	-
Transfers to tangible fixed assets	(143,587)	(1,891,344)
Transfers to intangible assets	-	(32,309)
Transfers to inventory and expense	(37,040)	(9,752)
Balance - December 31	<u>1,541,895</u>	<u>1,123,431</u>

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:	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Deferred tax		
Balance at beginning of year	-	-
Movement	2,884,441	-
Balance at end of year	<u>2,884,441</u>	<u>-</u>
Components of deferred tax		
Unused tax losses (see note)	5,126,499	2,714,326
Pension liability	423,528	415,800
Timing difference	(2,665,586)	(3,130,126)
	<u>2,884,441</u>	<u>-</u>
Note		

Deferred tax asset on unused tax losses is recognised to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit or part or all of that deferred tax asset to be utilised, any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Based on the annual review carried out at the end of 2016, management has concluded that it is highly probable the company will have sufficient taxable profit to allow the benefit of the deferred tax asset on unused tax losses to be utilised. Accordingly, deferred tax assets which was derecognised in prior periods was reversed in the current period.

Prior to 2016, the company recognise deferred tax asset on unused tax loss only to the extent that there was a deferred tax liability on taxable temporary differences.

9. Inventories	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Fuel	716,106	376,395
Spares	2,734,815	3,029,651
Goods in-transit	396,074	237,949
	<u>3,846,995</u>	<u>3,643,995</u>

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

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10. Receivables	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Customer accounts	11,326,658	12,582,956
Others	228,575	723,845
	<u>11,555,233</u>	<u>13,306,801</u>
Less		
Provision for bad debts (i)	(8,317,428)	(7,919,314)
	<u>3,237,805</u>	<u>5,387,487</u>

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

11. Deposits	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
(i) Letters of Credit	12	12
(ii) Republic Bank (Guyana) Ltd. - Cash Collateral A/cs	1,508	1,495
(iii) Unserved Areas Electrification Programme Counterpart A/c	3,071	3,095
(iv) Unserved Areas Electrification Programme IDB A/c	10,884	2,831
(v) Bank of Guyana IDB Project (Power Utility Upgrade Program)	244,952	21,542
Total	<u>260,427</u>	<u>28,975</u>

(ii) 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.

(iii) & These represent funds received from the Government of Guyana in respect of the Unserved Areas Electrification

(iv) Programme and the Additional Unserved Areas Electrification Programme. The use of these funds is restricted to these programmes.

(v) The Government of the Co-operative Republic of Guyana (GOG) and the Inter-American Development Bank signed a financing agreement on the October 10, 2014 for the execution of the Power Utility Upgrade Program for the enhancement of operational efficiency and corporate performance. The Program is also co-financed by the European Union's Caribbean Investment Facility (CIF) through a Project Specific Grant (PSG). This deposit balance represents funding received and unspent at year end.

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12. Related parties

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
(a) Current assets		
(i) Agent - Bill Direct	183,636	183,636
Impairment provision	<u>(183,636)</u>	<u>(183,636)</u>
	<u>-</u>	<u>-</u>
(ii) Receivable- Guyana Sugar Corporation	4,055,321	4,054,735
(iii) Skeldon Energy Inc.	<u>5,781,132</u>	<u>3,899,973</u>
	<u>9,836,453</u>	<u>7,954,708</u>
(b) Current liabilities		
(i) Guyana Electricity Corporation - Customer deposits	12	12
(ii) Government of Guyana - Petro Caribbean Loan	5,462,776	4,370,041
(iii) Government of Guyana - Infrastructural development project	950,430	1,415,974
(iv) Skeldon Energy Inc.	2,672,287	717,048
(v) Government of Guyana - Capital expenditure	<u>851,645</u>	<u>337,366</u>
	<u>9,937,150</u>	<u>6,840,441</u>
(c) Non-current liabilities		
(i) Government of Guyana - Infrastructural development project	7,128,255	7,079,871
(ii) Government of Guyana - Petro Caribbean Loan	11,924,194	12,891,540
(iii) Related Party Payable-Guysuco	1,772,694	1,948,095
(iv) Government of Guyana - SOESIQSP Loan	445,639	415,035
(v) Government of Guyana - PUUP Loan	889,834	309,750
(vi) Government of Guyana - Capital expenditure	<u>6,862,541</u>	<u>7,293,988</u>
	<u>29,023,157</u>	<u>29,938,279</u>

