GENERATING POWERFUL MOMENTS.

REDEFINING LIMITS.

Dominica Electricity Services Ltd

DOMLEC

2014 ANNUAL REPORT

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Cover Model - Shantell George
2nd Runner Up, Dominica State College Mas Jamboree Pageant 2015,
Sponsored by DOMLEC.

Chairman's Report

DOMLEC continues to be committed to providing investors with a fair and reasonable return and to maintaining the confidence of lenders in order to continue to attract the capital required to provide a safe and reliable service to its customers.

The past year, 2014, has been a busy year and one of change for DOMLEC.

Two new operating licenses that were issued by the Independent Regulatory Commission (IRC) came into force on January 1, 2014. The two 25 year licenses comprise a non-exclusive generation license and an exclusive license for transmission, distribution and supply. DOMLEC also commenced preparations for the advent of geothermal energy into the grid.

At the same time the team at DOMLEC has quickly adapted to being part of the Emera family following Emera Caribbean's purchase of a majority interest in the Company in early 2013. Since the acquisition, DOMLEC has been able to draw on the resources and operational expertise which lies within the group to complement the strengths of the team at DOMLEC. DOMLEC employees also participated in the Emera-wide annual employee engagement survey in 2014 with very positive results.

Perhaps the most momentous change was at the helm, with the appointment of Mrs. Bertilia McKenzie, as the new General Manager of the Company following the resignation of Mr. Collin Cover. The Board congratulates Ms. McKenzie on her elevation as the first woman to hold this key role. Mrs. McKenzie, who holds a Bachelor's degree in Economics from the City University of New York and a Master of Business Administration Degree with Distinction, from the University of the West Indies, has been with the Company for over 17 years and has demonstrated the leadership skills to take DOMLEC forward. The Board also wishes to record its thanks to Mr. Cover for his leadership during the past five years.

Mrs. McKenzie comes to the role of GM at a time when the Company is entering a new energy environment.

One of her first tasks was to work with the Company's management to prepare for a Tariff Review as required by the IRC under the new licenses. This work was well advanced at year-end. The IRC advised that the filing date would be deferred from the original date of September 2014 to a date in 2015. The Company remains mindful of its obligation to meet customer requirements for a safe and reliable electricity supply at reasonable rates, and the need to have adequate revenue to meet its expenses, allow it to finance new plant and equipment, and provide a fair and reasonable return to its investors.

Dominica, like other countries in the region, is seeking to reduce its dependence on fossil fuel. DOMLEC's customers already benefit from Dominica's hydro, which represented approximately 30% of the energy produced in 2014. This however, still leaves 70% of the generation that is reliant on diesel fuel and subject therefore to the vagaries in international oil prices. Fortunately, oil prices on the world markets fell dramatically in the last few months of the year. Customers benefited directly from the significant reduction in the cost of fuel purchased by the Company, as the fuel surcharge was reduced from 42 cents/kWh in October to 30.6 cents/kWh in December.

DOMLEC is also working to ensure that it obtains the best price for fuel and that it has secure sources of supply. During 2014, suppliers were invited to bid on the fuel to be supplied and two suppliers, PDV Caribe (Dominica) and Rubis, were selected to provide the Company's fuel needs.

While oil prices have declined, DOMLEC is committed to further reducing its dependence on oil. In this regard, the Company is fully supportive of the proposed geothermal development, which is now at an advanced stage. During the year, the Government of Dominica announced that the first geothermal production well had been successfully tested and that discussions had commenced with a French consortium to build the plant. Shortly thereafter, DOMLEC commenced technical discussions with the French consortium and subsequent to year-end commenced discussions with the government and the consortium on a proposed Power Purchase Agreement. DOMLEC has also commenced work on the design of a new transmission line which it will own and operate to take power from the plant to the electricity grid.

DOMLEC is readying its people and its operations for the integration of geothermal into the grid. This initiative is very much in line with that of its parent company, Emera Caribbean, which is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market.

Safety is our highest priority and DOMLEC continued to develop a culture of safety awareness among staff necessary to improve levels of performance. Specific actions are being taken to build in greater safety in all aspects of the Company's operations, including safety based training, adherence to the use of personal protective equipment, and a review of operating procedures and the safety manual. The goal is to promote a proactive safety culture and strive to achieve world class safety performance within 5 years.

DOMLEC is an integral part of Dominica and is committed to supporting community minded organizations and institutions. Over $200,000 was given back to the community during 2014, with a focus on sports, culture, education, health and social development.

DOMLEC continues to be committed to providing investors with a fair and reasonable return and to maintaining the confidence of lenders in order to continue to attract the capital required to provide a safe and reliable service to its customers. It is worthy to note that savings of approximately $500,000 was achieved in the Company's insurance premium as DOMLEC benefited from being part of the Emera group insurance. These savings, coupled with reductions achieved by DOMLEC in its operations during 2014, will benefit customers as DOMLEC strives to provide affordable rates. We will continue to seek reductions in our expenses through efficiency measures and through sharing of resources in the wider Emera Caribbean group of companies.

Following the recession of recent years it is pleasing to note that the Company recorded a 2% increase in sales as economic activity picked up and boosted by the return to the grid of some customers who were self-generating. The Company earned a profit of $14.8 million after tax and paid shareholders a dividend of $0.31 per share or $1.42 earnings per share, a payout ratio of 22%. This compares favourably with an after tax profit of $8.8 million and a dividend of $0.20 per share in 2013.

The Board welcomed Mr. Adler Hamlet, who was elected as a Director by the minority shareholders at the Annual Meeting of Shareholders held on May 15, 2014. The Board wishes to record its appreciation to Mr. Norman Rolle for his contribution as a Director over the past nine years.

The Board wishes to extend its thanks to every employee at DOMLEC for their contribution to our success in 2014 and their continued pursuit of excellence in service to all of our customers.

Sarah MacDonald

Sarah Mac Donald
Chairman

Board of Directors


Alexander Stephenson
Director
Peter Williams
Deputy Chairman
F. Adler Hamlet
Director
Grayson Stedman
Chairman - Audit Committee
Frederica James
Chairman - HR & Compensation Committee

Directors' Report

Net income after the current year's tax was $14.82 million million. This compares to the previous year's profit of $8.84 million. Earnings per share for the year totalled $1.42 earnings per share compared to earnings per share of $0.85 in 2013.

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December 2014 which show the state of affairs of the Company.

Principal Activities

The principal activity of the Company is the generation, transmission, distribution and sale of electricity in Dominica. The Company operates under an exclusive 25 year Transmission and Distribution licence and a 25 year non- exclusive Generation licence, both granted by the Independent Regulatory Commission in January 2014.

Financial Results

In 2014, the Company generated total revenue of $101.91 million, an increase of 3.02% from the previous year. Total expenses were $84.95 million and other loss was $0.4 million resulting in income before tax of $16.52 million.

Net income after the current year's tax was $14.8 million. This compares to the previous year's profit of $8.84 million. Earnings per share for the year totalled $1.42 earnings per share compared to earnings per share of $0.85 in 2013.

Mr. Roger Blackman was elected to the Board at the 40th annual general meeting to fill the vacancy created by the resignation of Mr. Blanchard.

Mr. Blackman is an electrical engineer by profession. He has over 20 years experience in the power utility business working at The Barbados Light and Power Company. He holds a Masters in Business Administration degree.

The Board wishes to thank Mr. Norman Rolle for his contribution to the Board over the years. Mr. Rolle served on the Board from 2005 to 2014 as one of the two directors elected by the minority shareholders.

At the 40th annual general meeting, Mr. Adler Hamlet was elected by the minority shareholders to serve on the Board. Mr. Hamlet is a mechanical engineer by profession who has worked in the electrical power industry for thirty- two years. Mr. Hamlet is a former Engineering Manager, Project Manager and General Manager at this Company where he served for seventeen years. He holds a Masters in Business Administration degree.

2014 Trades[1]

Trade Date	Symbol	No of Shares	Share Price	Value	
27-Mar-14	DES	1,937	N/A	N/A	cross trade
28-Mar-14	DES	214	$4.00	$856.00	
25-Jun-14	DES	643	N/A	N/A	cross trade

Dividends

In November 2014, the Board of Directors approved a dividend policy which targets a steady growth in dividend payments to shareholders as the fortune of the Company permits. In keeping with that policy the Company increased dividend payments in December to 15 cents per share. This resulted in a total dividend payment of 31 cents per share to shareholders for the year in review as compared to a total of 20 cents in 2013.

Directorship

On March 19th 2014, Mr. Robert Blanchard Jr. resigned from the Board of Directors. The Board wishes him success in his future endeavours.

Stock Performance

Over the year in review DOMLEC shares on the Eastern Caribbean Securities Exchange traded between $3.25 and $4.00 per share. On December 31st 2014 the trading price was $4.00 per share.

By Order of the Board

Ellise Darwton
Company Secretary

[1] www.ecseonline.com

Redefining Limits:

A Historic Change at the Helm

In Appreciation of Mr. Cover

General Manager Mr. Collin Cover decided to move on after serving five years with DOMLEC. He announced his resignation in May 2014 much to the dismay of staff. Mr. Cover expressed that while he loved and enjoyed his years at the company it was time to move on.

Despite torrential rainfall, hundreds of loyal staff and interns gathered at the Engineering Transmission & Distribution Complex in Fond Cole on the night of July 26th 2014 to bid farewell and to pay special tribute to a General Manager whom they all held dear.

Mr. Cover is credited for bringing about marked improvements in system reliability and stability at the company and in turning around the company's relationship with its major stakeholders and its public image by extension.

Mr. Cover holds a BSc in Electrical Engineering from the University of the West Indies.

Mr. Cover has since taken up the position of General Manager of the electricity company GRENLEC in Grenada.

A Momentous Appointment

In July 2014, Mrs. Bertilia Le Blanc McKenzie was named Interim Manager and was appointed General Manager at DOMLEC in September 2014, a few months after the departure of Mr. Collin Cover. She has been employed by the Company for over sixteen (16) years, more recently as the Human Resources & Administration Manager.

In her first press conference after being confirmed as General Manager Mrs. McKenzie informed the media,

"I am fully cognizant of the critical role that the entity, which is DOMLEC, plays in the socio economic life of Dominicans and for me I deem it to be an awesome responsibility to have been placed at the helm of this organization".

She added, *"What I would really like to see as head of DOMLEC is that our customers would accept our service not because they have no choice, but because the quality of the service is at the level that they would like it to be."*

Mrs. McKenzie informed the media that the support received from DOMLEC employees has been overwhelming. She is confident that with her 17 years' experience in the company she can make a difference in its management.

Ms. McKenzie comes to the role of General Manager at a time of significant changes in the energy sector on the island occasioned by the development of the Government's geothermal energy project.

No stranger to excellent results, Mrs. McKenzie holds a Bachelor of Arts degree (Honours), with a major in Economics and a minor in Psychology, from the City University of New York and a Masters in Business Administration degree with Distinction from the University of the West Indies. Mrs. McKenzie was the 1998 Valedictorian for the Centre for Management Development's EMBA Cohort V. She has been certified as a trainer of adults by the World Trade Institute of New York and is also a Senior Professional in Human Resources (SPHR). Currently she is one of the few females in the Caribbean to be appointed to head an electric utility.

Management Team

Nathaniel George
Commercial Manager

Ellise Darwton
Corporate Secretary/
Legal Officer

Carl Maynard
IT Manager


Edith Thomas - Roberts
Human Resource & Administration Manager
Lemeul Lavinier
Engineering Transmission & Distribution Manager
Marvelin Etienne
Financial Controller
Bertilia Mc Kenzie
General Manager
Dave Stamp
Generation Manager

Operations Review

In 2014, generation continued to make significant strides with respect to customer service and registered another record SAIDI performance.

