

**AUDITED FINANCIAL STATEMENTS OF
GUYANA POWER & LIGHT INC.**

**FOR THE YEAR ENDED
31 DECEMBER 2017**

**CONTRACTED AUDITORS: PARMESAR CHARTERED
ACCOUNTANTS
1 DELPH ST. & DUREY LANE
CAMPBELLVILLE,
GEORGETOWN**

**AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**

AUDITED FINANCIAL STATEMENTS OF THE
GUYANA POWER AND LIGHT INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2017

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Audit Office of Guyana

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175/PC: 64/2/2018

30 April 2018

Ms. Laurian Bancroft
Corporate Secretary
Guyana Power and Light Incorporated
15 Duke Street
Georgetown.

Dear Ms. Bancroft,

AUDIT OF THE FINANCIAL STATEMENTS OF THE
GUYANA POWER AND LIGHT INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2017

Please find attached ten 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,


Nichette Harcourt
Nichette Harcourt
Audit Manager (ag.)
for Auditor General



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AG: 142/2018

27 April 2018

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS OF
THE GUYANA POWER AND LIGHT INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Opinion

Chartered Accountants Parmesar Chartered Accountants have audited on my behalf the financial statements of Guyana Power and Light Incorporated, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies as set out on pages 5 to 42.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Guyana Power and Light Incorporated as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Going Concern

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so. As part of my audit of the financial statements, I have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on my audit of the financial statements, I also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 13 (ii) which explains that the recoverability of \$2,282,626,833 representing net amount due from Guyana Sugar Corporation Incorporated is dependent on the outcome of ongoing discussion between the Company and the Government of Guyana.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements as at and for the year ended 31 December 2017. These matters are selected from the matters communicated with those charged with governance, but are not intended to represent all the matters that were discussed with them. My audit procedures relating to these matters were designed in the context of my audit of the financial statements as a whole. My opinion on the financial statements is not modified with respect to certain key audit matters described below, and I do not express an opinion on these individual matters.

- Valuation and impairment of Property, Plant and Equipment

The financial statements detailed property, plant and equipment with a net book value of \$28.9B. No revaluation of property, plant and equipment was done during the year.

Property, plant and equipment are considered Key Audit Matters as significant management judgement was used to select depreciation rates for each item of property, plant and equipment. I found that the assumptions used by management in relation to the carrying value of property, plant and equipment were in line with my expectations and the disclosure in note 6 to be appropriate.

My procedures in relation to management's valuation included:

Test calculation of depreciation rates for property, plant and equipment to ensure consistency with accounting policies and industry rates;

Obtain and check written representation by management on their assessment of impairment;

Assess the methodology used by management to carry out impairment review;

Physical verification of selected assets which were acquired during the current and prior years; and

Verification of the policy for acquisition and disposals of property, plant and equipment.

- Valuation of Defined Benefit Liability (Employee Retirement Benefits)

The Company has recognized a defined benefit liability of \$1.3B. This is considered to be a Key Audit Matter since assumptions that underpin the valuation of the defined benefit pension liability is important and also involve subjective judgements as the surplus/deficit balance is volatile and affects the Company's distributable reserves. Management has employed actuarial specialists in order to calculate this balance and uncertainty arises as a result of estimates made based on the Company's expectation about long-term trends and market conditions.

My procedures in relation to actuarial valuation included:

Reviewing of the actuarial report for the year ended 31 December 2017 and ensuring information was presented and disclosed in accordance with IAS 19;

Obtaining an understanding of the methodology and assumptions used by the actuary and assessing whether these were consistent with prior years and my understanding of the client;

Reviewing the source data used by the Company actuary and performing tests to ascertain its completeness and accuracy; and

Assessing the professional competence, including the qualifications, experience and reputation of the actuary.

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

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

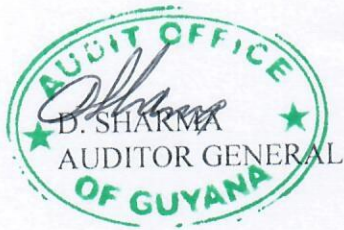
As part of an audit in accordance with ISAs and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 my 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.
- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Report on Other Legal and Regulatory Requirements

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



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

**REPORT OF THE CHARTERED ACCOUNTANTS
PARMESAR
TO THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
GUYANA POWER & LIGHT INC.
FOR THE YEAR ENDED 31 DECEMBER 2017**

OPINION:

We have audited the attached financial statements of Guyana Power & Light Inc. which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2017, and a summary of significant accounting policies and other explanatory notes as set out on pages 9 to 42.

In our opinion, these financial statements present fairly, in all material respects the financial position of Guyana Power & Light Inc. as of 31 December 2017, and of its financial performance and its statement of cash flows for the year ended 31 December 2017 in accordance with International Financial Reporting Standards (IFRS).

BASIS OF OPINION:

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 for 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 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.

GOING CONCERN

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

EMPHASIS OF MATTER

Without qualifying our opinion we draw attention to note 13 (ii) which explains that the recoverability of \$2,282,626,833 representing net amount due from the Guyana Sugar Corporation Inc is dependent on the outcome of ongoing discussions between the Company and the Government of Guyana.