(a) (i) This represents amount owed by collection agent - Bill Direct, for remittances received from GPL's customers which were not remitted to GPL. Despite receiving judgment from the High Court in its favour, management has assessed the recoverability of this amount as remote and has accordingly recognised an impairment provision.

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

(iii) This amount comprises of: (1) a loan of eleven million United States Dollars (USD11M)- The terms of repayment of this loan is currently being finalised; and (2) expenses paid on behalf of the SEI- the company intends to offset amounts payable for purchased power (see b (iv)) against this amount.

12. Related parties, continued

- (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 financing under the Petrocaribe Loan Agreement between the Government of Guyana and the Guyana Power & Light Inc. for the procurement of the 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.
- (iii) This represent 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) year moratorium.
- (iv) This amount represents the cost of purchased power for the period April 2015 to December 2016.
- (v) This represent two loans from the Government of Guyana for capital expenditure in the sum of: (1) four billion seven hundred and seventy million Guyana Dollars (G\$4,770,000,000) and (2) twelve million and sixty five thousand United States Dollars (USD12,065,000).

The terms of repayment of these loans are as follows:

(1) Interest at the rate of 3% per annum shall be capitalised as part of the loan for the first two years. The sum of \$4,770,000,000 plus interest capitalised for the first two years shall be repaid in fifteen equal annual installments commencing on November 14, 2016. The rate of interest on this loan is 3% per annum.

(2) Interest at the rate of 3% per annum shall be capitalised as part of the loan for the first two years. The sum of USD12,065,000 plus interest capitalised for the first two years shall be repaid in fifteen equal annual installments commencing on October 29, 2017. The rate of interest on this loan is 3% per annum.

- (c) (i) See b (iii) above.
- (ii) See b (ii) above.
- (iii) This represents amount owing to the Guyana Sugar Corporation for electricity purchased under the Power Purchase Agreement. As of April 2015, the Power Purchase Agreement came to an end. No interest is charged on this amount.
- (iv) This represents five million United States Dollars (USD5,000,000) financing under the Sustainable Operation of the Electricity Sector and Improved Quality of Service Project funded, through a Concessional Loan Agreement between the Government of Guyana (GOG) and the Inter- American Development Bank (IDB). The Project covers three (3) components (a) - Capacity Building and Energy Conservation, (b) Rehabilitation of the Low Voltage Distribution Network, and (c) Commercial Loss Reduction Actions. This loan is proposed to attract an interest rate at 1% above the London Interbank Offered Rate (LIBOR). A total of two million one hundred and seventy six thousand United States Dollars (USD2,176,000) was disbursed to date.

12. Related parties, continued

(v) This represents sixty four million five hundred and seventy three thousand United States Dollars (USD64,573,000) financing under the Power utility Upgrade Program funded through a Financing Agreement between the Government of the Co-operative Republic of Guyana (GOG) and the Inter- American Development Bank (IDB) and co-financed by the European Union's Caribbean Investment Facility (CIF). The Program covers three (3) components (a) – Strengthening GPL's Management Capabilities, (b) Operational Efficiency, and (c) Infrastructure Investment for Loss Reduction. This loan is proposed to attract an interest rate at 1% above the London Interbank Offered Rate (LIBOR). A total of four million three hundred and nine thousand United States Dollars (USD4,309,000) was disbursed to date.

(vi) See b (v) above.

(d) As explained in note a (ii) and note c (iii) the company have a balance due to Guysuco of \$1,772,694 and a balance due from Guysuco of \$4,055,321. Representing a net balance of \$2,282,627 due from Guysuco. During the year Guysuco did not make any payment towards this amount.