Financial Overview

INCOME STATEMENT

Sales

Electricity sales for the financial year ended December 31st, 2014 totaled 91.16 GWh. This represents an overall increase of 2.0% across all sectors over 2013. The Hotel Sector recorded the highest growth of 15.5%, driven by less self-generation. Demand increased in the Industrial sector by 9.7% due mainly to ongoing expansion by a major customer in the north of the island and reduced self-generation. Sales in the Domestic Sector increased by 2.2% over 2013. The main factor contributing to this increase was the lower fuel surcharge.

For the major part of 2014 the company experienced positive sales growth. Notably, in the last quarter, demand was driven mainly by lower than usual fuel surcharge. Fuel surcharge decreased from 42.05 cents/kWh in October to 30.61 cents/kWh in December due to a sharp drop in the average price of fuel from $10.57 to $8.69 per imperial gallon during the same period.

Gross Revenue

Total revenue increased by $2.99 million to $101.91 million. The overall growth in electricity units of 2.0% yielded an increase in sales of $1.29 million. Total revenue from electricity sales for the year was $62.12 million compared to $60.83 million in 2013. Fuel surcharge increased by $0.610 million to $38.08 million. This represents a 1.6% rise over last year's results.

Miscellaneous revenue increased by $1.08 million due to proceeds from an insurance claim for one of the major diesel generating units - Fond Cole No. 5 (FC5), thus contributing significantly to the growth in total revenue.

DIRECT EXPENSES

Direct expenses totaled $74.63 million, a reduction of $0.23 million or 0.3% from 2013 for the following reasons:

Fuel Costs

Fuel costs in 2014 totaled $45.03 million; $1.63 million or 3.7% higher than 2013 and accounts for more than 60.4% of total direct expenses. For this financial year, there was greater production from diesel generation as there was a 16.5% reduction in hydro output over 2013. This reduced output was as a result of the lower rainfall recorded and the unavailability of one of the major hydro generating units - New Trafalgar One (NT-1) due to a damaged rotor shaft. As a consequence, diesel consumption, as measured in imperial gallons, increased by 348,721 gallons or 9.5% over 2013.

Operating Costs

Operating expenses were lower in 2014 by 9.1% or $1.38 million. In 2013 the bad debt provision had been increased significantly to provide for the debt of a major customer as well as other debts deemed uncollectible. The provision was reduced in 2014 as some of the outstanding debt was paid off. Additionally, there were reductions in the insurance premium for the main assets and public liability coverages.

Maintenance Expenses

Maintenance expenses decreased by $0.92 million or 11.8% from 2013 to $6.97 million.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased in the current year by $1.17 million to $7.98 million. A major contributing factor was the decrease in legal fees of $1.03 million over 2013. There were also decreases in professional and technical fees.

OTHER INCOME

Other income in 2014 totaled $0.44 million compared to net expenses of $0.39 million in 2013. During 2014, the company recorded a loss on disposal of plant and equipment of $1.09 million compared to $0.21 million in 2013. This year's loss relates to the on-going meter replacement of STS meters with AMI smart meters as well as the replacement of defective wallaba poles with pine poles. This was reduced by $0.63 million in amortization of deferred revenue, capital grants and net foreign exchange gains.

FINANCE CHARGES

Finance charges declined by 9.9% in 2014 to $2.34 million. Given the company's improved liquidity position for the year, the company made no drawdowns from its credit facility.

PROFIT

Profit before tax as at December 31, 2014 stood at $16.52 million, compared to $12.70 million declared in 2013.

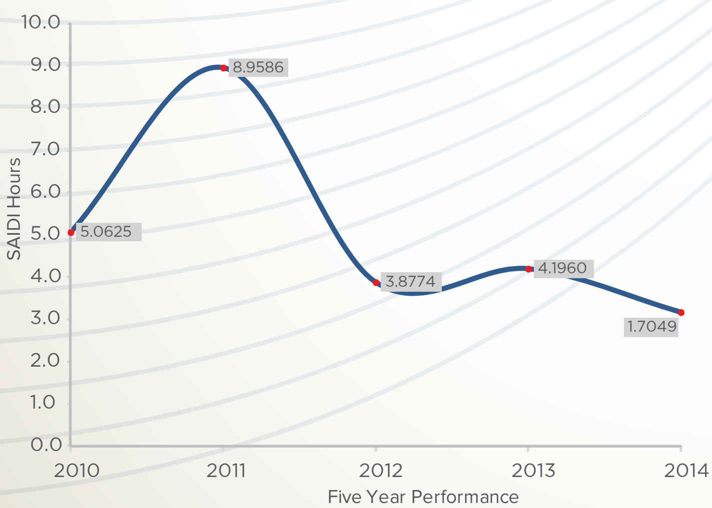
Taxes for the year amounted to $1.70 million resulting in net profit after taxes of $14.82 million, an increase of 67.6%, over $8.84 million in 2013.

Generation Department

A Mixed Performance

In 2014, the performance of the Generation department can be described as mixed. In the key customer satisfaction areas of SAIDI (System Average Interruption Duration Index) and fuel conversion efficiency (SFC or Specific Fuel Consumption), the department exceeded all expectations and delivered five-year record performances. However, in the key areas of Safety and Asset Management the department did not meet expectations.

DOMLEC Generation SAIDI Data 2010-2014

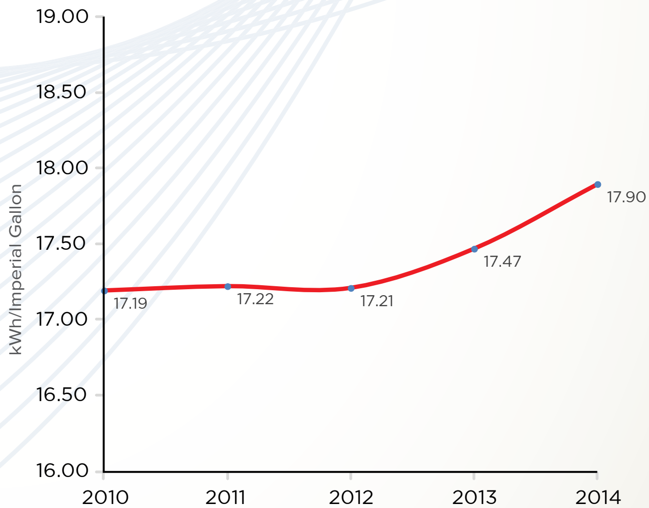


Record SAIDI Performance

In 2014, Generation continued to make significant strides with respect to customer service and registered another record SAIDI performance. As indicated in the graph before, this year's SAIDI performance of 1.7049 was 56% better than the previous record of 3.8774 recorded in 2012.

This was a result of the tremendous dedication of the Generation team, disciplined adherence to the new SAIDI control and management measures introduced over the past few years, and continued inter-departmental communication and coordination with System Control and the Engineering, Transmission and Distribution (ET&D) department as a whole. This SAIDI performance must also be highlighted against the background of some significant technical challenges with the availability of the generating assets. As detailed below, there were a number of challenges with key generating units. Nevertheless, the team diligently managed the reliability of the available units to achieve this tremendous SAIDI performance.

DOMLEC Diesel Efficiency 2010 - 2014



Record Fuel Efficiency Performance

The Specific Fuel Consumption (SFC) is a measure of the company's effectiveness in converting fuel to electrical power. This was an unprecedented 17.9 kWh per imperial gallon in 2014 - a 2.5% improvement over the prior year's record performance.

As in the case of SAIDI achievements, this was due to improvements in inter-departmental coordination with respect to:

1. Dispatch management via newly implemented dispatch tools and communication;
2. Strict adherence to major and routine maintenance programs, as well as the new outage request and execution management systems; and
3. Diligent monitoring of the efficiency performance of the units and system fuel conversion.

Technical/Asset Management Challenges

There were some very notable challenges with the availability of the generating assets in 2014. From early in the 2nd quarter, technical issues developed with two of the key back-up generating units, Fond Cole Nos. 1 and 4. These units suffered failures with their generator step up transformers and were severely delayed in their return to service due to the long lead time for replacement transformers. Near the end of the 3rd and 4th quarters, technical issues surfaced which affected two of the key base load units - NT 1 and FC 12 (Fond Cole 12) . The issues with NT 1 emerged during a scheduled major overhaul which necessitated sending the generator overseas for repairs. FC 12 suffered in-service damage, necessitating extensive repairs which will be completed in early 2015.

A number of reliability improvement initiatives were implemented in 2014 and will continue in 2015 and beyond to improve the reliability and availability of the generating assets.

Some of these key reliability improvement initiatives include:

1. Improved vibration monitoring and analysis of the key generating assets including online monitoring for the hydro units.
2. Improved transformer testing, maintenance and monitoring. This condition based maintenance program will see a reduction and elimination of the incidences of generator step up (GSU) transformer failure in 2015 and beyond.
3. Other key reliability-based programs which will be fully implemented in 2015 include:
   a. Thermographic inspection and monitoring of key electrical equipment;
   b. Upgraded lube oil testing and monitoring
   c. Fuel oil testing and monitoring; and
   d. Structural integrity testing and certification of key equipment (cranes, slings, pressure vessels, etc.) for safety and reliability.

Safety Challenges

The department registered two lost time accidents in 2014. This was way below the performance in 2013 and did not meet expectations of zero accidents and injuries. A comprehensive analysis of the incidents has been completed and the root causes have been identified. The solutions, which are all related to pre-work hazard analysis and assessments, are being implemented. These solutions are also in alignment with the key elements of the Company's 2015 Health, Safety and Environmental Work Plan. We are confident of success in the execution of the plan as we journey to world class safety and zero accidents towards affirmation of the belief that all accidents are preventable.

Engineering Transmission and Distribution Department

Challenging is the word which best describes 2014. The system suffered 52 faults during the year, which represented a 5% reduction from 2013. However, two resulted in island-wide interruptions. Despite the number of faults and the two system-wide outages, overall reliability and availability of the system improved over the previous year.

Total System Average Interruption Duration Index (SAIDI) decreased by 21% to 18.19 hours, and System Average Interruption Frequency Index (SAIFI) decreased by 3.3% to 13.72 interruptions. This was the result of continued improvement in the maintenance and operations of the network, which involved more remote switching and strategic crew dispatch. Also contributing to the increased system reliability was a reduction in the duration of weather-related interruption. System reliability was also adversely affected by an increase in public action interruption duration, primarily due to vehicular incidents. This was at a rate of 200% to 2.82 hours per customer. When public action and weather are excluded the SAIDI remained on par with 2013 results at 14.42.

Network Performance

The system experienced its first island-wide black-out after 24 months on May 31st, followed by another on October 12th. Both faults were investigated in detail to establish the root cause. Actions have been taken to prevent recurrences including adjustments of existing procedures, review of protection systems, and the review of hardware specifications.

When weather events are excluded SAIFI was reduced from 9.1 in 2013 to 8.42 interruptions per customer, indicating that fewer customers are being affected by events and outages are less frequent.

Reliability Maintenance Activities

In 2014, Total Preventative Maintenance Interruption duration (Planned SAIDI) accumulated to 4.17 hours, a 25% drop from 2013. This improvement was the result of enhanced outage management and job planning to maximize the number of work activities done during an outage, increased hotline work, and the execution of only critical outages. Compared to 2013, 12.9% interruptible hours were prevented due to the utilization of hotline work. A crew of eight was trained in hotline work on the 11kV network, augmenting existing crews and facilitating increased hotline activity, and consequently reliability of the network. Continued wireless access to 33% of the SCADA sites also played a pivotal role in system reliability.