KEY AUDIT MATTERS:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements as at and for the year ended 31 December 2017. These matters are selected from the matters communicated with those charged with governance, but are not intended to represent all the matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to certain key audit matters described below, and we do not express an opinion on these individual matters.

- Valuation and impairment of Property, plant and equipment

The financial statements detailed property, plant and equipment with a net book value of \$28.9B. No revaluation of property, plant and equipment was done during the year.

Property, plant and equipment are considered Key Audit Matters as significant management judgement was used to select depreciation rates for each item of property, plant and equipment. We found that the assumptions used by management in relation to the carrying value of property, plant and equipment were in line with our expectations and the disclosure in note 6 to be appropriate.

Our procedures in relation to management's valuation included:

Test calculation of depreciation rates for property, plant and equipment to ensure consistency with accounting policies and industry rates;

Obtain and check written representation by management on their assessment of impairment.

Assess the methodology used by management to carry out impairment review.

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- Valuation of Defined Benefit Liability (Employee Retirement Benefits)

The Company has recognized a defined benefit liability of \$1.3B. This is considered to be a Key Audit Matter since assumptions that underpin the valuation of the defined benefit pension liability is important and also involve subjective judgements as the surplus / deficit balance is volatile and affects the Company's distributable reserves. Management has employed actuarial specialists in order to calculate this balance and uncertainty arises as a result of estimates made based on the Company's expectation about long-term trends and market conditions.

Our procedures in relation to actuarial valuation included:

Review of the actuarial report for the year ended 31 December 2017 and ensuring information was presented and disclosed in accordance with IAS 19;

Obtain an understanding of the methodology and assumptions used by the actuary and assess whether these were consistent with prior years and our understanding of the client;

Review the source data used by the Company actuary and perform tests to ascertain its completeness and accuracy;

Assess the professional competence, including the qualifications, experience and reputation of the actuary.

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 the 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 RESPONSIBILITY

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement 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.
- 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 exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS.

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



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PARMESAR
PARMESAR

27 April 2018

Guyana Power and Light, Inc.
Statement of Financial Position
As at December 31, 2017

		2017	Restated 2016
	Notes	GS '000	GS '000
ASSETS			
Non Current Assets			
Property, plant and equipment	6	28,995,534	31,408,070
Intangible assets	7	695,721	695,721
Work-in-progress	8	5,163,680	1,541,895
Deferred tax assets	9	5,485,781	5,550,027
		<u>40,340,716</u>	<u>39,195,713</u>
Current assets			
Inventories	10	4,919,521	3,846,995
Receivables and prepayments	11	5,672,955	3,237,805
Deposits	12	504,019	260,427
Related parties	13	5,549,810	5,391,472
Investments	14	4,759,200	828,000
Cash resources	15	9,391,853	15,876,863
		<u>30,797,358</u>	<u>29,441,562</u>
Total Assets		<u><u>71,138,074</u></u>	<u><u>68,637,275</u></u>
EQUITY AND LIABILITIES			
Share capital	16	23,118,244	23,118,244
Accumulated deficit		(7,148,421)	(6,435,227)
		<u>15,969,823</u>	<u>16,683,017</u>
Non Current Liabilities			
Related parties	13	28,375,301	27,250,463
Advances customer financed project	17	3,473,534	4,065,714
Provision for decommissioning	18	242,900	242,900
Customer deposits	19	2,752,989	2,481,224
Defined benefit liability	20	1,333,500	1,540,100
Deferred tax liability	9	2,376,127	2,665,586
		<u>38,554,351</u>	<u>38,245,987</u>
Current liabilities			
Related parties	13	8,203,130	7,264,863
Deferred Income	21	24,353	21,655
Advances customer financed project	17	699,634	694,711
Payables and accruals	22	7,638,923	5,580,572
Taxation		47,860	146,470
		<u>16,613,900</u>	<u>13,708,271</u>
Total Equity and Liabilities		<u><u>71,138,074</u></u>	<u><u>68,637,275</u></u>

On behalf of the Board
GUYANA POWER & LIGHT INC.


Chairman


Director

The notes on pages 9 to 42 form an integral part of these financial statements.

Guyana Power and Light, Inc.
Statement of Comprehensive Income
As at December 31, 2017

	Notes	2017 GS '000	2016 GS '000
Revenue		28,795,625	28,967,457
Generation cost	23	(19,173,637)	(14,647,196)
Operating profit		<u>9,621,988</u>	<u>14,320,261</u>
Other Income		<u>814,016</u>	<u>853,010</u>
EXPENSES			
Employment Costs	24	(3,498,107)	(3,653,833)
Repairs and Maintenance - T & D		(375,205)	(358,815)
Depreciation	25	(3,373,747)	(3,334,901)
Administrative Expenses	26	(2,248,691)	(2,066,626)
Rates and Taxes		(23,627)	(11,894)
Loss on Exchange		(20,728)	(234,656)
Bad Debts		(391,500)	(398,113)
PUC Assessment and License		(50,000)	(50,870)
Interest Expenses		(1,333,072)	(1,535,620)
		<u>(11,314,677)</u>	<u>(11,645,328)</u>
(Loss) / profit before taxation		(878,672)	3,527,943
Taxation	27	<u>165,478</u>	<u>2,702,660</u>
(Loss) / profit after taxation		<u>(713,194)</u>	<u>6,230,603</u>
(Loss) / earnings per share	28	<u>(6)</u>	<u>49</u>

The notes on pages 9 to 42 form an integral part of these financial statements.

