Dominica Electricity Services Limited

Financial Statements

For the year ended December 31, 2014
(Expressed in Eastern Caribbean Dollars)

Dominica Electricity Services Limited

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

Dominica Electricity Services Limited

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

Dominica Electricity Services Limited
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 & Power Holdings Ltd changed its name to Emera(Caribbean) Incorporated. 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 1 January 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 1 January 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.

(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 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.

(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 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.

(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 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 1 January 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.

(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 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 1 February 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*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow 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 protect 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 are 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 was as of December 31, 2014 $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

Dominica Electricity Services Limited

Notes to Financial Statements

For the year ended December 31, 2014

(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	94,957,015	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 *….. continued*

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.