Preventative maintenance activities on the distribution system included a 90% increase in the replacement of HV poles, as well as a 57% increase in the number of LV poles. This increased activity was facilitated by improved work planning methods and a transformation of the pole inspection process across the island.

Street light repairs totaled 790, a 74% increase over 2013. Response to power failures within 4 hours averaged 93.28%, a slight improvement over last year. Response times were primarily affected by inclement weather, particularly driving to and from landslide prone areas during periods of heavy rain. Area power failures decreased by 16.3% over the year, a consequence of the protection changes implemented in 2012; while individual power failures increased by 11.15% over 2013. Pole-top connections continue to be the leading cause of individual power failures, followed by defective meter keypads. Both of these areas are deserving of focus in 2015.

There was a slight increase in replacement of transformers, primarily due to damage from increased lightning activity.

Technical Loss Management Activities

In order to improve technical losses and power quality, 9.95 km of LV conductor was replaced and 20.9 km of obsolete LV conductor was removed from the network. To improve the power quality and lower technical losses on the Sugarloaf West Feeder, the Cotton Hill line is being upgraded from single phase to three phase. Fifty percent of the work was completed in 2014, and is scheduled for completion in 2015. Further, an upgrade on the South Feeder from Pichelin to Grand Bay began and will be completed in 2015.

One new capacitor bank was installed on the Portsmouth Feeder to further improve supply quality. The operations of four capacitor banks were also improved through the use of automatic controls, resulting in automatic power quality control, increased productivity and reduced cost. Through Infrared inspections conducted on the HV and LV distribution network connections 9 faults were identified and repaired. A cyclic transformer management programme was developed to monitor and record the load factor and supply quality at every transformer to ensure that transformers sizes are appropriately managed in order to minimize technical losses. It is 40% into the first cycle and is expected to be completed in 2015.

Network Expansion Activities

Street lighting installations increased by 68.75% over 2013, to 351 units. In 2014, operational efficiencies dictated a transition to LED fixtures for street lighting. These fixtures boast a lower life cycle cost than the HPS units previously used. Requests for line extension estimates totaled 445 of which 409 were executed; 197 of which were in respect of new connections.

Notably, the expanded length of the network in 2014 is comparable to 2013 when 305 pole anchors, 70 HV and 299 LV poles were utilized.

Underground expansion activities continued with the commissioning of the Hanover Street infrastructure. The Ship Street infrastructure was fenced off to restrict unsafe practices at that location. The unit is expected to be commissioned in 2015.

GIS & Asset Management

The Geographic Information System (GIS) continues to play a major role in managing the company's assets. Efforts continue to maintain the integrity of the data through the use of system modification forms. All line designs are executed using the GIS system. The selected alternative to the line design software, capable of automatically generating a costing from the design, has completed its first phase. The accounting software, ACCPAC, has now been configured to build quotations for line construction activities. This brings us closer to our goal of achieving operational excellence once implemented in 2015. This will serve to increase productivity and performance in the production of line design estimates, by eliminating more than 25% of the costing time. The next stage will involve integrating ACCPAC and the GIS system.

SCADA and Telecommunication

The wireless SCADA network continues to function effectively, contributing positively to reliability improvements. Negotiations continue for the lease of a portion of land at Morne Espagnol to install a tower required to expand the wireless network. A resolution is expected in 2015. The successful installation of a tower at that site will result in increased system reliability, reduced operating costs, and increased safety via expanded use of VHF radios for communication to field crews conducting switching operations. The hydro automation continues to operate with minimal difficulty, yielding the projected benefits of reduced operating costs. The re-closer installed at Elmshall is functional and has improved the reliability of that feeder.

Interconnected Private Renewable Energy

During the year 145 kW of privately generated renewable energy was installed and interconnected to the grid, compared to 37 kW last year, aggregating the interconnected renewable energy to 417 kW. Rosalie Bay Resort remains the largest interconnected customer with a capacity of 257 kW.

Customer Service Department

Advanced Metering Infrastructure (AMI) System

During the year, both customers and DOMLEC benefited from AMI. Customers benefited by quicker reconnections, processing final bills, availability of 15-minute usage, and increased transparency in investigations of high consumption using load profile. As well, DOMLEC benefited from reduced operating expenses related to vehicle expenses due to remote reconnections and disconnections, and overall improved efficiency.

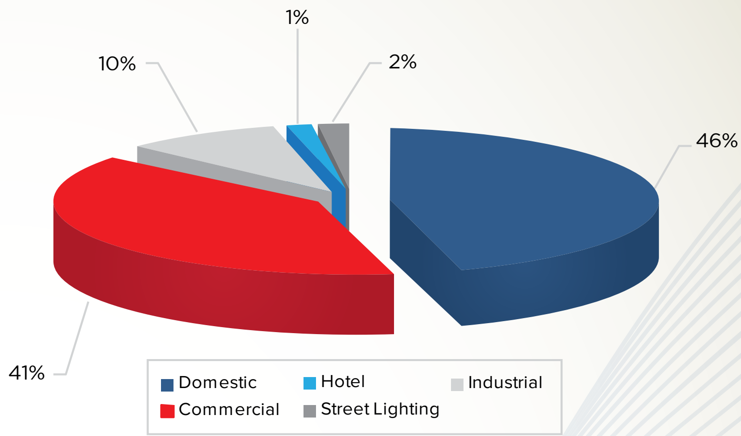
To keep up-to-date with the latest technologies offered by the AMI provider, DOMLEC upgraded its AMI system in the first quarter of 2014. This upgrade included increased capacity on each Gatekeeper, and increased node repeat. To improve system communication, DOMLEC launched a pilot project to explore alternative communication technologies. In the first phase, one of the telephone Gatekeepers was replaced with an Ethernet Gatekeeper. So far, the performance of this Ethernet Gatekeeper has been significantly superior to the telephone Gatekeeper in terms of reliability and speed of communication.

AMI Prepaid System

During 2014 the demand for prepaid connections increased by 5.6%. At the end of 2014, there were 14,320 prepaid customers, representing 40.5% of the number of customers at year end. In 2014 the company continued its gradual replacement of the STS – keypad type prepaid meters.

During the year a total of 1,243 of these meters were upgraded to AMI meters and, over the next 3 years, the Company plans to replace the remaining 3,406 STS-keypad prepaid meters.

Sales by Sector 2014



Customer satisfaction with AMI prepaid is extremely high. In DOMLEC's 2014 Serv-Qual Survey, 83% of prepaid customers indicated a positive level of satisfaction. To make prepaid service accessible to prepaid customers, the company added several new vendors during the year. At year end, there were a total of 84 vendors across the island.

Quality of Service Report

The company conducts periodic service quality surveys to determine customers' satisfaction with the level of service offered by the company. The results of the 2014 Quality of Service Report shows an overall satisfaction score of 69.89%. This represents a decline of 5.77% compared with the previous survey done in 2012.

The survey inquired of large business customers the areas in which DOMLEC could improve the quality of service delivered to the business sector. The top two responses were:

(a) Provide better rates
(b Provide better notification about outages

DOMLEC is scheduled to file for a tariff review during 2015 in accordance with the conditions of its Engineering, Transmission and Distribution licence. DOMLEC expects that customers will have an opportunity to participate in the process and that the outcome will be a fair and reasonable tariff.

To enhance our communications with customers, the Company plans to launch a program in the first quarter of 2015 that will require customers to provide an email address to the company so that they may be notified via email of both planned and unplanned outages.

IRC Customer Service Standards

In 2009, the Independent Regulatory Commission (IRC) established Quality of Service Standards that the company is expected to meet in delivering its service to its customers. The Company is required to pay compensation to customers for breaches of the Guaranteed Standards. The Company pays compensation to customers in the form of a credit on their applicable electricity account. Customers are required to make a claim for certain guaranteed standards.

In 2014, the company achieved an overall success rate of 87.9% and 93.0% in the Guaranteed and Overall standards respectively. The table below shows the results of the company's performance over the past five years.

Quality of Service Standards Report For the 5 Years 2010 - 2014

			2014		2013		2012		2011		2010	
CODE	DESCRIPTION		TOTAL		TOTAL		TOTAL		TOTAL		TOTAL	
GUARANTEED STANDARDS												
GS01	New Connections of Supply	On time	892	94.0%	954	97.4%	1126	98.8%	1062	83.0%	976	89.8%
		Breach	57	6.0%	25	2.6%	14	1.2%	218	17.0%	111	10.2%
			949	100.0%	979	100.0%	1140	100.0%	1280	100.0%	1087	100.0%
GS02	Change of meter to PAUG	On time	329	100.0%	818	99.8%	906	96.1%	1016	90.5%	738	94.7%
		Breach	0	0.0%	2	0.2%	37	3.9%	107	9.5%	41	5.3%
			329	100.0%	820	100.0%	943	100.0%	1123	100.0%	779	100.0%
GS03	New Connections of Supply complex	On time	27	48.2%	51	60.7%	52	98.1%	52	40.9%	49	50.0%
		Breach	29	51.8%	33	39.3%	1	1.9%	75	59.1%	49	50.0%
			56	100.0%	84	100.0%	53	100.0%	127	100.0%	98	100.0%
GS04	Biling Punctuality	On time	172	100.0%	295	99.7%	431	100.0%	468	99.6%	558	98.6%
		Breach	0	0.0%	1	0.3%	0	0.0%	2	0.4%	8	1.4%
			172	100.0%	296	100.0%	431	100.0%	470	100.0%	566	100.0%
GS05	Estimated Bills	On time	3353	96.7%	2997	99.7%	1808	84.2%	5629	96.2%	4058	99.7%
		Breach	113	3.3%	9	0.3%	338	15.8%	223	3.8%	11	0.3%
			3466	100.0%	3006	100.0%	2146	100.0%	5852	100.0%	4069	100.0%
GS06	Responding to Billing and Payment queries	On time	201	99.5%	387	99.5%	570	97.9%	935	100.0%	1367	87.3%
		Breach	1	0.5%	2	0.5%	12	2.1%	0	0.0%	198	12.7%
			202	100.0%	389	100.0%	582	100.0%	935	100.0%	1565	100.0%
GS07	Reconnect Supply	On time	3506	99.9%	7935	99.8%	6543	99.8%	9827	99.4%	7230	99.7%
		Breach	5	0.1%	16	0.2%	13	0.2%	58	0.6%	19	0.3%
			3511	100.0%	7951	100.0%	6556	100.0%	9885	100.0%	7249	100.0%
GS08	Investigate Voltage complaints	On time	12	100.0%	275	98.9%	148	96.7%	215	100.0%	156	99.4%
		Breach	0	0.0%	3	1.1%	5	3.3%	0	0.0%	1	0.6%
			12	100.0%	278	100.0%	153	100.0%	215	100.0%	157	100.0%
GS09	Response to emergency calls	On time	543	91.7%	1076	78.3%	1658	94.3%	2595	88.8%	1019	92.9%
		Breach	49	8.3%	298	21.7%	100	5.7%	327	11.2%	78	7.1%
			592	100.0%	1374	100.0%	1758	100.0%	2922	100.0%	1097	100.0%
GS10	Payments due under guaranteed standards	On time	11	100.0%	63	100.0%	24	100.0%	201	100.0%	32	100.0%
		Breach	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
			11	100.0%	63	100.0%	24	100.0%	201	100.0%	32	100.0%
		On time		93.0%		93.4%		96.6%		89.8%		91.2%
		Breach		7.0%		6.6%		3.4%		10.2%		8.8%
				100.0%		100.0%		100.0%		100.0%		100.0%
OVERALL STANDARDS												
OS01	Line faults repaired within 16 hours	On time	45	100.0%	44	100.0%	68	98.6%	187	100.0%	251	99.6%
		Breach	0	0.0%	0	0.0%	1	1.4%	0	0.0%	1	0.4%
			45	100.0%	44	100.0%	69	100.0%	187	100.0%	252	100.0%
OS02	Billing and Punctuality - mail	On time	151018	100.0%	268548	100.0%	278621	100.0%	332893	100.0%	197577	100.0%
	bills within 5 working days of	Breach	0	0.0%	0	0.0%	28	0.0%	0	0.0%	0	0.0%
	meter reading		151018	100.0%	268548	100.0%	278649	100.0%	332893	100.0%	197577	100.0%
OS04	Planned interruption notice 3 days	On time	49	83.1%	119	91.5%	132	97.1%	198	95.7%	121	83.4%
		Breach	10	16.9%	11	8.5%	4	2.9%	9	4.3%	24	16.6%
			59	100.0%	130	100.0%	136	100.0%	207	100.0%	145	100.0%
OS05	Street Light Maintenance 10 days of report	On time	92	56.4%	430	57.3%	1013	94.7%	1019	89.9%	644	67.9%
		Breach	71	43.6%	320	42.7%	57	5.3%	114	10.1%	304	32.1%
			163	100.0%	750	100.0%	1070	100.0%	1133	100.0%	948	100.0%