Management is currently engaged in discussions with the Government of Guyana to determine the terms of settlement of this amount.

Management believes that on conclusion of these discussions the company will be able to recover the full amount of \$2,282,627. Hence no provision for impairment has been recognised for this amount.

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13. Stated / issued capital	Number	Minimum Issue Price	2016 Value	2015 Value
		\$	\$'000	\$'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
(ix) Conversion of subsidy	5,494,505	182	1,000,000	1,000,000
(x) Conversion of grant	3,469,720	182	631,489	631,489
	127,193,911		23,118,244	23,118,244

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 2014 the company converted proceeds from IDB grant drawn to date to share capital.

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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.

	2016 \$'000	2015 \$'000
Contributions:		
At January 1	9,444,653	9,357,197
Contributions during the year	62,645	87,456
At December 31	<u>9,507,298</u>	<u>9,444,653</u>
Amortisation:		
At January 1	(4,051,834)	(3,356,335)
Amortisation during the year	(695,039)	(695,499)
At December 31	<u>(4,746,873)</u>	<u>(4,051,834)</u>
Net deferred income at December 31	<u>4,760,425</u>	<u>5,392,819</u>

	2016 \$'000	2015 \$'000
(a) Current liabilities		
Capital Contributions (CFP)	224,898	223,766
Capital Contributions (UAEP) Government	199,367	199,367
Capital Contributions (GOG)	270,446	269,848
	<u>694,711</u>	<u>692,981</u>
(b) Non-Current liabilities		
Capital Contributions (CFP)	870,845	1,047,269
Capital Contributions (UAEP) Government	662,238	858,544
Capital Contributions (GOG)	2,532,631	2,794,028
	<u>4,065,714</u>	<u>4,699,841</u>

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 on an ongoing basis review this amount and its adequacy. As at December 31, 2016 management considered this amount to be adequate.

16. Customer deposits

This represents monies for security deposits collected from customers prior to the provision of service. Up to October 31, 2011 interest was accrued on security deposit at the rate of 7% per annum. Pursuant to a request made by GPL to the Public Utilities Commission 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. 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 years of service and final average salary at retirement, or
- (ii) The benefit otherwise payable on termination of service, which is a refund of the members' own contributions with interest and if the member has more than 10 years pensionable service, the company's contributions along with the interest.

(b) Funding

Members pay regular contribution of 5% of salaries. The company finance the balance of the cost of funding the defined benefits. Currently the company pays a contribution of 7% of salaries. The company expects to pay \$102 million to the pension plan in 2017.

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

	2016 \$'000	2015 \$'000
Present value of defined benefit obligation	4,436,500	4,123,700
Fair value of assets as per actuarial valuation	<u>(2,896,400)</u>	<u>(2,737,700)</u>
Net IAS 19 defined benefit liability	<u><u>1,540,100</u></u>	<u><u>1,386,000</u></u>

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

	2016 \$'000	2015 \$'000
Opening defined benefit liability	4,123,700	3,766,900
Current service cost	189,000	170,300
Interest cost	203,200	184,900
Members' contribution	73,200	65,900
Re- measurements	(32,800)	74,600
Benefits paid	<u>(119,800)</u>	<u>(138,900)</u>
	<u>4,436,500</u>	<u>4,123,700</u>

(e) Liability profile

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

- Active members 87%
- Pensioners 13%

The weighted average duration of the defined benefit obligation at the year-end was 19 years.

66% of the benefits for active members were vested.

28% of the defined benefit obligation for active members were conditional on future salary increases.