Guyana Power and Light, Inc.
Statement of Changes in Equity
As at December 31, 2017

	Notes	Share capital	Reserves	Total
		G\$'000	G\$'000	G\$'000
Year ended 31 December 2017				
As at beginning of year		23,118,244	(6,435,227)	16,683,017
Loss for the year			(713,194)	(713,194)
As at end of year		<u>23,118,244</u>	<u>(7,148,421)</u>	<u>15,969,823</u>
Year ended 31 December 2016				
As at beginning of year - previously reported		23,118,244	(13,275,652)	9,842,592
Prior year adjustment		-	609,822	609,822
As at beginning of year - restated		<u>23,118,244</u>	<u>(12,665,830)</u>	<u>10,452,414</u>
Profit for the year		-	6,230,603	6,230,603
As at end of year		<u>23,118,244</u>	<u>(6,435,227)</u>	<u>16,683,017</u>

The notes on pages 9 to 42 form an integral part of these financial statements.

Guyana Power and Light, Inc.
Statement of Cash Flows
As at December 31, 2017

	2017	2016
	G\$ '000	G\$ '000
OPERATING ACTIVITIES		
(Loss) / profit before taxation	(878,672)	3,527,943
Adjustments for:		
Depreciation	3,373,747	3,334,901
Deferred income	2,698	(2,421)
Defined pension benefit liability	(206,600)	154,100
Interest expense	1,333,073	1,535,620
Amortisation	-	(695,039)
Operating profit before working capital changes	3,624,246	7,855,104
Working capital changes		
Increases in inventories	(1,072,526)	(203,000)
Increases / (decrease) in receivables and prepayments	(2,435,150)	2,149,682
Increase in payables and accruals	2,058,351	1,217,332
Increase in related parties	779,929	1,179,653
Taxes paid	(158,345)	-
Net Cash Inflow - Operating Activities	2,796,505	12,198,771
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,582,996)	(1,293,931)
Acquisition of intangible assets	-	(20,897)
Acquisition of treasury bills	(3,931,200)	-
Increase in deposit	(243,592)	(231,452)
Net Cash Outflow - Investing Activities	(8,757,788)	(1,546,280)
FINANCING ACTIVITIES		
Advance / (repayment) to non current related parties	1,124,838	(915,121)
Interest paid	(1,333,073)	(1,535,620)
Customer deposits	271,765	991,296
Decrease in advances customer financed projects	(587,257)	(632,397)
Net Cash Outflow - Financing Activities	(523,727)	(2,091,842)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(6,485,010)	8,560,649
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	15,876,863	7,316,214
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	9,391,853	15,876,863
Represented By:		
Cash on Hand and at Bank	9,391,853	15,876,863

The notes on pages 9 to 42 form an integral part of these financial statements.

Guyana Power and Light, Inc.
Notes to the Financial Statements
As at December 31, 2017

1. ACCOUNTING POLICIES

(a) 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.

These financial statements were approved for issue by the Board of Directors on 27 April, 2018.

(iii) Statement of significant accounting policies

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 the statement of income 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 reports 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 of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Amendments effective for the current year end

New and Amended Standards

Effective Date

IAS 12 Income taxes

1 January 2017

IAS 7 Disclosure initiative

1 January 2017

IAS 12 Income taxes

The amendments to IAS 12: Income Taxes are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted. The amendments were issued to clarify recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value in the financial statements but at cost for tax purposes which can give rise to deductible temporary differences.

Guyana Power and Light, Inc.
Notes to the Financial Statements
As at December 31, 2017

IAS 12 Income taxes cont'd

The amendments also clarify that:

- The carrying amount of an asset does not limit the estimation of probable future profits; and that'
- when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

IAS 7 Disclosure initiative

The amendments to IAS 7 Statement of Cash Flows respond to investors' requests for improved disclosures about changes in an entity's liabilities arising from financial activities. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash flows.

Pronouncements effective in future period for early adoption

New and amended standards

IAS 40	Transfers of investment property	1 January 2018
IFRS 2	Share based payment : Classification and measurement of share based transactions	1 January 2018
IFRS 4	Insurance contracts : Applying IFRS 9 "Financial instrument" with "IFRS 4 "Insurance Contracts"	1 January 2018
IFRS 9	Financial Instruments: Classification and measurement	1 January 2018
IFRS 9	Additions for financial liability accounting	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
Annual improvements to IFRS 2014-2016		
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

The Company has not opted for early adoption.

The standards and amendments that are expected to have a material impact on the Company's accounting policies when adopted are explained below.

IFRS 2 - Share based payment

The amendment to IFRS 2 - Share based payment clarifies the classification and measurement of share-based payment transactions. The amendments are as follows:

- (a) Accounting for cash-settled share-based payment transactions that include a performance condition;

2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONT'D)

IFRS 2 - Share based payment cont'd

- (b) Classification of share-based payment transactions with net settlement features;
- (c) Accounting for modifications of share-based payment transactions from cash-settled to equity-settled;

IFRS 4 - Insurance contracts

The amendment to IFRS 4 - provides two options for entities that issue insurance contracts within

- (a) an option that permits entities to reclassify, from profit and loss to other comprehensive income, some of the income or expenses arising from designated financial assets;
- (b) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4;

IFRS 9 - Financial instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with earlier application

- 1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
- 2. hedge accounting for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The standard contains specific transitional provisions for:

- (i) classification and measurement of financial assets;
- (ii) impairment of financial assets; and
- (iii) hedge accounting.