In the Guaranteed Standards category, GS03 recorded the lowest score of 48.2% in 2014 and an average score for the past five years of 59.6%. The unavailability of key material and the limited number of contractors are the two primary factors affecting the company's performance.

In the Overall Standards category, OS05 recorded the lowest score of 56.4% for 2014 and an average score for the past five years of 73.3%. The main contributing factors to the attained results are the unavailability of material in a timely manner and the transition to LED street lights during 2014.

Information Technology Department

The IT Department satisfactorily completed all its projects with the exception of the off-site data storage project, which is expected to be completed in the first quarter of 2015. The major projects are highlighted below.

Telecommunications

The overall telecommunication costs fluctuated significantly throughout the year and there was a sharp rise in communication charges compared to the previous year. In 2014, communication charges averaged $51,000 with a high capping at over $76,000 in June and a low of $40,000 in March. Annually, this equated to an increase of approximately $72,000 which is a 13% increase over 2013. Strategies are being put in place to reduce telecommunication costs in 2015.

Postpaid expenditures rose to an average of $12,000 monthly compared to $10,200 in 2013. Prepaid charges remained relatively stable at $62,000 compared to $63,000 in 2013.

Virtual Disaster Recovery Infrastructure Development & Expansion

In 2014 IT undertook a significant amount of work in upgrading its disaster recovery infrastructure. The current infrastructure was upgraded to new hardware inclusive of new software. In addition, a new storage array was added to the infrastructure, which increased storage space for backups and data recovery.

Offsite Data Recovery Located in Barbados

The IT Department embarked on a project together with The Barbados Light & Power Company (BLPC) to develop a disaster recovery site to be located in Barbados. The objective of this exercise is to facilitate recovery of data should Dominica experience any sort of disaster impacting the company's data centers. Once configuration is complete, the server, named vCenterBarbados, will be moved to Barbados. The replication of the data between the two sites will take place over a dedicated fibre connection between DOMLEC and BLPC. Once this project is completed, this will be a major achievement for the IT department as the project has been in the planning stage for the past few years.

Fully Managed Wireless Network

To further harden the corporate network, IT upgraded its wireless network with high end security wireless routers. These wireless points replaced the existing ones which were aged and due to be retired. The entire wireless network can now be managed from a central point.

Gigabit Microwave Link

As a form of redundancy for the corporate fibre network existing between Roseau and Laudat, a gigabit wireless link has been set up between Glasgow and Laudat. The design is based around two radios at each of the two sites, the main pair operating at 80GHz and providing high speed gigabit throughput. The system is designed to provide continuous communications even during periods of heavy rain, and provides a redundant path should there be a break in the existing fibre optic cable infrastructure running from the Fond Cole power plant to Laudat and linking the Engineering Complex, Roseau, Padu and Trafalgar.

AMI Upgrade 2014

An upgrade of the AMI system was completed in April 2014 and the system now runs on the upgraded virtual disaster recovery platform. This new infrastructure comprises of two physical servers. The AMI platform now consists of three virtual servers (application, database and communications) improving overall resilience and availability. The two physical servers are used for their processing resources only as each virtual server is complemented with virtual disks that reside on the existing storage area network.

Before the upgrade, the AMI system ran on one server with all three server roles and using local disks.

Network Monitoring

For 2014, IT introduced further monitoring procedures to help mitigate network intrusions and monitor server hardware and software failures. Alerts are received via email and are categorized by priorities. Furthermore, new policies were introduced which strengthened controls to all financial applications.

Newly Improved IT Helpdesk Service

The IT Helpdesk service has been greatly improved by the addition of a second IT Technician. One technician operating at Head Office and the other at Fond Cole. Improved service includes an upgrade of job ticketing software which is used to record all IT-related issues and queries.

Telephone System Upgrade

As a form of redundancy and reliability, the company's telephone system was upgraded with an additional GSM gateway. The GSM gateways handle the company's cellular traffic.

Cyber Security 2014

2014 was a busy year for IT professionals outside of DOMLEC as well, as a number of companies were hit by hackers. DOMLEC's IT department views these threats seriously and keeps abreast of all published security vulnerabilities. To further harden the corporate network against cyber threats, a number of servers were updated with the latest security patches. Additionally, a secondary spam filter was installed at Fond Cole which further prevents all spam, malware and any forms of viruses from infiltrating the corporate network. Constant monitoring and updating of all hardware and software is ongoing.

Human Resources and Administration Department

At the end of 2014 the company had a staff complement of 219 comprising 192 permanent, 12 contractual and 15 temporary employees. In support of the achievement of corporate goals, the company continues to place emphasis on training and development to ensure that employees are trained for the effective performance of their jobs. To this end, DOMLEC invested in eighty-three (83) training programs which resulted in a total of one hundred and fifty-three (153) or 70% of employees being trained.

In our quest to ensure employee competency, the company, in conjunction with other Emera Caribbean affiliates, embarked on a Competency Based Training program in May 2014. Currently in the developmental stage, this program will target the Linemen and Operators to ensure that this grouping of employees receive the necessary training to achieve full competence in their jobs, and to ensure that the skill sets for these key roles are consistent across Emera Caribbean affiliates.

Implementation of the program will commence in January 2015 and will be facilitated by subject matter experts comprising engineers and supervisors from within the company who have all been trained in the effective delivery of training programs.

Further, as we seek to provide opportunities to develop the knowledge, skills and competencies of employees, DOMLEC developed a three year training plan. The objective of the plan, which spans 2015 to 2017, is to ensure that priority is given to the company's training needs based on the short-term and long-term plans of the organization.

DOMLEC Staff Matters

An Employee Engagement Action Planning Team was formed in June 2014 following DOMLEC's participation in its first EMERA Employee Engagement Survey in 2013. The purpose of the team was to develop an action plan for implementation based on the results of the survey for improved employee engagement at the company. To date, the team comprising both management and unionized staff has implemented a number of initiatives geared towards improving the areas of shortcoming as identified in the survey.

EEAPT Team

1st Row Left to Right:
Phyllis Alexander-Toussaint, Edith Thomas-Roberts
Janelle Junkere-Dalrymple

2nd Row Left to Right:
Kimon Jno. Baptiste, Bernard Destouche,
Peter Antoine, Richard Blaize,
Charles Gardier

Absent from picture:
Delon Musgrave

The team aims to improve the culture of the company and to make **DOMLEC the best place to work.**

During the last 12 months the team successfully implemented several initiatives namely: "A Day In My Shoes" (DIMS), "A Week In My Shoes" (WIMS), "I Catch You Recognition", Employee of the Quarter and Supervisor of the Quarter and Year. We can proudly say that since the implementation of these programs, there has been noted improvement in the areas of communication and recognition.

Health and Safety

As we end another year, it is time to reflect on some of our achievements and make plans for continuous improvement. Some of the achievements are:

- Better fire detection and protection systems with the installation of fire alarm systems at all DOMLEC's owned facilities and the inclusion of seven (7), 300 lbs wheeled fire extinguishers strategically installed to protect the facilities.

- Improved housekeeping continues to be one of DOMLEC's greatest pride. The workplace is much cleaner and employees are taking ownership and pride in their workplace. Employees made a significant effort in organising their workplace for the Independence celebration and the Christmas season. This effort is trickling into the general aesthetics and housekeeping of the workplace.

- Significant improvement in awareness of employees and public safety with the strategic installation of safety signs, slogans and notices.
- General shift in adherence to safety policies, procedures and rules. Employees are more keen on using their PPE.
- The introduction of periodic safety section meetings and safety moments at the start of every meeting.
- We continue to be a leader in our Emergency Preparedness plans, thanks to the effort of the Disaster Preparedness Coordinator, Mr. Garraway and the management team Company wide.
- There has been a general decline in vehicle accidents and environmental incidents. This is due to the persistent effort demonstrated by management and the compliance of all employees.
- The Health and Safety 2015 work plan was developed, approved by the board of directors and circulated to management for action.

In 2015 we are looking towards continuous improvement and a greater involvement of employees in health and safety programs and activities.

Community Outreach

As a responsible corporate citizen DOMLEC continues to play its part in the socio economic development of the country. Our assistance is focused on education, sports, health, culture and community development. Throughout 2014 our contributions were exhibited in a number of areas.


Donation to Nature Island Literary Festival

During the year, over two hundred thousand dollars ($200,000) was given directly to the community. In addition, a number of in-kind donations were made such as the provision of used poles and conductors, and technical support. Through the Donations Committee, comprising two local Directors, the General Manager, the Public Relations Officer and a representative from the DOMLEC Sports & Cultural Club, we sought to ensure that those who receive assistance are bona fide and that our support benefits a wide cross section of the country.


Grotto Home for the Homeless

We remain connected to the Private Sector Foundation for Health, our largest recipient, to which $25,000 is allocated annually. This facility, supported by many private sector institutions, provides health aid to persons needing local or overseas medical attention. A $6,000 contribution was made to the Rotary Club in its fundraising towards the renovation of the emergency department of the Portsmouth Hospital. Grotto Home for the Homeless remains high on our agenda through our annual contribution of $10,200 towards the provision of electricity. We remain committed to the 24 centenarians registered with us and provided $600 per annum each towards their electricity bills.

Our cultural identity as a people rings true during the Independence celebrations. Our generosity was extended to the Pointe Michel Development Committee which received $5,000 with the Cultural Division accepting $5,000 and Heritage Day Committee $2,500 for activities in Capuchin. Christmas is for giving, and this year the first ever Winter Wonderland organized by the Caldera's Aquatic Sports Club at the Fresh Water Lake at Laudat was granted $3,700 towards the staging of the event.

In 2014 our belief in the talents and skills of our youth was demonstrated through the contribution of $5,000 to Junior Achievers (JA) and the Portsmouth Secondary School Youth Entrepreneurs. DOMLEC was honoured to receive a plaque in recognition of its sustained support of JA. The Education Trust Fund received $5,000 and Nature Island Literary festival $2,000. The President Charities Foundation secured $2,500 towards its annual fund raising dinner while, $2,500 was provided to Dominica Association of Persons with Disabilities.