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17. Defined benefit pension scheme, continued	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
(f) Movement in fair value of plan assets		
Fair value of plan assets at start of year	2,737,700	2,666,500
Interest income	138,200	133,800
Return on plan assets, excluding interest income	(32,000)	(81,100)
Company's contribution	99,100	91,500
Members' contribution	73,200	65,900
Benefits paid	(119,800)	(138,900)
	<u>2,896,400</u>	<u>2,737,700</u>
Asset allocation		
Local equities	655,700	657,400
Local bonds	388,600	599,200
Overseas equities and bonds	91,900	91,900
Money market instruments	1,497,500	1,167,400
Cash and net current assets	262,700	221,800
	<u>2,896,400</u>	<u>2,737,700</u>
(g) Items for inclusion in the statement of profit and loss and other comprehensive income		
	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Current service cost	189,000	170,300
Net interest on net defined benefit obligation	65,000	51,100
	<u>254,000</u>	<u>221,400</u>
(h) Re-measurement recognised in other comprehensive income		
	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Experience gain/(loss)	<u>800</u>	<u>(155,700)</u>
(i) Summary of main assumptions		
	2016	2015
	<u>% pa</u>	<u>% pa</u>
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, 2016 are as follows:		
Life expectancy at age 60 for current pensioner in years		
- Male	18.0	18.0
- Female	22.5	22.5
Life expectancy at age 60 for current members age 40 in years		
- Male	18.7	18.7
- Female	23.4	23.4

17. Defined benefit pension scheme, continued

(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, 2016 would have changed as a result of a change in the assumptions used.

	1% pa higher <u>\$'000</u>	1% pa lower <u>\$'000</u>
Discount rate	891,800	(665,400)
Future salary increases	(318,700)	359,800
Future pension increases	-	352,400
	10% higher <u>\$'000</u>	10% lower <u>\$'000</u>
Proportion of retirees opting for pension rather than joint balances	(182,100)	182,100

An increase of one (1) year in the assumed life expectancies shown above would increase the defined benefit obligation at December 31, 2016 by 92.9 million dollars.

18. Deposit on shares

During 2015 the company entered into an investment arrangement whereby the sum of four million United States Dollars (USD4M) has been deposited for 44.45% of the ordinary shares in Skeldon Energy Inc. (SEI), a special purpose state owned company. SEI purchased the energy assets located at Guysuco Skeldon Estate, effective April 1, 2015 for consideration of US\$30 million. These assets consist primarily of three Wartsila generating units with and installed capacity of 10MW and a Co-generation Bagasse Plant with an installed capacity of 30MW.

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19. Deferred income	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Deferred income	<u>21,655</u>	<u>24,076</u>

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. Additionally the company has deferred income of advance customer deposits. See note 14.

20. Payables	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	4,207,979	3,060,390
Employment costs	172,035	103,242
Property tax	24,864	23,914
Other accruals	1,785,516	1,785,516
	<u>6,190,394</u>	<u>4,973,062</u>

21. Generation costs	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Fuel	10,105,428	12,563,296
Fuel agency fee	29,635	71,595
Operations and maintenance contract	2,112,915	1,895,980
Purchased power	1,955,241	799,438
Repairs and maintenance - generation facilities	265,765	610,616
Rental of equipment - generation	178,212	148,343
	<u>14,647,196</u>	<u>16,089,268</u>

22. Employment costs	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Gross salaries	3,233,253	3,171,204
Social security costs	170,324	148,444
Pension costs	154,306	130,139
Superannuation	95,950	93,637
	<u>3,653,833</u>	<u>3,543,424</u>

The number of permanent employees at the end of the period was 810 (2015 - 806).

23. Depreciation	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Buildings	27,728	26,610
Plant and machinery	1,466,562	1,533,318
Transmission and distribution networks	1,694,415	1,657,696
Motor vehicles	83,185	75,453
Equipment	30,852	25,303
Computer equipment	32,159	23,257
	<u>3,334,901</u>	<u>3,341,637</u>