IFRS 15 - Revenue from contracts with customers

This standard provides amendment to clarify how to:

- Identify the contract with the customer
- Determine whether an entity is a principal or an agent
- Determine whether the revenue from granting a licence to an entity's intellectual property should be recognised at a point in time or over time.

In addition to clarifications, the amendments include two additional reliefs to reduce cost and complexity for an entity when it first applies IFRS 15

Guyana Power and Light, Inc.
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2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONT'D)

IFRS 16 - Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 17 - Insurance liabilities

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Annual improvements 2014-2016

The annual improvements to IFRS Standards 2016-2016 cycle contains three amendments related to three standards. The following shows the topics addressed by these amendments:

Standard

IFRS 1 - First time adoption to IFRS

IFRS 12 - Disclosure of interest in other entities

IFRS 28 - Investments in associates and joint ventures

Subject of amendment

Deletion of short-term exemptions for first time adopters

Clarification of the scope of the standard

Measuring an associate of joint venture at fair value

New and revised interpretations

Available for early adoption

IFRIC 22 Foreign currency transactions and advance consideration

IFRIC 23 Uncertainty over income tax treatments

Effective for annual periods beginning on or after

1 January 2018

1 January 2019

Guyana Power and Light, Inc.
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2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONT'D)

IFRIC 22 Foreign currency transactions and advance consideration

- There is consideration that is denominated or priced in a foreign currency;
- The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary

The interpretation committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRIC 23 Uncertainty over income tax treatment

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatment should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- the effect of changes in facts and circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

Guyana Power and Light, Inc.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

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.

Previous to 2013, interest on loans expensed rather than capitalized.

Revaluation

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 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 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.

Guyana Power and Light, Inc.
Notes to the Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revaluation (cont'd)

Fixtures and equipment are stated at cost less accumulated depreciation and 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 comprehensive income.

Depreciation

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

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

Guyana Power and Light, Inc.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Impairment of tangible and intangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible 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 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, but so that the increased carrying amount does not exceed the carrying amount that have 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 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.

3.3 Work-in-progress

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

Guyana Power and Light, Inc.
Notes to the Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leased assets

Fixed assets 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 comprehensive income. Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the lease term.

3.5 Inventories

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

3.6 Receivables and provision for bad and doubtful debts

Receivables 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 income as at 31 December 2017.

3.7 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)

Transaction 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 Comprehensive Income in the period in which they arise.

Guyana Power and Light, Inc.
Notes to the Financial Statements
As at December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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 is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.9 Revenue

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

3.10 Taxation

Tax charged against profits for the year comprises current and deferred tax.

3.11 Statutory taxation

The tax payable is based on taxable profit for the year. Taxable profit differs from the net profits as reported in the statement of comprehensive income because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax charge is calculated using tax rates that have been enacted at the date of the statement of financial position.

Guyana Power and Light, Inc.
Notes to the Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 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 bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable 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 difference arises 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 profits nor the accounting profit.

The carrying amount of differed 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 tax rates (and tax laws) that have been enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences 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 tax assets against current tax liabilities.

3.13 Statutory and deferred taxes for the period

Current and deferred taxes are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside the Statement of Comprehensive Income (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside the statement of 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 the business combination.

Guyana Power and Light, Inc.
Notes to the Financial Statements
As at December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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 year. However pension costs are assessed annually in accordance with the advice of independent actuaries.

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 positions' date minus the fair value of any plan 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.

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

3.15 Advance 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.

3.16 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.

Guyana Power and Light, Inc.
Notes to the Financial Statements
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	2017	2016
	G\$'000	G\$'000
7. INTANGIBLE ASSETS		
As at beginning of the year	695,721	674,824
Additions	-	20,897
As at end of the year	<u>695,721</u>	<u>695,721</u>

This represents the cost of the Customer Information System (CIS) and Pre-Paid 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.

8. WORK-IN-PROGRESS

As at beginning of the year	1,541,895	1,123,431
Additions	3,816,508	800,922
Reclassification	-	(201,831)
Transfers to property, plant and equipment	(187,012)	(143,587)
Transfers to inventory and expense	(7,711)	(37,040)
As at end of the year	<u>5,163,680</u>	<u>1,541,895</u>

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

9. DEFERRED TAX

Deferred tax asset arising from :

(a) Tax losses	5,119,069	5,126,499
Defined benefit pension liability	366,712	423,528
	<u>5,485,781</u>	<u>5,550,027</u>

DEFERRED TAX LIABILITY

Deferred tax liability arising from :

(b) Excess capital allowance over depreciation	<u>2,376,127</u>	<u>2,665,586</u>
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Guyana Power and Light, Inc.
Notes to the Financial Statements
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10. INVENTORIES	2017	2016
	GS'000	GS'000
Fuel	889,902	716,106
Capital Items & Spares	2,815,099	2,734,815
Goods in Transit	1,214,520	396,074
	<u>4,919,521</u>	<u>3,846,995</u>

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.