Game action in the DFA Women's Football League

Carnival activities were fully supported to an amount of $25,500 with the following organizations and groups benefitting: Convent Preparatory School band ($4,500); Afrikulture Stilt Walkers ($5,000); Stardom Tent ($5,000); Grand Bay Village Council ($1,500); Drug Prevention Unit ($1,000); Northern Festival Committee ($2000); Thunderbirds Band ($1,500); and $5,000 in electricity costs for the Carnival City. Sponsorship was also secured by The Rotary Club for the Princess Show, Waitukubuli Dance Theatre Company for the Ms. Teen Dominica Calypso Competition and the Leo Club for staging of the Junior Monarch.

Sports forms an integral part of the island's social development and, in 2014, DOMLEC was pleased to provide $29,000 in support of various sports organizations: The Dominica Cricket Association ($5,000); Benjamin's Park ($1500); Trafalgar Football Committee for the Roseau Valley Football League ($6,000), who presented a plaque to the company for its unrelenting support over the years; Dominica Football Association for the DOMLEC Women's Football League ($13,000); Dominica Volleyball Association ($2,000); and The Dominica Amateur Athletic Association ($1,500).

Additionally a total of $12,000 was distributed among various groups towards the organization of several events: the Dominica Diabetes Association; Cariman; Dominica State College; Dominica Council on Aging; St. Martin's Primary School; Pioneer Prep; Wesley High School; Savanne Paille Primary School; Alpha Centre; Roseau Public Library; New Generation Sports Club; Dominica Hotel & Tourism Association; NCCU Cadence Lypso; National Telecommunications Regulatory Commission; Dominica Cancer Society; and the Portsmouth Town Council.

Fascination with the operations at the Hydro plant was evident as students from a few schools sought to broaden their knowledge about the facility and its role in the generation of energy.

Our weekly radio programs continued to serve as an excellent educational tool for our customers. The quarterly newsletter is also available on the company's website, and is now distributed to our shareholders via email.

Effective use was made of radio, television and newspaper advertising throughout the year highlighting energy saving tips, hurricane preparedness, congratulatory messages as applicable, radio programs and other customer-related information.

Financial Statements

Building a better
working world

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Independent Auditor's Report

To the Shareholders of Dominica Electricity Services Limited

We have audited the accompanying financial statements of **Dominica Electricity Services Limited** which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dominica Electricity Services Limited** as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
Bridgetown
March 24, 2015

Statement of Financial Position

As at December 31, 2014

(Expressed in Eastern Caribbean Dollars)

	Notes	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	5	13,066,410	6,579,947
Trade and other receivables	6	17,139,207	16,583,503
Inventories	7	10,571,694	10,813,881
		40,777,311	33,977,331
Non-current assets			
Capital work-in-progress	8	1,327,876	448,645
Property, plant and equipment	9	125,741,576	126,542,073
		127,069,452	126,990,718
Total assets		167,846,763	160,968,049
Liabilities			
Current liabilities			
Borrowings	10	4,807,897	4,539,667
Trade and other payables	11	12,609,942	12,170,968
Due to related party	12	38,889	-
Income tax payable		1,664,232	940,604
		19,120,960	17,651,239
Non-current liabilities			
Borrowings	10	31,678,123	36,485,708
Deferred tax liabilities	13	17,394,576	19,214,446
Other non-current liabilities	14	12,653,723	12,075,657
Capital grants	15	387,901	521,702
		62,114,323	68,297,513
Equity			
Share capital	16	10,417,328	10,417,328
Retained earnings		76,194,152	64,601,969
		86,611,480	75,019,297
Total liabilities and equity		167,846,763	160,968,049

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on March 24, 2015

__________ Director　　__________ Director

Statement of Comprehensive Income
For the year ended December 31, 2014

(Expressed in Eastern Caribbean Dollars)

	Notes	2014 $	2013 $
Revenue			
Energy sales		62,119,547	60,830,368
Fuel surcharge	20	38,084,651	37,473,942
Other revenue		1,706,465	619,966
		101,910,663	98,924,276
Direct expenses			
Fuel cost	18,20	45,062,560	43,436,628
Operating costs	18	13,754,245	15,135,189
Depreciation	9,18	8,842,281	8,388,831
Maintenance	18	6,969,628	7,901,348
		74,628,714	74,861,996
Gross profit		27,281,949	24,062,280
Administrative expenses	18	(7,979,442)	(9,150,725)
Other (expenses)/income, net	21	(439,523)	393,117
Operating profit		18,862,984	15,304,672
Finance costs	22	(2,343,722)	(2,601,741)
Profit before income tax		16,519,262	12,702,931
Income tax	23	(1,697,707)	(3,860,564)
Net income being comprehensive income for the year		14,821,555	8,842,367
Earnings per share attributable to the equity holders of the Company during the year - basic and diluted		1.42	0.85

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

For the year ended December 31, 2014

(Expressed in Eastern Caribbean Dollars)

	Notes	Share capital $	Retained earnings $	Total equity $
Balance at December 31, 2012	16	**10,417,328**	**57,843,068**	**68,260,396**
Net income being comprehensive income for the year		-	8,842,367	8,842,367
Transactions with owners Dividends	17	-	(2,083,466)	(2,083,466)
Balance at December 31, 2013		**10,417,328**	**64,601,969**	**75,019,297**
Net income being comprehensive income for the year		-	14,821,555	14,821,555
Transactions with owners Dividends	17	-	(3,229,372)	(3,229,372)
Balance at December 31, 2014		**10,417,328**	**76,194,152**	**86,611,480**

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2014

(Expressed in Eastern Caribbean Dollars)

	Notes	2014 $	2013 $
Cash flows from operating activities			
Profit before income tax		16,519,262	12,702,931
Adjustments for:			
Depreciation		8,842,281	8,388,831
Finance costs		2,343,722	2,601,741
Loss on disposal of plant and equipment	21	1,094,020	213,884
Provision for inventory obsolescence	7	140,000	(239,384)
Amortisation of deferred revenue	21	(498,909)	(443,648)
Capital work in progress written off	8	-	81,873
Amortisation of capital grants	15,21	(133,801)	(133,805)
Unrealised foreign exchange gains		(17,022)	(10,015)
Operating profit before working capital changes		28,289,553	23,162,408
(Increase)/decrease in trade and other receivables		(555,704)	2,643,689
Decrease in inventories		102,187	1,507,014
Increase/(decrease) in trade and other payables		455,995	(1,387,069)
Increase /(decrease) in due to related party		38,889	(90,120)
Cash generated from operations		28,330,920	25,835,922
Finance costs paid		(2,343,722)	(2,601,741)
Income tax paid		(2,793,949)	(1,892,291)
Net cash flows from operating activities		**23,193,249**	**21,341,890**
Cash flows from investing activities			
Additions to capital work-in-progress	8	(1,174,901)	(456,046)
Purchase of property, plant and equipment	9	(8,869,634)	(9,921,750)
Proceeds on disposal of property, plant and equipment		29,500	40,500
Net cash flows used in investing activities		**(10,015,035)**	**(10,337,296)**
Cash flows from financing activities			
			-
Repayment of borrowings		(4,539,355)	(5,372,465)
Dividends paid	17	(3,229,372)	(2,083,466)
Increase in other non-current liabilities		1,076,976	1,082,512
Net cash flows used in financing activities		**(6,691,751)**	**(6,373,419)**
Net increase in cash and cash equivalents		**6,486,463**	**4,631,175**
Cash and cash equivalents, beginning of year		**6,579,947**	**1,948,772**
Cash and cash equivalents, end of year	5	**13,066,410**	**6,579,947**

The accompanying notes form an integral part of these financial statements

(Expressed in Eastern Caribbean Dollars)

1. General information

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company on April 30, 1975 and is domiciled in the Commonwealth of Dominica. The Company operates in a fully liberalised sector under the Electricity Supply Act of 2006. Under the Act an Independent Regulatory Commission is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by this Commission. The principal activity of the Company includes the generation, distribution and transmission of electricity.

The Company is listed on the Eastern Caribbean Securities Exchange and falls under the jurisdiction of the Eastern Caribbean Regulatory Commission.

Dominica Power Holdings Limited a subsidiary of Emera (Caribbean) Incorporated owns 52% of the ordinary share capital of the Company. In 2014 Light and Power Holdings Ltd changed its name to Emera (Caribbean) Incoporated. The Ultimate parent of the Company is Emera Inc., an energy and services company registered in Canada.

The Dominica Social Security owns 21% of the ordinary share capital while 27% is held by the general public.

The registered office and principal place of business of the Company is located at 18 Castle Street, Roseau, Commonwealth of Dominica.

The reporting date is December 31, 2014

2. 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 all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Dominica Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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.

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

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies...*continued*

2.1 Basis of preparation ...*continued*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards, and interpretations adopted by the Company

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of January 1, 2014. The adoption of the revised standard did not have a significant change on the financial statements of the Company.

IAS 32, 'Financial Instruments: Presentation (amendment) – Offsetting Financial Assets and Financial Liabilities', issued in December 2011. The amendment clarifies the meaning of "currently has the enforceable right to set-off" by stating that right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Company's's financial position, performance or disclosures.

- **IAS 36, 'Impairment of Assets (amendment) – Recoverable Amount Disclosures for Non-Financial Assets'**, issued in May 2013. The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarifies the disclosures required, and introduces an explicit requirement to disclose the discount rate used in recognizing or reversing impairment losses where recoverable amount is based on fair value less costs of disposal and is determined using a present value technique. The amendments apply on a retrospective basis for annual periods beginning on or after January 1, 2014. The amendment has no impact on the Company's financial position, performance or disclosures.

- **IFRIC 21, Levies** issued in May 2013, IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and account of the levy is certain. However, it does not include income taxes, fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. Initial application is in accordance with the requirements of IAS 8 Accounting *Policies, Changes in Accounting Estimates and Errors;* the requirements are applied on a retrospective basis. The adoption of IFRIC 21 has had no impact on the Company's financial position, performance or disclosures.

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies*...continued*

2.1 Basis of preparation *...continued*

2.1.1 Changes in accounting policy and disclosures *...continued*

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2014 but not currently relevant to the Company

- **IAS 27, 'Separate Financial Statements (amendment)'** – issued in October 2012. The amendment to the standard is to establish a definition of an investment entity and to clarify that an investment entity which applies the exemption to consolidation presents separate financial statements as its only financial statements. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Company's financial position, performance or disclosures.

- **IAS 39, 'Financial Instruments: Recognition and Measurement (amendment)'**, issued in June 2013. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided the following criteria are met. Novation must happen as a consequence of laws or regulations or the introduction of laws or regulations. Following the novation, a central counterparty would become the new counterparty to each of the original parties to the derivative and any changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Company's financial position, performance or disclosures.

- **IFRS 10, 'Consolidated Financial Statements (amendment) – Investment Entities',** issued in October 2012. The amendment provides an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity'. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Company's financial position, performance or disclosures.

- **IFRS 12, 'Disclosure of Interests in Other Entities (amendment) – Investment Entities',** issued in October 2012. The amendment introduces new disclosure requirements for entities which meet the definition of an 'investment entity'. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Company's financial position, performance or disclosures.