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24. Administrative expenses	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Administrative expenses	2,066,626	2,023,446
The following expenses were charged in the above amounts:		
Repairs and maintenance		
- Motor vehicles & tools	75,072	63,082
- Buildings	73,831	54,403
- Equipment	171,510	88,696
Audit Fees and audit expenses	8,743	8,743
25. Taxation	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Current tax	(146,470)	-
Deferred tax	2,884,441	-
Total	<u>2,737,971</u>	<u>-</u>
Reconciliation of effective tax rate	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>3,492,632</u>	<u>3,497,827</u>
Corporation tax calculated at the enacted rate	(1,047,790)	(1,049,348)
Valuation allowance	-	(77,736)
Accounting depreciation	(1,000,470)	(1,002,491)
Tax depreciation	1,793,819	2,179,548
Deferred tax -Pension liability	(46,230)	(38,970)
Unsued tax loss B/F	3,447,836	-
Loss utilised current year	(146,470)	-
Effect of rate change	(262,222)	-
Expenses not deductible for tax purposes	(502)	(11,003)
Total tax included in the statement of profit or loss and other comprehensive income	<u>2,737,971</u>	<u>-</u>

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26. Earnings per share in dollars

Earnings per share is calculated by dividing the total comprehensive income by the weighted average number of common shares outstanding during the year.

	2016 \$'000	2015 \$'000
Total comprehensive income	<u>6,230,603</u>	<u>3,342,127</u>
Divided by:		
Weighted average number of ordinary shares	<u>127,193,911</u>	<u>127,193,911</u>
Earnings per share in dollars	<u>49</u>	<u>26</u>

27. Foregone revenue

During the year, 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 2016 amounted to G\$45.786 bln of which G\$9.913 bln was expensed in prior years as notional expense resulting in a balance of G\$35.873 bln.

28. Compensation to key management personnel

The remuneration paid to 30 (2015- 33) key management personnel during the year was as follows:

	2016 \$'000	2015 \$'000
(a) Short-term employee benefits	287,035	276,797
(b) Post-employment benefits	<u>7,812</u>	<u>7,296</u>
	<u>294,847</u>	<u>284,093</u>

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.

	2016 \$'000	2015 \$'000
(b) Operating lease commitments		
<i>Operating lease commitments are as follows:</i>		
Less than one year	35,142	14,737
2 to 5 years	<u>17,752</u>	<u>-</u>
	<u>52,894</u>	<u>14,737</u>

30. 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, related party balances 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 or loss are classified as financial liabilities measured at amortised cost.

	Loans and receivables \$'000	Financial liabilities \$'000	Total \$'000
December 31, 2016			
Financial assets			
Receivables	3,237,805	-	3,237,805
Deposits	260,427	-	260,427
Related parties	9,836,453	-	9,836,453
Deposit on shares	828,000	-	828,000
Cash resources	15,876,863	-	15,876,863
	<u>30,039,548</u>	<u>-</u>	<u>30,039,548</u>
Financial liabilities			
Customers deposits	-	2,481,224	2,481,224
Advance customer financed projects	-	4,760,425	4,760,425
Deferred income	-	21,655	21,655
Provision for decommissioning	-	242,900	242,900
Related parties	-	38,960,307	38,960,307
Payables	-	6,190,394	6,190,394
	<u>-</u>	<u>52,656,905</u>	<u>52,656,905</u>

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30. Financial instruments and financial risk management, continued

	Loans and receivables \$'000	Financial liabilities \$'000	Total \$'000
December 31, 2015			
Financial assets			
Receivables	5,387,487	-	5,387,487
Deposits	28,975	-	28,975
Related parties	7,954,708	-	7,954,708
Deposit on shares	828,000	-	828,000
Cash resources	7,316,214	-	7,316,214
	<u>21,515,384</u>	<u>-</u>	<u>21,515,384</u>
Financial liabilities			
Customers deposits	-	2,184,966	2,184,966
Advance customer finance project	-	5,392,822	5,392,822
Deferred income	-	24,076	24,076
Provision for decommissioning	-	242,900	242,900
Related parties	-	36,778,720	36,778,720
Payables	-	4,973,062	4,973,062
	<u>-</u>	<u>49,596,546</u>	<u>49,596,546</u>

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.