11. RECEIVABLES		
Customer accounts	13,843,942	11,326,658
Others	537,941	228,575
Less: provision for bad debts	<u>(8,708,928)</u>	<u>(8,317,428)</u>
	<u>5,672,955</u>	<u>3,237,805</u>

This Company makes an annual provision of 1.5% of turnover net of prepaid sales.

12. DEPOSITS		
(i) Letters of Credit	12	12
(ii) Republic Bank (Guyana) Ltd - Cash Collateral Account	1,484	1,508
(iii) Unserved Areas Electrification Programme Counterpart Account	-	3,071
(iv) Unserved Areas Electrification Programme IDB Account	254,886	10,884
(v) Bank of Guyana IDB Project (Power Utility Upgrade)	247,637	244,952
Total	<u>504,019</u>	<u>260,427</u>

(ii) Represent 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) - (iv) 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.

(v) The Government of the Co-operative Republic of Guyana (GOG) and the Inter-American Development Bank signed a financing agreement on the 10 October 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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Financial Statements
December 31, 2017

13. RELATED PARTIES	2017	2016
	G\$'000	G\$'000
Current Assets		
(i) Bill Direct	183,636	183,636
Impairment provision	(183,636)	(183,636)
	<u>-</u>	<u>-</u>
(ii) Guyana Sugar Corporation Inc.	2,282,627	2,282,627
(iii) Skeldon Energy Inc.	3,267,183	3,108,845
	<u>5,549,810</u>	<u>5,391,472</u>
Current Liabilities		
(iv) Guyana Electricity Corporation - Customer Deposits	12	12
(v) Government of Guyana - Petro Caribe Loan	5,786,697	5,462,776
(vi) Government of Guyana - Infrastructural development	713,130	950,430
(vii) Government of Guyana - Capital expenditure	1,703,291	851,645
	<u>8,203,130</u>	<u>7,264,863</u>
Non-Current Liabilities		
(viii) Government of Guyana - Infrastructural development	6,774,734	7,128,255
(ix) Government of Guyana - Petro Caribe Loan	11,600,270	11,924,194
(x) Government of Guyana - SOESIQSP Loan	1,028,748	445,639
(xi) Government of Guyana - PUUP Loan	2,960,653	889,834
(xii) Government of Guyana - Capital Expenditure	6,010,896	6,862,541
	<u>28,375,301</u>	<u>27,250,463</u>

(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 the net amount owing by Guyana Sugar Corporation for Heavy Fuel Oil loaned and/or utilised from GPL's inventory and 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. During the year Guysuco did not make any payment towards the balance outstanding. 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, hence no provision for impairment has been recognised.

(iii) This amount comprise the net of: (1) loan of eleven million United States Dollar (USD11M)-terms of repayment of this loan is being finalised; (2) expenses paid on behalf of Skeldon Energy Inc and (3) cost of purchased power for the period April 2015 to December 2016.

Guyana Power and Light, Inc.
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13. RELATED PARTIES (CONT'D)

(iv) 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 Operations 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.

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

(vi) and (viii) 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(EXIM) for the development of the company high voltage 69kv transmission lines, 36/13.8kv substations and all relevant interconnections. Interest is charged at 4% per annum and repayment is over a twelve year (12) period, with a five (5) years moratorium.

(vii) and (xii) This represent two loans from the Government of Guyana for capital expenditure in the sum of \$4,770,000,000 and US\$12,065,000. The terms of repayment of these loans are as follows:

- 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 (15) annual instalments commencing on 14 November, 2016.

- Interest at the rate of 3% per annum shall be capitalised as part of the loan for the first two years. The sum of US\$12,065,000 plus interest capitalised for the first two years shall be repaid in fifteen (15) equal annual instalments commencing on 29 October,2017, The rate of interest on this loan is 3% per annum

(x) This represents US\$5 million 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). The total loan was disbursed as at 31 December 2017.

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13. RELATED PARTIES (CONT'D)

(c) (x) This represents US\$64.573 million 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 US\$6,899 million was disbursed to date.

14. INVESTMENTS

	2017	2016
	G\$'000	G\$'000
Skeldon Energy Inc. 45.45% shares	828,000	828,000
Government Treasury Bills	3,931,200	-
	<u>4,759,200</u>	<u>828,000</u>

(i) This represents GPL investment in Skeldon Energy Inc.(SEI) of 45.45% share capital based on Cabinet Decision made on February 3rd, 2015. SEI officially took control of the generating assets of GuySuCo effective April 1, 2015.

(ii) The amount represents unsecure loan to Skeldon Energy Inc. of US\$11 million at an exchange rate of GY\$207. a decision made by Cabinet on February 3rd, 2015. Terms and condition yet to be determined.

15. CASH RESOURCES

Cash at bank	9,382,258	15,868,108
Cash in hand	9,595	8,755
	<u>9,391,853</u>	<u>15,876,863</u>

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			2017	2016
16. SHARE CAPITAL	Number	Minimum Issue Price	G\$'000	G\$'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:				
Common shares	55,074,228	182	9,999,361	9,999,361
Net Liabilities converted to				
(iv) Common Shares	18,496,667	182	3,366,394	3,366,394
Promissory Note converted to				
(v) Common Shares	3,450,000	180	621,000	621,000
Conversion of Subsidy	8,241,758	182	1,500,000	1,500,000
(vi) Conversion of subsidy	32,967,033	182	6,000,000	6,000,000
Conversion of subsidy	5,494,505	182	1,000,000	1,000,000
Conversion of subsidy	3,469,720	182	631,489	631,489
	<u>127,193,911</u>		<u>23,118,244</u>	<u>23,118,244</u>

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.