(Expressed in Eastern Caribbean Dollars)

2 Summary of significant accounting policies *...continued*

2.1 Basis of preparation *...continued*

2.1.1 Changes in accounting policy and disclosures *...continued*

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Company's operations. The Company has not early adopted the new standards, amendments and interpretations:-

- **IAS 16, 'Property, Plant and Equipment (amendment)'** – issued in December 2013.The amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 16, 'Property, Plant and Equipment (amendment)'** – issued in May 2014. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. It also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. The amendment is effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 16, 'Property, Plant and Equipment (amendment)'** – issued in June 2014. The amendment bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of *IAS 41 Agriculture*. The amendment is effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

(Expressed in Eastern Caribbean Dollars)

2 Summary of significant accounting policies *…continued*

2.1 Basis of preparation *…continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted *…continued*

- **IAS 19, 'Employee Benefits (amendment)'** – issued in November 2013. The amendment clarifies the requirements of the standard that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 19, 'Employee Benefits (amendment)'** – issued in November 2013. The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 24, 'Related Party Disclosure (amendment)'** – issued in December 2013. The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 27, 'Separate Financial Statements (amendment)'** – issued in August 2014. The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 28, 'Investments in Associates and Joint Ventures (amendment)'** – issued in September 2014. The amendment addresses a conflict between the requirements of *IAS 28 'Investments in Associates and Joint Ventures'* and *IFRS 10 'Consolidated Financial Statements*' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

2 Summary of significant accounting policies *…continued*

2.1 Basis of preparation *…continued*

2.1.1 Changes in accounting policy and disclosures *…continued*

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted …*continued*

- **IAS 34, 'Interim Financial Reporting (amendment)'** – issued in September 2014. The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 38, 'Intangible Assets (amendment)** – issued in December 2013. The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 38, 'Intangible Assets (amendment)'**, – issued in May 2014. The amendment introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. It also specifies the limited circumstances in which the presumption can be overcome. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IAS 40, 'Investment Property (amendment)'**, – issued in December 2013. The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in *IFRS 3 Business Combinations* and investment property as defined in *IAS 40 Investment Property* requires the separate application of both standards independently of each other. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

2 Summary of significant accounting policies *...continued*

2.1 Basis of preparation *...continued*

2.1.1 Changes in accounting policy and disclosures *...continued*

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted *...continued*

- **IAS 41, "Agriculture (amendment)'**, – issued in June 2014. The amendment brings bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of *IAS 41 Agriculture*. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IFRS 2, 'Share-based Payment (amendment) – Definition of Vesting Condition',** issued December 2013. The amendment amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' which were previously part of the definition of 'vesting condition'. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IFRS 3, 'Business Combinations (amendment) – Accounting for Contingent Consideration',** issued December 2013. The amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IFRS 3, 'Business Combinations (amendment) – Scope Exception for Joint Ventures',** issued December 2013. The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

2 Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted …*continued*

- **IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations',** amended in September 2014. The amendment adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IFRS7, 'Financial Instruments: Disclosures',** amended in December 2011. The amendment defers the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 'Financial Instruments' to annual periods beginning on or after January 1, 2015. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IFRS 7, 'Financial Instruments: Disclosures',** amended in September 2014. The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IFRS 8, 'Operating Segments (amendment) – Aggregation of Segment',** issued December 2013. The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

- **IFRS 8, 'Operating Segments (amendment) – Reconciliation of Segment Assets',** issued December 2013. The amendment clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the Company's financial statements.

2 Summary of significant accounting policies *…continued*

2.1 Basis of preparation *…continued*

2.1.1 Changes in accounting policy and disclosures *…continued*

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted *…continued*

- **IFRS 9, *'Financial instruments'***, issued in July 2014. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for recognition and measurement, impairment, derecognition and general hedge accounting and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2018 but is available for early adoption. For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. The Company is yet to fully assess IFRS 9's impact and early adoption is not expected.

- **IFRS 10, 'Consolidated Financial Statements'**, issued in September 2014. The amendment address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. It requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and partial recognition of gains and losses where the assets do not constitute a business. These requirements apply regardless of the legal form of the transaction. The amendment is effective for annual periods beginning on or after January 1, 2016 and is not expected to have a significant effect on the Company's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements'**, issued in May 2014. The amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in *IFRS 3*, is required to apply all of the principles on business combinations accounting in *IFRS 3* and other IFRSs with the exception of those principles that conflict with the guidance in the standard. It also requires the disclosure of information required by IFRS 3 and other IFRSs for business combinations The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business. The amendment is effective for annual periods beginning on or after January 1, 2016 and is not expected to have a significant effect on the Company's financial position, performance or disclosures.

(Expressed in Eastern Caribbean Dollars)

2 Summary of significant accounting policies *...continued*

2.1 Basis of preparation *...continued*

2.1.1 Changes in accounting policy and disclosures *...continued*

c) ***New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted*** *...continued*

- **IFRS 13, 'Fair Value Measurement'**, – issued in December 2013. The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of the standard includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendment is effective for annual periods beginning on or after July 1, 2014 and is not expected to have a significant effect on the Company's financial position, performance or disclosures.

- **IFRS 14, 'Regulatory Deferral Accounts'**, issued in January 2014. The new standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The new standard is effective for annual periods beginning on or after January 1, 2016 and is not expected to have a significant effect on the Company's financial position, performance or disclosures.

- **IFRS 15, Revenue from Contracts with Customers'**, issued May 2014. The new standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers; identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The Company has begun its analysis of the impact of the new standard and it is not expected to have an impact on operating revenues. The new standard is effective for annual periods beginning on or after January 1, 2017.

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies *...continued*

2.2 Foreign currency translation

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Eastern Caribbean dollars, which is also the functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.3 Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are subject to insignificant change in value.

2.4 Trade receivables
Trade receivables are amounts due from customers for electricity. They are recognised initially at fair value and are subsequently measured at amortised cost less provision for impairment and discounts. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable is uncollectible it is written off against income. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

2.5 Inventories
Inventory is comprised of fuel, materials and supplies valued at the lower of cost or net realisable value. Cost is determined on an average cost basis. Spares are carried at cost less provision for obsolescence.

2.6 Property, plant and equipment and intangible assets
Land and buildings comprise mainly generation building and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and includes cost of materials, direct labour, supervision and engineering charges and interest incurred during the construction which is directly attributable to the acquisition or construction of a qualifying asset. In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are recorded as deferred revenue and the actual cost incurred is capitalised in property, plant and equipment.

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies *...continued*

2.6 Property, plant and equipment and intangible assets*...continued*

to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are put into use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual lives over their estimated useful lives, as follows:

Buildings, headworks and pipelines	2.0%-2.9%
Generator transmission and distribution	2.25%-16.67%
Motor vehicles	12.5%-16.67%
Furniture and fittings	10.0%-25.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Intangible assets, comprising computer software, are stated at cost, less amortisation and impairment losses.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies...*continued*

2.9 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

2.10 Income taxes

(a) Current tax

The current tax is the expected tax payable on taxable income for the period and is calculated on the basis of tax rates enacted or substantially enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.11 Consumers' deposits

Commercial and all other customers (except prepaid customers) are normally required to provide security for payment. Given the long term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve months of the reporting date). Interest on deposits is recognised using the effective interest rate method.

2.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.13 Capital grants

Capital grants represent the fair value of fixed assets donated to the Company. The amount is amortised over the estimated useful lives of the respective assets.

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies…*continued*

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Dividends

Dividends on ordinary shares are recorded in the Company's financial statements in the same period that the dividends are approved by the Company's shareholders.

2.16 Revenue and expense recognition

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. Revenue is recognized as follows:

(a) Sale of energy

The Company records revenue, as billed to its customers. The Company also estimates and recognizes any unbilled revenue at the end of each month. In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

(c) Other income

Other income is recorded on an accrual basis.

(d) Costs and expenses

Costs and expenses are recognised as incurred.

2.17 Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals or companies that directly or indirectly control or are controlled by or under common control with the Company are also considered related parties.

2.18 Provisions

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

2.19 Employee benefits

The Company contributes to a defined contribution plan for all employees subscribing to the Plan. The assets of the Plan are held separately. The pension plan is funded by payments from participating employees and the Company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies…*continued*

2.20 Contingent liabilities

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of the outflow of resources embodying the economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.21 Subsequent events

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events are disclosed when material to the financial statements, if any.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risks (including foreign exchange, price risk and cash flow interest rate risk) credit risk and liquidity risk and underinsured risks. The Company's overall risk management policy is to minimise potential adverse effects on its financial performance and to optimise shareholders' value within an acceptable level of risk.

Risk management is carried out by the Group's management under direction from the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

This is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates. The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars, Euros and the Great Britain Pound (GBP). The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

Management has established a policy requiring the Company to manage its foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars.

(expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

3.1 Financial risk factors*...continued*

(a) Market risk*...continued*

At December 31, 2014, if the currency had weakened/strengthened by 10% against the Euro and GBP with all other variables held constant, pre-tax profit for the year would have been $8,439 (2013 - $384) lower/ higher, mainly as a result of foreign exchange gains/losses on translation of Pounds Sterling and Euro denominated trade payables.

(ii) Cash flow interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings and consumer deposits. Borrowings and deposits issued at variable rates expose the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates expose the Company to fair value interest rate risk (Note 10).

iii) Price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity (copper, aluminum). Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand. Management perceives that the risk is low as fluctuations in the past have been rare.

(Expressed in Eastern Caribbean Dollars)

3 Financial risk management …*continued*\

3.1 Financial risk factors...*continued*

(b) Credit risk

Credit risk is the inherent risk that counterparties may experience business failure or otherwise avoid their contractual obligations to the Company. Credit risk arises from cash and cash equivalents held with financial institutions, as well as credit exposure to customers, including receivables and committed transactions. The Company's bank deposits are placed with financial institutions which have developed a good reputation over the years. Deposits are required from commercial customers upon application for a new service. The Company assesses the credit quality of its receivables by taking into account the individual customer's rating, past experience and other factors. Individual risk limits are set based on management credit policies.

Management performs periodic credit evaluations of its customers' financial condition and monitors credit limits regularly. Management does not believe that significant credit risk exists at December 31, 2014. The maximum credit risk exposure is as follows:

	2014 $	2013 $
Cash and cash equivalents	13,066,410	6,579,947
Trade and other receivables	17,139,207	16,583,503
	30,205,617	23,163,450

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and maintaining sufficient cash and cash equivalents in excess of anticipated financial obligations. To support the cash flow position, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating and capital requirements.

Management monitors the Company's liquidity reserve which comprises undrawn borrowing facility to meet operational needs so that the Company does not break covenants (where applicable) on its borrowing facilities. Management monitors cash and cash equivalents (Note 5), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations. The Company's finance department monitors the Company's liquidity requirement to ensure it has sufficient cash.

(Expressed in Eastern Caribbean Dollars)

3. Financial risk management *...continued*

3.1 Financial risk factors*...continued*

(c) Liquidity risk *...continued*

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are estimated to equal their carrying balances as the impact of discounting is not significant. The amounts included in the table below for borrowings and trade and other receivables will not reconcile to the statement of financial position as they are the contractual cash flows.

	Less than 1 year $	Between 1 and 2 years $	Between 3 and 5 years $	Over 5 years $	Total $
At December 31, 2014					
Assets					
Cash and cash equivalents	13,066,410	-	-	-	13,066,410
Trade and other receivables	17,260,456	-	-	-	17,260,456
Total assets	30,326,866	-	-	-	30,326,866
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	9,866,756	43,766,756
Trade and other payables	12,609,942	-	-	-	12,609,942
Consumers' deposits	-	-	-	3,694,534	3,694,534
Total liabilities	19,389,942	6,780,000	20,340,000	13,561,290	60,071,232
At December 31, 2013					
Assets					
Cash and cash equivalents	6,579,947	-	-	-	6,579,947
Trade and other receivables	17,668,375	-	-	-	17,668,375
Total assets	24,248,322	-	-	-	24,248,322
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	16,646,756	50,546,756
Trade and other payables	12,170,968	-	-	-	12,170,968
Consumers' deposits	-	-	-	3,712,253	3,712,253
Total liabilities	18,950,968	6,780,000	20,340,000	20,359,009	66,429,977

d) Underinsurance risk

Prudent management requires that a company protects its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has arranged a catastrophe standby facility with a financial institution to cover the Transmission and Distribution assets.