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30. Financial instruments and financial risk management, continued

(i) Credit risk, continued

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. No collateral is held as security for balances receivable from third parties.

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

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Receivables	3,237,805	5,387,487
Deposits	260,427	28,975
Related parties	9,836,453	7,954,708
Deposit on shares	828,000	828,000
Cash resources	<u>15,876,863</u>	<u>7,316,214</u>
	<u><u>30,039,548</u></u>	<u><u>21,515,384</u></u>

Cash resources and deposits are held with reputable financial institutions, related parties balances and deposit on shares represent balances due from entities controlled by the Government of Guyana and receivables are stated net of provision (see note 10).

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30. 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	Two to five	Over five years	Total
	<u>\$'000</u>	<u>years</u>	<u>\$'000</u>	<u>\$'000</u>
December 31, 2016				
Assets				
Receivables	3,237,805	-	-	3,237,805
Deposits	260,427	-	-	260,427
Related parties	9,836,453	-	-	9,836,453
Cash and bank	15,876,863	-	-	15,876,863
Total assets	29,211,548	-	-	29,211,548
Liabilities				
Customer deposits	-	-	2,481,224	2,481,224
Related parties	10,280,670	12,790,209	15,889,428	38,960,307
Payables	6,190,394	-	-	6,190,394
Total liabilities	16,471,064	12,790,209	18,370,652	47,631,925
Net assets/(liabilities)	12,740,484	(12,790,209)	(18,370,652)	(18,420,377)

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30. 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, 2015				
Assets				
Receivables	5,387,487	-	-	5,387,487
Deposits	28,975	-	-	28,975
Related parties	7,954,708	-	-	7,954,708
Cash and bank	7,316,214	-	-	7,316,214
Total assets	20,687,384	-	-	20,687,384
Liabilities				
Customer deposits	-	-	2,184,966	2,184,966
Related parties	6,840,428	13,906,609	16,031,683	36,778,720
Payables	4,973,062	-	-	4,973,062
Total liabilities	11,813,490	13,906,609	18,216,649	43,936,748
Net assets/ (liabilities)	8,873,894	(13,906,609)	(18,216,649)	(23,249,364)

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30. Financial instruments and financial risk management, continued

(iii) Interest rate risk

December 31, 2016		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	-	-	-	-	3,237,805	3,237,805
	Deposits	260,427	-	-	-	-	260,427
	Related parties	-	-	-	-	9,836,453	9,836,453
	Cash and bank	-	-	-	-	15,876,863	15,876,863
Liabilities	Customers deposit	2.4	-	-	2,481,224	-	2,481,224
	Related parties	3.25	10,280,670	12,790,209	10,108,296	5,781,132	38,960,307
	Payables	-	-	-	-	6,190,394	6,190,394
Interest sensitivity gap			(10,020,243)	(12,790,209)	(12,589,520)	16,979,595	(18,420,377)
December 31, 2015							
		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	-	-	-	-	5,387,487	5,387,487
	Deposits	28,975	-	-	-	-	28,975
	Related parties	-	-	-	-	7,954,708	7,954,708
	Cash and bank	-	-	-	-	7,316,214	7,316,214
Liabilities	Customers deposit	2.4	-	-	2,184,966	-	2,184,966
	Related parties	3.25	6,123,381	9,484,870	17,780,528	3,389,941	36,778,720
	Payables	-	-	-	-	4,973,062	4,973,062
Interest sensitivity gap			(6,094,406)	(9,484,870)	(19,965,494)	12,295,406	(23,249,364)

30. 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. The company 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\$206,846,000 (2015 G\$265,322,000), 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, 2016					
G\$ equivalent of US Dollars	238,314	26,770,521	(26,532,207)	1	(265,322)
December 31, 2015					
G\$ equivalent of US Dollars	6,852	20,691,476	(20,684,624)	1	(206,846)

(v) Capital risk

The company's objective when managing its capital (ordinary shares) is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders or issue new shares.