(iv) and (v) 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.

(vi) In 2011, Government of Guyana converted G\$1.5B of fuel subsidy to common shares at G\$182 each.

Guyana Power and Light, Inc.
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	2017	2016
	G\$'000	G\$'000
17. ADVANCE CUSTOMER FINANCED PROJECTS		
Contributions		
As at beginning of the year	9,507,298	9,444,653
Contributions during the year	112,377	62,645
As at end of the year	<u>9,619,675</u>	<u>9,507,298</u>
Amortisation		
As at beginning of the year	(4,746,873)	(4,051,834)
Amortisation during the year	(699,634)	(695,039)
As at end of the year	<u>(5,446,507)</u>	<u>(4,746,873)</u>
Net advance customer financed projects	<u>4,173,168</u>	<u>4,760,425</u>
Current Liabilities:		
Capital Contributions (CFP)	228,633	224,898
Capital Contributions (UAEP) Government	199,944	199,367
Capital Contributions (GOG)	271,058	270,446
	<u>699,634</u>	<u>694,711</u>
Non-Current Liabilities:		
Capital Contributions (CFP)	742,499	870,845
Capital Contributions (UAEP) Government	464,899	662,238
Capital Contributions (GOG)	2,266,136	2,532,631
	<u>3,473,534</u>	<u>4,065,714</u>
18. PROVISION FOR DECOMMISSIONING		
<p>This provision was made at incorporation to be utilised for the future cost of decommissioning certain generation facilities as and when they arise. Management reviews this for adequacy on an ongoing basis. As at December 31, 2017 management considered this amount to be adequate.</p>		
19. CUSTOMER DEPOSITS		
Customer deposits	<u>2,752,989</u>	<u>2,481,224</u>

Guyana Power and Light, Inc.
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19. CUSTOMER DEPOSITS CONT'D

This represents monies for security deposits collected from customers prior to the provision of service. Up to 31 October, 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%. Amounts initially paid by customers along with accumulated interest are refunded when customers cease to utilise the service.

20. DEFINED BENEFIT LIABILITY

(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 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% of salaries. The Company finance the balance of the cost funding the defined benefits. Currently the company pays a contribution of 7% of salaries. The Company expects to pay \$102 million 2018.

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

	2017	2016
	G\$'000	G\$'000
Present value of defined benefit obligation	4,523,000	4,436,500
Fair value of assets	(3,189,500)	(2,896,400)
Net IAS 19 defined benefit liability	<u>1,333,500</u>	<u>1,540,100</u>

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

Defined benefit liability	4,436,500	4,123,700
Current service cost	201,900	189,000
Interest cost	218,200	203,200
Members' contribution	76,100	73,200
Re-measurements	(262,800)	(32,800)
Benefits paid	(146,900)	(119,800)
	<u>4,523,000</u>	<u>4,436,500</u>

Guyana Power and Light, Inc.
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	2017	2016
	GS'000	GS'000
20. DEFINED BENEFIT LIABILITY (CONT'D)		
(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.		
(f) Movement in fair value of plan assets		
Fair value of plan assets at start of year	2,896,400	2,737,700
Interest income	145,800	138,200
Return on plan assets, excluding interest income	109,100	(32,000)
Company contributions	109,000	99,100
Members' Contributions	76,100	73,200
Benefits paid	(146,900)	(119,800)
	<u>3,189,500</u>	<u>2,896,400</u>
Asset allocation		
Local equities	805,100	655,700
Local bonds	423,900	388,600
Overseas equities and bonds	480,400	91,900
Money market instruments	1,425,900	1,497,500
Cash and net current assets	54,200	262,700
	<u>3,189,500</u>	<u>2,896,400</u>
(g) Items for inclusion in the statement of comprehensive income:		
Current service cost	201,900	189,000
Net interest on net defined benefit obligation	72,400	65,000
	<u>274,300</u>	<u>254,000</u>
(h) re-measurement recognised in other comprehensive income:		
Experience (loss) / gain	<u>(371,900)</u>	<u>800</u>

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20. DEFINED BENEFIT PENSION SCHEME (CONT'D)	2017 G\$'000	2016 G\$'000
(i) Summary of main assumptions		
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 31 December 2017 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

(j) Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 December 2015 would have changed as a result of a change in the assumptions used.

	1% pa higher	1% pa lower
Discount rate	903,300	(717,400)
Future salary increases	(312,000)	368,300
Future pension increases	n/a	398,300
	10% higher	10% lower
Proportion of retirees opting for pension rather than joint balance	(190,300)	190,800

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 31 December 2018 by \$107M.

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21. DEFERRED INCOME	2017	2016
	G\$'000	G\$'000
Deferred income	24,353	21,655

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.