(Expressed in Eastern Caribbean Dollars)

3. Financial risk management*...continued*

3.1 Financial risk factors*...continued*

e) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital 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 shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at December 31, 2014 and 2013 were as follows:

	2014 $	2013 $
Total borrowings (Note 10)	36,486,020	41,025,375
Less: cash (Note 5)	(13,066,410)	(6,579,947)
Net debt	23,419,610	34,445,428
Total equity	86,611,480	75,019,297
Total capital	110,031,090	109,464,725
Gearing ratio	21%	31%

3.2 Fair value estimation

Fair value amounts represent estimates the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, and due to related party approximate their fair values due to the short-term maturity of these items.

The fair values of borrowings for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate that is available to the Company in respect of similar financial instruments.

(Expressed in Eastern Caribbean Dollars)

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on reported assets, liabilities, revenues and expenses.

5. Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents.

	2014 $	2013 $
Cash at bank	13,066,410	6,579,947

6. Trade and other receivables

	2014 $	2013 $
Government	5,079,705	3,559,899
Other	7,735,681	9,354,858
Trade receivables, gross	12,815,386	12,914,757
Provision for impairment of trade receivables	(627,801)	(1,323,866)
Trade receivables, net	12,187,585	11,590,891
Accrued income	1,049,757	1,049,127
	13,237,342	12,640,018
Other receivables	3,395,313	3,704,491
Provision for impairment of other receivables	(341,751)	(362,922)
Other receivables, net	3,053,562	3,341,569
Prepayments	848,303	601,916
	17,139,207	16,583,503

The fair values of trade and other receivables approximate their carrying values.

(Expressed in Eastern Caribbean Dollars)

6. Trade and other receivables...*continued*

As of December 31, 2014, trade receivables of $10,517,712 (2013 - $9,434,444) were fully performing. These relate to a number of independent customers for whom there is no recent history of default.

Trade receivables that are categorized as active and are less than 60 days past due are not considered impaired. As of December 31, 2014, trade receivables of $1,665,750 (2013 - $2,107,599) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2014 $	2013 $
61 - 90 days	1,446,577	1,606,119
91 + days	219,173	501,480
	1,665,750	2,107,599

As of December 31, 2014, trade receivables of $631,924 (2013 - $1,372,714) were impaired and partially provided for. The amount of the provision as of December 31, 2014 was $627,801(2013 - $1,323,866). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2014 $	2013 $
Up to 12 months	4,123	48,849
Over 12 months	623,678	1,275,017
	627,801	1,323,866

The carrying amounts of the Company's trade and other receivables are all denominated in Eastern Caribbean dollars.

Movements on the Company's provision for impairment of trade and other receivables are as follows:

	2014 $	2013 $
At beginning of year	1,686,787	165,964
Bad debt (recovery)/expenses (Note 18)	(471,484)	1,518,780
Written off during the year	(245,751)	2,043
At end of year	969,552	1,686,787

The creation and release of provision amounts for impaired receivables have been included in 'Operating costs' in the statement of comprehensive income amounts (Note 18). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the carrying values which approximates the fair value of each class of receivable mentioned above. The Company holds cash deposits as partial security for its receivables.

(Expressed in Eastern Caribbean Dollars)

7. Inventories

	2014 $	2013 $
Network spares	6,591,902	7,088,298
Generation spares	3,756,891	3,386,698
Fuel	441,106	576,419
Other	576,720	417,391
	11,366,619	11,468,806
Provision for impairment of inventories	(794,925)	(654,925)
Inventories, net	10,571,694	10,813,881

Movements on the Company's provision for impairment of inventories are as follows:

	2014 $	2013 $
At beginning of year	654,925	894,309
Provision/(Recovered) for inventory obsolescence (Note 18)	140,000	(239,384)
Written off during the year		-
At end of year	794,925	654,925

8. Capital work-in-progress

	2014 $	2013 $
At beginning of year	448,645	460,882
Additions	1,174,901	456,046
Transferred to property, plant and equipment (Note 9)	(295,670)	(386,410)
Written-off	-	(81,873)
At end of year	1,327,876	448,645

(Expressed in Eastern Caribbean Dollars)

9. Property, plant and equipment

	Land and Buildings $	Generation, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
Year ended December 31, 2013					
Opening net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
Additions for the year	515,645	8,724,507	228,000	453,598	9,921,750
Transfer from capital work-in-progress	286,551	54,354	-	45,505	386,410
Disposals	-	(318,747)	(161,370)	-	(480,117)
Disposals on accumulated depreciation	-	64,365	161,367	-	225,732
Depreciation	(1,172,204)	(6,454,573)	(347,692)	(414,362)	(8,388,831)
Closing net book amount	28,706,170	94,957,015	1,323,563	1,555,325	126,542,073
At December 31, 2013					
Cost or valuation	62,738,899	188,619,150	4,743,379	7,932,352	264,033,780
Accumulated depreciation	(34,032,729)	(93,662,135)	(3,419,816)	(6,377,027)	(137,491,707)
Net book amount	28,706,170	94,957,015	1,323,563	1,555,325	126,542,073
Year ended December 31, 2014					
Opening net book amount	28,706,170		1,323,563	1,555,325	126,542,073
Additions for the year	232,390	7,539,786	353,667	743,791	8,869,634
Transfer from capital work-in-progress	85,656	132,992	-	77,022	295,670
Disposals	-	(1,580,094)	(227,160)	(60,817)	(1,868,071)
Disposals on accumulated depreciation	-	457,074	227,157	60,320	744,551
Depreciation	(1,190,273)	(6,829,340)	(354,527)	(468,141)	(8,842,281)
Closing net book amount	27,833,943	94,677,433	1,322,700	1,907,500	125,741,576
At December 31, 2014					
Cost or valuation	63,056,945	194,711,834	4,869,886	8,692,348	271,331,013
Accumulated depreciation	(35,223,002)	(100,034,401)	(3,547,186)	(6,784,848)	(145,589,437)
Net book amount	27,833,943	94,677,433	1,322,700	1,907,500	125,741,576

(Expressed in Eastern Caribbean Dollars)

9. Property, plant and equipment…*continued*

The Company carries insurance coverage on its main assets on a group basis with two other electric utility companies. The liability for the Company is limited to $163,014,000 for all property including Transmission and Distribution assets within 1,000ft from the generating plant. Transmission and Distribution assets over 1,000ft from the generating plant are not covered for wind and wind related perils. A catastrophe standby facility of $10,000,000 was arranged with a financial institution to cover the Transmission and Distribution assets.

Depreciation expense charged to direct expenses and administrative expenses amounted to $8,374,141 (2013 - $7,974,469) and $468,140 (2013 - $414,362), respectively.

No interest was capitalised during 2014 and 2013.

10. Borrowings

	2014 $	2013 $
Current		
Bank borrowings	4,807,897	4,539,667
	4,807,897	4,539,667
Non-current		
Bank borrowings	31,678,123	36,485,708
Total borrowings	36,486,020	41,025,375

Interest expense on bank borrowings amounted to $2,240,645 (2013 - $2,500,300).

The weighted average effective interest rates at the statement of financial position date were as follows:

	2014 %	2013 %
Bank borrowings	5.75	5.75

(Expressed in Eastern Caribbean Dollars)

10. Borrowings...*continued*

Maturity of non-current borrowings:

	2014 $	2013 $
Between 1 and 2 years	5,086,457	4,807,688
Between 2 and 5 years	17,149,297	16,188,460
Over 5 years	9,442,369	15,489,560
	31,678,123	36,485,708

The bank borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain specific immovable properties of the Company.

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying Value		Fair Value	
	2014 $	2013 $	2014 $	2013 $
Bank borrowings	31,678,123	36,485,708	28,436,327	36,499,992

The fair values of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 7% (2013 - 7%).

The carrying amounts of short-term borrowings approximate their fair value.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2014 $	2013 $
Eastern Caribbean dollars	36,486,020	41,025,375

As at December 31, 2014 the Company has unused credit facilities of $30,000,000 (2013 - $30,000,000).

(Expressed in Eastern Caribbean Dollars)

10. Borrowings…*continued*

In accordance with the Mortgage Debenture securing the borrowings, the Company is required to maintain a debt to effective equity ratio that does not exceed 80/20 and a debt service ratio of not less than 1.2. The Company complied with the requirement under the debenture in 2014 and 2013.

The debt to effective equity ratio is calculated as the total debt less deferred taxes divided by equity while the debt service ratio is calculated as earnings before interest, taxes and depreciation divided by the current portion of long-term debt and interest expenses.

	2014 $	2013 $
Total liabilities	84,533,530	85,948,753
Less deferred tax liability	(20,692,823)	(19,214,446)
	63,840,707	66,734,307
Total equity	83,313,233	75,019,297
Debt effective equity ratio	43/57	47/53

The debt service ratios at December 31, 2014 and December 31, 2013 were as follows:

	2014 $	2013 $
Earnings before interest, taxes and depreciation	27,705,266	23,693,503
Bank borrowings – current	4,807,897	4,539,667
Interest charges	2,240,645	2,500,300
	7,048,542	7,039,967
Debt service ratio	3.93	3.37

11. Trade and other payables

	2014 $	2013 $
Trade creditors	8,842,310	8,748,051
Accruals	3,439,077	2,899,222
Other	328,555	523,695
	12,609,942	12,170,968

(Expressed in Eastern Caribbean Dollars)

12. Related party balances and transactions

In the normal course of business, the Company transacts with companies and individuals which are considered related parties.

Key related parties and relationships are as follows:

Related parties	Relationship
Emera Inc.	Ultimate parent company
Emera (Caribbean) Incorporated	Indirect parent company
Light & Power Caribbean Holdings Limited	Indirect Parent company
Dominica Power Holdings Limited	Parent company
The Barbados Light & Power Company Limited	Related Party
Dominica Social Security	Non-controlling Shareholder

Transactions with Emera (Caribbean) Incorporated during the year were as follows:

	2014 $	2013 $
Insurances, technical fees, consultancies, professional fees		
Corporate support, directors' expenses and training	378,501	-
Directors' fees – Emera (Caribbean) Incorporated	37,737	12,103

Transactions with related parties were carried out on commercial terms and conditions.

Year-end balance of payable arising from transactions with related parties as of December 31, 2014 is as follows:

	2014 $	2013 $
Due to related party		
Emera (Caribbean) Inc.	38,889	-

Key management compensation
Key management comprises senior management of the Company.

Compensation for these individuals was as follows:

	2014 $	2013 $
Salaries and other short-term employee benefits	1,497,293	1,572,325
Post-employment benefits	9,986	83,979
	1,507,279	1,656,304

(Expressed in Eastern Caribbean Dollars)

13. Deferred tax liabilities

Deferred tax liabilities are calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on deferred tax liabilities is as follows:

	2014 $	2013 $
At beginning of year	19,214,446	17,313,615
Statement of comprehensive income (credit)/charge (Note 23)	(1,819,870)	1,900,831
At end of year	17,394,576	19,214,446

The deferred tax liabilities pertain to temporary differences on the following:

	2014 $	2013 $
Accelerated capital allowance	69,363,976	64,569,855
Capital grants	(387,901)	(521,702)
	68,976,075	64,048,153

Accelerated capital allowances noted above have no expiry dates.

