Dominica Electricity Services Ltd
DOMLEC

REBUILD.RESTORE. RECOVER.

DOMLEC 2015 ANNUAL REPORT

REBUILD. RESTORE.
RECOVER.

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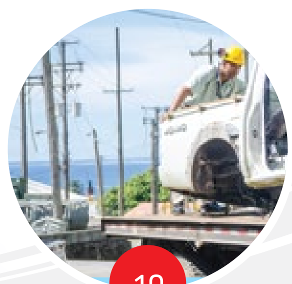
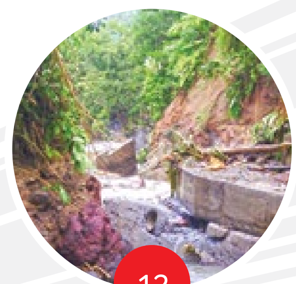
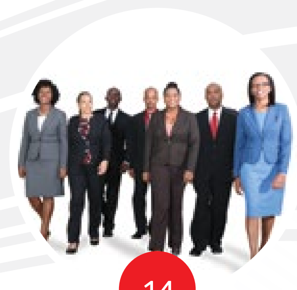






CHAIRMAN'S **REPORT**

2015 may be characterised as a challenging yet productive year. DOMLEC remained cognisant of its obligations in providing customers with an affordable and reliable supply of electricity, employees with a safe and satisfying work environment, and shareholders with a fair and reasonable return on their investment.

Our customers welcomed the steady decrease in the cost of fuel, which resulted in the fuel surcharge moving from 30.61 cents per kWh in December 2014 to 23.09 cents per kWh in December 2015. However, our focus is on becoming a 100% clean and green utility by 2025. In this quest, the Company has embraced Emera Caribbean's Clean Energy Strategy and embarked on building employee capacity through staff training in renewable energy. DOMLEC's expansion of its sustainable energy drive was demonstrated through the introduction of an electric vehicle in its fleet, a first for Dominica. DOMLEC continues to work with Government to advance the country's geothermal agenda by undertaking the analyses required to accept geothermal energy onto the national grid.

As a regulated utility, the Company is mandated to operate within the ambit of the 2006 Electricity Supply Act and its Generation and Transmission, Distribution and Supply Licences. The 20 year Integrated Resource Plan governing the sector was approved in May 2015 by the Independent Regulatory Commission (IRC). The application for a tariff review, originally to be submitted by May 1, 2015 is pending as DOMLEC awaits a High Court determination on its request for a review of the IRC's decision on the Weighted Average Cost of Capital (WACC).

The Company played a critical role in assisting the country in its response to the trauma wreaked by Tropical Storm Erika on August 27, 2015. Supply was interrupted to almost 75% of our customers. DOMLEC's crews responded admirably, and within four days, the supply of 95% of affected customers was restored. Within three weeks, all affected customers whose installations were not compromised, were connected. Tropical Storm Erika also damaged DOMLEC's generating plant, with the Hydro system being the hardest hit. A temporary solution was effected in 2015, with complete restoration expected to take place by the first quarter of 2017. DOMLEC's generation plant is covered by commercial insurance, and a claim has been made against the insurance company for the repairs. Commercial insurance is not available for the Company's transmission & distribution network and the total loss to the Company was $3.8 million. The Company continues to engage with the Government on the need for legislation covering the establishment of a Self-Insurance Fund for these assets, similar to what is in place in other Caribbean territories.

SECTION OF THE UNDERMINED PADU PIPELINE ALONG THE TRAFALGAR PUBLIC ROAD

The Company demonstrated excellent corporate citizenship by providing electricity to the emergency shelters free of cost, and by donating food, water and equipment to the Morne Rachette Community Centre.

The Company's network reliability improved by 19% over that of 2014. Three generation-related system outages prompted a thorough root cause analysis, which was jointly undertaken by DOMLEC personnel with support from Nova Scotia Power, Grand Bahama Power, and The Barbados Light & Power. This exercise demonstrates the benefits associated with being part of the Emera Group of Companies. Implementation of the recommendations arising from the analysis commenced in 2015 and will be completed in 2016.

Safety and sound environmental management is of paramount importance. In 2015, we achieved our safety target of no more than three reportable incidents. This was possible because of our proactive approach toward safety and the environment.

We will continue our efforts to provide leadership to the country in this area as we travel along the path to world class safety.