22 PAYABLES

Trade creditors	1,862,547	4,207,979
Employment costs	104,889	172,035
Property tax	-	24,864
Other accruals	5,671,487	1,175,694
	<u>7,638,923</u>	<u>5,580,572</u>

23. GENERATION COSTS

Fuel	13,366,232	10,105,428
Fuel agency fee	70,288	29,635
Operations and maintenance contract	2,591,835	2,112,915
Purchased power	2,307,087	1,955,241
Repairs and maintenance - generation facilities	484,558	265,765
Rental of equipment - generation	353,637	178,212
	<u>19,173,637</u>	<u>14,647,196</u>

24. EMPLOYMENT COSTS

Gross salaries	3,418,934	3,233,253
Social security costs	180,925	170,324
Pension costs	(205,890)	154,306
Superannuation	104,138	95,950
	<u>3,498,107</u>	<u>3,653,833</u>

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	2017	2016
	GS'000	GS'000
25. DEPRECIATION		
Buildings	30,233	27,728
Plant and machinery	1,462,706	1,466,562
Transmission and distribution networks	1,726,022	1,694,415
Motor vehicles	89,957	83,185
Furniture and equipment	64,829	63,011
	<u>3,373,747</u>	<u>3,334,901</u>
26. ADMINISTRATIVE EXPENSES		
Administrative Expenses	<u>2,248,691</u>	<u>2,066,626</u>
The following expenses were charged in the above amounts:		
Repairs and maintenance		
- Motor vehicles & tools	102,706	75,072
- Buildings & wharf	89,609	73,831
- Equipment	18,159	171,510
Audit Fees and other expenses	<u>7,710</u>	<u>8,743</u>
27. TAXATION		
Corporation tax - current year	-	(146,470)
prior year	10,930	-
Deferred tax	(225,213)	2,884,441
Property tax	48,805	-
	<u>(165,478)</u>	<u>2,737,971</u>
Reconciliation of corporation tax expense and accounting (loss) / profit:	<u>(878,672)</u>	<u>3,527,943</u>
Corporation tax - 27.5% (2016-30%)	(241,635)	1,058,383
Effects of change in tax rate	10,052	-
Property tax	48,805	-
Prior year corporation tax / deferred tax	10,930	1,680,090
Expenses not deductible for tax purposes	6,370	(502)
Income not subject to tax	-	-
	<u>(165,478)</u>	<u>2,737,971</u>

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28. (LOSS) / EARNINGS PER SHARE	2017 G\$'000	2016 G\$'000
<p>(Loss) / earnings per share is calculated by dividing the total comprehensive income by the weighted average number of common shares outstanding during the year.</p>		
Net (loss) / profit after tax	(713,194)	6,230,603
	<u>=====</u>	<u>=====</u>
Weighted average number of ordinary shares	127,193,912	127,193,912
	<u>=====</u>	<u>=====</u>
(Loss) / earnings per share	(6)	49
	<u>==</u>	<u>==</u>

29. 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.

30. COMPENSATION TO KEY MANAGEMENT PERSONNEL

The remuneration paid to 28 (2017-30) key management personnel during the year was as follows:

(a) Short-term employee benefits	341,948	287,035
(b) Post-employment benefits	8,390	7,812
	<u>350,338</u>	<u>294,847</u>
	<u>=====</u>	<u>=====</u>

31. CONTINGENCIES

(a) The company is a defendant or plaintiff in several matters for while 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.

Guyana Power and Light, Inc.
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32. CONTINGENCIES

(b) Operating Lease Commitment

Operating lease commitment are as follows:

Less than one year

2 to 5 years

2017
GS'000

2016
GS'000

18,165

35,142

34,464

17,752

52,629

52,894

33 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.

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Notes to the Financial Statements
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33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

2017

Financial assets	Loans and receivables G\$'000	Financial liabilities G\$'000	Total G\$'000
Receivables and prepayments	5,672,955	-	5,672,955
Deposits	504,019	-	504,019
Related parties	5,549,810	-	5,549,810
Investments	4,759,200	-	4,759,200
Cash resources	9,391,853	-	9,391,853
	<u>25,877,837</u>	<u>-</u>	<u>25,877,837</u>
Financial liabilities			
Advances customer financed project	-	4,173,169	4,173,169
Provision for decommissioning	-	242,900	242,900
Customer deposits	-	2,752,989	2,752,989
Related parties	-	36,578,431	36,578,431
Deferred income	-	24,353	24,353
Payables and accruals	-	7,638,923	7,638,923
Taxation	-	47,860	47,860
	<u>-</u>	<u>51,458,624</u>	<u>51,458,624</u>

2016

Financial assets			
Receivables and prepayments	3,237,805	-	3,237,805
Deposits	260,427	-	260,427
Related parties	9,836,453	-	9,836,453
Investments	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			
Advance customer financed projects	-	4,760,425	4,760,425
Provision for decommissioning	-	242,900	242,900
Customer deposits	-	2,481,224	2,481,224
Related parties	-	38,960,307	38,960,307
Deferred income	-	21,655	21,655
Payables and accruals	-	6,190,394	6,190,394
Taxation	-	146,470	146,470
	<u>-</u>	<u>52,803,375</u>	<u>52,803,375</u>

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33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

The Company's activities expose it to a variety of financial risks: market risks, 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 objectives 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.

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

	2017	2016
	G\$'000	G\$'000
Receivables and prepayments	5,672,955	3,237,805
Deposits	504,019	260,427
Related parties	5,549,810	9,836,453
Investments	4,759,200	828,000
Cash resources	9,391,853	15,876,863
	<u>25,877,837</u>	<u>30,039,548</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.