14. Other non-current liabilities

	2014 $	2013 $
Deferred revenue	8,954,252	8,358,469
Consumers' deposits	3,694,534	3,712,252
Retirement benefit plan	4,937	4,936
	12,653,723	12,075,657

Deferred revenue
Deferred revenue represents payments made by customers towards the cost of capital works to be undertaken by the Company in order for the customers to receive electricity. When the asset is completed and transferred to property, plant and equipment, the deferred revenue will be amortised in accordance with the depreciation rate of the asset.

Consumers' deposits
Consumers requesting energy connections are required to pay a deposit, which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum. Interest of $103,077 (2013 - $101,441) was charged against income (Note 22).

(Expressed in Eastern Caribbean Dollars)

15. Capital grants

	2014 $	2013 $
At beginning of year	521,702	655,507
Amortisation (Note 21)	(133,801)	(133,805)
At end of year	387,901	521,702

16. Share capital

	2014 $	2013 $
Authorised:		
Ordinary shares at no par value	15,000,000	15,000,000
Issued and fully paid:		
10,417,328	10,417,328	10,417,328

17. Dividends

The Company paid dividends of $3,229,372 (2013 - $2,083,466) to ordinary shareholders in respect of the year ended December 31, 2014.

Dividend per share is shown below and is computed by dividing the dividends declared and paid by the total number of outstanding shares.

	2014 $	2013 $
Dividends declared and paid	3,229,372	2,083,466
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Dividend per share	0.31	0.20

(Expressed in Eastern Caribbean Dollars)

18. Expenses by nature

	2014 $	2013 $
Fuel costs (Note 20)	45,062,560	43,436,628
Employee benefit expenses (Note 19)	15,124,662	14,898,516
Depreciation (Note 9)	8,842,281	8,388,831
Equipment and line repairs and maintenance	5,548,057	6,581,448
Legal and professional	1,461,746	2,321,726
Insurance	1,577,298	2,097,570
Office expenses	1,341,479	1,103,339
Travel expenses	1,100,919	855,969
Commercial expenses	146,827	163,387
Communication	529,610	459,625
Public relations	399,469	442,175
Security	536,197	523,022
Bank and credit card charges	538,228	458,156
Bad debt expenses (Note 6)	(471,484)	1,518,780
Hurricane restoration costs	38,156	174,900
Provision for inventory obsolescence (Note 7)	140,000	(239,384)
Power purchased	148,425	101,642
Audit fees/expenses	210,971	258,025
Directors fees	95,981	81,600
Other expenses	236,774	386,766
Total direct and administrative expenses	82,608,156	84,012,721

Summary of expenses by nature

	2014 $	2013 $
Fuel costs	45,062,560	43,436,628
Operating costs	13,754,245	15,135,189
Depreciation	8,842,281	8,388,831
Maintenance	6,969,628	7,901,348
Administrative expenses	7,979,442	9,150,725
	82,608,156	84,012,721

19. Employee benefit expenses

	2014 $	2013 $
Salaries and wages	11,561,624	11,769,754
Other staff costs	3,563,038	3,128,762
	15,124,662	14,898,516

(Expressed in Eastern Caribbean Dollars)

20. Fuel cost

	2014 $	2013 $
Fuel cost at base price	7,095,122	6,360,604
Fuel surcharge	37,967,438	37,076,024
Total fuel cost (Note 18)	45,062,560	43,436,628
Fuel surcharge recovery	(38,084,651)	(37,473,942)
Net fuel cost	6,977,909	5,962,686

21. Other (expenses)/ income, net

	2014 $	2013 $
Loss on disposal of plant and equipment	(1,094,020)	(213,884)
Amortisation of capital grants (Note 15)	133,801	133,805
Amortisation of deferred revenue	498,909	443,648
Foreign exchange gains	21,787	29,548
	(439,523)	393,117

22. Finance costs

Finance costs comprise the following:

	2014 $	2013 $
Loan interest charges (Note 10)	2,240,645	2,500,300
Other interest charges (Note 14)	103,077	101,441
	2,343,722	2,601,741

23. Taxation

	2014 $	2013 $
Taxation		
Current	3,517,577	1,958,128
Under-accrual of prior year’s income tax	-	1,605
Deferred (credit)/charge (Note 13)	(1,819,870)	1,900,831
	1,697,707	3,860,564

(Expressed in Eastern Caribbean Dollars)

23. Taxation ….. *cont'd*

Tax on the Company's net income before tax differs from the theoretical amount that would arise using the statutory tax rate of 30% as follows:

	2014 $	**2013 $**
Profit before income tax	16,519,262	12,702,931
Tax calculated at the rate of 30%	4,955,779	3,810,879
Income not subject to taxation	(40,140)	(40,142)
Expenses not deductible for tax purposes	80,315	92,548
Adjustment on deferred income tax	(3,298,247)	(4,326)
Under-accrual of prior year's income tax	-	1,605
Tax charge	1,697,707	3,860,564

24. Earnings per share

	2014 $	**2013 $**
Net income for year	14,821,555	8,842,367
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Basic and fully diluted earnings per share	1.42	0.85

Earnings per share have been computed by dividing profit for the year by the average number of issued ordinary shares.

25. Commitments

The Company has committed to purchase products and services in the amount of $1,136,276 and $1,497,904 from a number of companies as at December 31, 2014 and 2013, respectively.

26. Contingent liabilities

The Company is contingently liable in respect of various claims arising in the ordinary course of business. The amounts are considered negligible and are usually covered by insurance.

Operating Statistics

CAPACITY & DEMAND (kW)		2014	2013	2012	2011	2010	2009
Generating Plant Installed Capacity							
- Hydro		6,640	6,640	6,640	6,640	6,640	4,760
- Diesel		20,100	20,100	20,100	20,100	20,060	19,460
Total		26,740	26,740	26,740	26,740	26,700	24,220
Firm* Capacity							
- Hydro (Dry Season)		3,200	3,200	3,200	3,200	3,200	2,300
- Diesel		14,860	14,860	14,860	14,860	14,860	15,500
Total		18,060	18,060	18,060	18,060	18,060	17,800
*Capacity available during normal operation in a very dry month, assuming the largest thermal unit breaks down while another is out for maintenance.							
Peak Demand (kW)		16,972	16,789	17,229	17,170	16,583	15,623
Growth (%)		1.09	-2.6	0.3	3.5	6.1	6.5
Load Factor =	Average Demand / Maximum Demand	0.69	0.69	0.67	0.67	0.68	0.68
ENERGY PRODUCED (kWh x 1000)							
Gross Generation							
- Hydro		30,639	36,705	26,748	35,836	23,132	23,156
- Diesel		71,786	63,987	74,807	64,571	76,033	69,565
Energy Purchased		131	60	117	76	16	-
Total		102,556	100,752	101,672	100,483	99,181	92,721
Growth (%)		1.79	-0.9	1.2	1.3	7.0	6.0
Diesel Fuel Used in Generation							
Quantity (Imp.Gal)		4,010,875	3,662,154	4,345,200	3,750,719	4,417,799	3,942,115
Fuel Efficiency (kWh per Imp.Gal)		17.90	17.5	17.2	17.2	17.2	17.6

Operating Statistics (cont'd.)

ENERGY SOLD (kWh x 1000)	2014	2013	2012	2011	2010
- Domestic	41,684	40,800	40,785	40,149	39,473
- Commercial	37,631	38,692	37,858	35,537	37,503
- Industrial	8,721	7,949	7,868	7,560	7,449
- Hotel	1,377	1,192	1,071	1,654	2,769
- Street Lighting	1,874	1,767	1,697	1,621	1,547
Total	91,158	89,339	90,113	88,842	86,775
Growth (%)	2.0	-0.9	1.4	2.4	8.1
OWN USE & LOSSES (kWh x 1000)					
Power Station Use	2,829	2,881	3,075	2,714	2,938
Office Use	570	550	551	541	540
Losses	7,998	7,983	7,932	8,383	8,928
Losses (% of Gross Generation)	7.8	7.9	7.8	8.3	9.0
Losses (% of Net Generation)	8.0	8.2	8.0	8.6	9.3
NUMBER OF CUSTOMERS AT YEAR END					
- Domestic	30,954	31,091	30,512	29,838	28,984
- Commercial	4,055	4,084	3,962	4,027	3,907
- Industrial	42	40	31	29	28
- Hotel	39	30	27	28	571
- Street Lighting	264	273	338	469	496
Total	35,354	35,518	34,870	34,391	33,986
Growth (%)	-0.5%	1.9	1.4	1.2	11.3
No. of Full-Time Equivalent Employees	219	225	228	218	226
Number of Customers per Employee	161	158	153	157	150

5 Year Financial Statistics

	2014	2013	2012	2011	2010
Units Sold (kWh x 1000)	91,158	89,339	90,113	88,842	86,775
Revenue/Unit Sold (EC cents)	109.92	110.04	117.47	109.77	102.66
Summarized Balance Sheet (EC$ 000)					
Share Capital	10,417	10,417	10,417	10,417	10,417
Retained Earnings	76,194	64,602	57,843	51,724	45,800
Deferred Credits	17,782	19,736	17,969	17,386	16,880
Long Term Liabilities	44,332	48,561	52,476	56,308	54,157
	148,726	143,316	138,705	135,835	127,254
Fixed Assets (Net)	125,742	126,542	121,440	122,880	118,355
Capital WIP	1,328	448	461	931	3,315
Current Assets	40,777	33,977	36,695	32,930	25,933
Current Liabilities	(19,121)	(17,651)	(19,890)	(20,906)	(20,349)
	148,726	143,316	138,705	135,835	127,254
Summarized Statement of Income					
Expenses					
Fuel	45,063	43,436	51,661	42,928	37,546
Operating Expenses	13,754	15,135	13,107	12,703	13,035
Administration	7,979	9,151	7,949	9,806	9,405
Depreciation	8,842	8,389	10,822	10,335	9,488
Maintenance	6,970	7,901	8,263	7,656	8,550
	82,608	84,012	91,801	83,428	78,023
Operating Revenue					
Electricity Sales	62,120	60,830	61,593	60,856	58,977
Fuel Surcharge	38,085	37,474	44,261	36,661	30,108
Other	1,706	620	1,501	799	1,734
	101,911	98,924	107,355	98,317	90,819
Operating Income	19,303	14,912	15,553	14,888	12,796
Interest Charges	(2,344)	(2,602)	(2,945)	(3,114)	(3,008)
Other Charges & Credits	(1,095)	(214)	(1,334)	(1,268)	(1,696)
Amortisation Of Capital Grants/Deferred Revenue	633	577	531	492	466
Foreign Exchange Gain (Loss)	22	30	5	90	(79)
Taxation	(1,698)	(3,861)	(3,608)	(3,343)	(8,750)
Net Income	14,821	8,842	8,203	7,747	(271)
Dividend	3,229	2,083	2,083	1,823	1,563
Reinvested Earnings	11,592	6,759	6,119	5,924	(1,834)
Rate Base (Average Fixed Assets)	125,780	123,991	122,160	120,618	115,102
Return On Average Fixed Assets	15.35%	12.03%	12.73%	12.34%	11.12%
Debt/Equity Ratio	30/70	35/65	40/60	46/54	49/51
Current Ratio	2.13%	1.92	1.84	1.58	1.27
Collection Period (Days)	51	52	50	44	37

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Solicitors: Defreitas Defreitas & Johnson

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