A new Collective Agreement spanning 2015 to 2017 was successfully negotiated with the Union. Having employees who are engaged in the business is key to DOMLEC's success. In order to gauge the level of engagement, employees were involved in the Emera Employee Engagement Survey, which allowed them to share their views. We are happy to report that DOMLEC's employee participation rate increased by 23% over that of 2014.

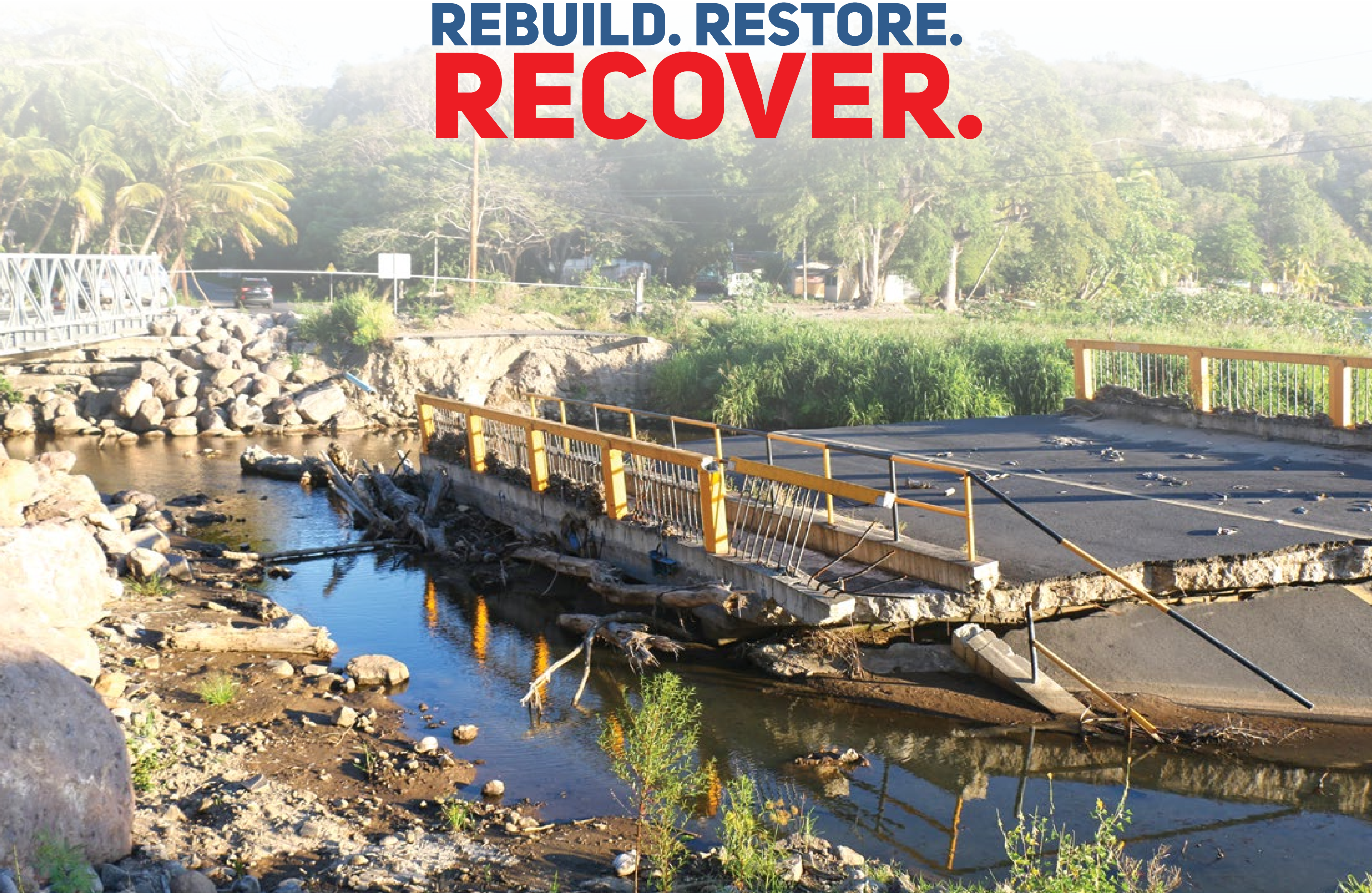
Through its performance, DOMLEC continued to maintain the confidence of its shareholders and lenders, which is important to ensure access to funds for future investments. Electricity sales increased by 4.2% over 2014. Profit before tax for the period ended December 31, 2015 was $16.84 million, compared to $16.52 million in 2014.
Net profit after taxes was $12.29 million, a reduction of 17% when compared to 2014, due to a once off adjustment in deferred taxes in 2014 as a result of a reduction in the corporate tax rate. Shareholders received a total dividend payment of 40 cents per share, representing a payout ratio of 34% on Earnings Per Share of 118 cents, and an increase of 29% over the 2014 payment of 31 cents per share.