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33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

2017	Within 1 Year G\$	2-5 Years G\$	Over 5 Years G\$	Total G\$
	G\$'000	G\$'000	G\$'000	G\$'000
Assets				
Receivables and prepayments	5,672,955	-	-	5,672,955
Deposits	504,019	-	-	504,019
Related parties	5,549,810	-	-	5,549,810
Investments	3,931,200	-	828,000	4,759,200
Cash resources	9,391,853	-	-	9,391,853
Total assets	25,049,837	-	828,000	25,877,837
Liabilities				
Advances customer financed project	699,634	-	3,473,534	4,173,169
Provision for decommissioning	-	-	242,900	242,900
Customer deposits	-	-	2,752,989	2,752,989
Related parties	8,203,130	12,790,209	15,585,092	36,578,431
Deferred income	24,353	-	-	24,353
Payables and accruals	7,638,923	-	-	7,638,923
Taxation	47,860	-	-	47,860
Total liabilities	16,613,900	12,790,209	22,054,515	51,458,624
Net assets / (liabilities)	8,435,937	(12,790,209)	(21,226,515)	(25,580,787)
2016				
Assets				
Receivables and prepayments	3,237,805	-	-	3,237,805
Deposits	260,427	-	-	260,427
Related parties	9,836,453	-	-	9,836,453
Investments	-	-	828,000	828,000
Cash resources	15,876,863	-	-	15,876,863
Total assets	29,211,548	-	828,000	30,039,548

Guyana Power and Light, Inc.
Notes to the Financial Statements
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33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Liquidity risk

2016	Within 1 Year	2-5 Years	Over 5 Years	Total
	G\$	G\$	G\$	G\$
	G\$'000	G\$'000	G\$'000	G\$'000
Liabilities				
Advances customer financed project	694,711		4,065,714	4,760,425
Provision for decommissioning			242,900	242,900
Customer deposits	-	-	2,481,224	2,481,224
Related parties	10,280,670	12,790,209	15,889,428	38,960,307
Deferred income	21,655	-	-	21,655
Payables and accruals	5,580,572	-	-	5,580,572
Taxation	146,470	-	-	146,470
Total liabilities	16,724,078	12,790,209	22,679,266	52,193,553
Net assets / (liabilities)	12,487,470	(12,790,209)	(21,851,266)	(22,154,005)

(iii) Interest rate risk

2017	Average Interest rate	Within 1 Year	Two to Five Years	Over 5 Years	Non-interest Bearing	Total
		G\$	G\$	G\$	G\$	G\$
		G\$'000	G\$'000	G\$'000	G\$'000	G\$'000
Assets						
Receivables and prepayments		-	-	-	5,672,955	5,672,955
Deposits		504,019	-	-	-	504,019
Related parties		-	-	-	5,549,810	5,549,810
Investments	2	3,931,200	-	-	828,000	4,759,200
Cash resources		-	-	-	9,391,853	9,391,853
		4,435,219	-	-	21,442,618	25,877,837
Liabilities						
Advances customer financed project		-	-	-	4,173,169	4,173,169
Provision for decommissioning		-	-	-	242,900	242,900
Customer deposits	2.4	-	-	2,752,989	-	2,752,989
Related parties	3.25	8,203,130	12,790,209	15,585,092	-	36,578,431
Deferred income		-	-	-	24,353	24,353
Payables and accruals		-	-	-	7,638,923	7,638,923
Taxation		-	-	-	47,860	47,860
		8,203,130	12,790,209	18,338,081	12,127,205	51,458,624
Interest sensitivity gap		(3,767,911)	(12,790,209)	(18,338,081)	9,315,413	(25,580,787)

Guyana Power and Light, Inc.
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33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Interest rate risk

2016	Average Interest rate	Within 1 Year G\$	Two to Five Years G\$	Over 5 Years G\$	Non-interest Bearing G\$	Total G\$
		G\$'000	G\$'000	G\$'000	G\$'000	G\$'000
Assets						
Receivables and prepayments		-	-	-	3,237,805	3,237,805
Deposits		260,427	-	-	-	260,427
Related parties		-	-	-	9,836,453	9,836,453
Investments		-	-	-	828,000	828,000
Cash resources		-	-	-	15,876,863	15,876,863
		260,427	-	-	29,779,121	30,039,548
Liabilities						
Advances customer financed project		-	-	-	4,760,425	4,760,425
Provision for decommissioning		-	-	-	242,900	242,900
Customer deposits	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
2016					21,655	21,655
Payables		-	-	-	5,580,572	5,580,572
Taxation		-	-	-	146,470	146,470
		10,280,670	12,790,209	12,589,520	16,533,154	52,193,553
Interest sensitivity gap		(10,020,243)	(12,790,209)	(12,589,520)	13,245,967	(22,154,005)

(iii) 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 has 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\$265,322,000 (2016 - G\$206,846,000), if the Guyana dollar weakened against the United States dollars by 1%.

	Financial Assets G\$	Financial Liabilities G\$	Net Liability G\$	% Change G\$	Impact on Profit G\$
2017					
G\$ equivalent to US dollars	7,318,859	20,188,420	(12,869,561)	1	(128,696)
2016					
G\$ equivalent to US dollars	238,314	26,770,521	(26,532,207)	1	(265,322)