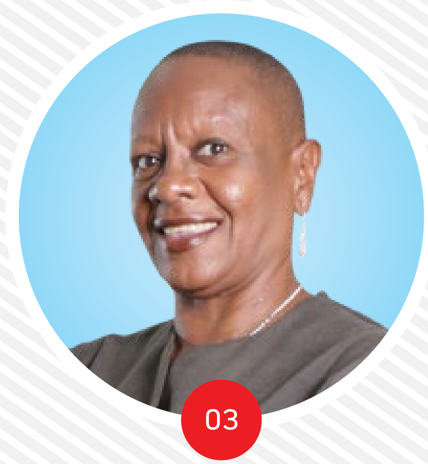
Sarah MacDonald, who provided sterling leadership to the Board of Directors since 2013, resigned on 14 May 2015. We extend our deepest gratitude to Ms. MacDonald for her contribution to DOMLEC.

The Board commends the employees for their performance in 2015, particularly in the weeks after Tropical Storm Erika. We look forward to their continued commitment as together we position DOMLEC to achieve its goals of operational excellence, service excellence, world-class safety and business growth.

David McGregor
Chairman

REBUILD. RESTORE.
RECOVER.





BOARD OF **DIRECTORS**

01 David McGregor
Chairman (From May 2015)

02 Peter Williams
Deputy Chairman

03 Frederica James
Director -HR & Compensation Committee

04 Grayson Stedman
Chairman -Audit Committee

05 Sarah MacDonald
Chairman (To May 2015)

06 Robert Belliveau
Director

07 F. Adler Hamlet
Director

08 Alexander Stephenson
Director

09 Hutson Best
Director (From May 2015)

10 Roger Blackman
Director (To May 2015)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December 2015 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 Distribution and Supply licence and a 25 year non- exclusive Generation licence, both granted by the Independent Regulatory Commission in January 2014.

Financial Results

In 2015, the Company generated total revenue of EC$93.54 million, a decrease of 8.2% from the previous year. Total expenses were EC$78.75 million and other income was EC$2.05 million resulting in income before tax of EC$16.84 million.

Net income after the current year's tax was EC$12.29 million. This compares to the previous year's profit of EC$14.82 million. Earnings per share for the year totalled EC$1.18 compared to earnings per share of EC$1.42 in 2014.

Dividends

Following the policy objective set out in the dividend policy approved by the Board of Directors in 2014, the company increased the dividend pay-out in 2015 closer to 40%. Consequently, a total of 40 cents per share was paid to shareholders for the year under review, a nine cents increase over the previous year.

Governance

At the annual general meeting of the company held on May 14th 2015 Ms. Sarah MacDonald and Mr. Roger Blackman tendered their resignations from the Board of DOMLEC as they took on other assignments within the Emera group. Ms. MacDonald continues to serve as President of Emera Caribbean Incorporated. The Board extends thanks to both directors for the benefit of their knowledge and expertise during their tenure on the Board.

Messieurs David McGregor and Hutson Best were elected at the annual general meeting to fill the vacancies created by the resignation of these directors. Mr. McGregor, who has a degree in Electrical and Electronic Engineering from the University of Edinburgh in Scotland, is Vice President Asset Management at Emera Caribbean Inc. and currently serves as Chairman of the Board. Mr. Hutson Best is a Certified Accountant by profession, is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), Fellow of the Institute of Chartered Accountants of Barbados and holds a Master's Degree in Business Administration from the University of the West Indies. He serves as the Chief Financial Officer of Emera Caribbean Incorporated.

In October 2015, Directors Frederica James and Adler Hamlet completed the Director Education and Accreditation Program with the Eastern Caribbean Securities Exchange and the Institute of Chartered Secretaries and Administrators of Canada. This annual program is undertaken by new directors pursuant to the Board's Director Education and Training Policy aimed at ensuring that directors are exposed to continuous education in the areas of corporate governance and corporate management.

Stock Performance

In 2015 DOMLEC's shares on the Eastern Caribbean Securities Exchange traded between $3.25 and $4.10 per share. The trading price on December 31st 2015 was $4.10 per share.

By Order of the Board

Ellise Darwton

Ellise Darwton
Company Secretary

MANAGEMENT **TEAM**

01 Bertilia Mc Kenzie
General Manager

02 Carl Maynard
IT Manager

03 Dave Stamp
Generation Manager

04 Lemuel Lavinier
Engineering Transmission & Distribution Manager

05 Ellise Darwton
Corporate Secretary/ Legal Officer

06 Edith Thomas - Roberts
Human Resources & Administration Manager

07 Nathaniel George
Commercial Manager

08 Marvelin Etienne
Financial Controller

OPERATIONS **REVIEW**

FINANCIAL **OVERVIEW**

INCOME STATEMENT

Sales

Electricity sales for the financial year ended December 31st 2015 totaled 94.96 GWh. This represents an overall increase of 4.2% over 2014. For the first eight months of 2015, the Company experienced positive sales growth of 5%. The average sales growth for the last four months of the year dropped by 2.6% and was due to the effects of Tropical Storm Erika. The increase in overall sales represents growth across all sectors, except the hotel sector which declined by 5.4%.

Gross Revenue

Total revenue was EC$ 93.54 million, reflecting a decrease of EC$ 8.37 million or 8.2% over 2014. This was mainly as a result of a decrease in fuel surcharge revenue of EC$9.84 million or 34.8%. Fuel surcharge declined from 30.61 cents/kWh at December 2014 to 23.09 cents/kWh at December 2015. This was due to a decrease in fuel prices from $8.91 to $6.41 per imperial gallon.

The growth in electricity sales units resulted in increased sales of EC$2.58 million or 4.2%. Total revenue from electricity sales for the year was EC$64.70 million compared to EC$62.12 million in the previous year.

Miscellaneous revenue decreased by EC$1.11 million due to proceeds from an insurance claim received in 2014.

OPERATING EXPENSES

Operating expenses decreased by EC$5.99 million or 7.2% to EC$76.62 million as a result of the following:

Fuel Costs

Fuel costs, which accounted for 46.6% of total operating expenses in 2015, declined by EC$9.33 million or 20.7% over 2014, despite a 15.3% increase in diesel consumption. The decrease can be attributed to a sharp fall in fuel prices. Production from diesel generation increased by 10.76 GWh or 13% due to a decrease in hydro production of 6.20 GWh or 25.4%. The decrease in hydro production was due to low rainfall, coupled with the damage caused to the Hydro infrastructure by Tropical Storm Erika.

Generation Expenses

Generation expenses were EC$10.53 million, reflecting an increase of EC$1.79 million or 20.4% over 2014. A major contributing factor was an increase in generator maintenance expense of EC$1.44 million over 2014.

Engineering and Distribution Expenses

Engineering and Distribution expenses increased by EC$0.79 million or 12% over 2014 totaling EC$7.40 million. The key contributor was restoration costs which increased by EC$0.42 million as a result of Tropical Storm Erika.

SECTION OF UNDERMINED CLARKE'S RIVER PIPELINE

General Expenses

General expenses increased by EC$0.20 million or 1.7%, and totaled $11.99 million for 2015. Related party expenses and employee benefits increased by EC$0.09 million and EC$0.30 million respectively. Obsolete stock provision increased by EC$0.23 million, due to a decrease in the average life of the high speed units used in calculating the provision. This was mandated by the Independent Regulatory Commission. Provision for regulatory fees recorded a positive variance of EC$0.40 million because of the delay in enacting the requisite legislation.

Insurance

Insurance expense of EC$1.57 million was in line with the prior year, reflecting a less than 1% decrease.

Depreciation

Depreciation expenses for 2015 was EC$9.41 million. This reflects an increase of EC$0.57 million or 6.4% over 2014. This was due mainly to the increase in additions to Property, Plant and Equipment during 2015.

OTHER INCOME

Finance and Other Income for 2015 was EC$2.05 million, an increase of EC$1.40 million when compared with the prior year. The key contributing factor was a gain of EC$1.42 million arising from an insurance claim with respect to Tropical Storm Erika.

FINANCE & OTHER COST

Finance and Other Cost decreased by EC$1.31 million or 38.1% in 2015, and totaled EC$2.13 million. The decrease was due mainly to the fact that loss on disposal of Property, Plant and Equipment in 2014 was EC$1.09 million compared with EC$0.07 million in 2015. The reduction in loss on disposal can be attributed to the adoption of the Mass Property methodology in accounting for Transmission and Distribution assets. Finance charges for loans decreased by EC$0.27 million.

PROFIT

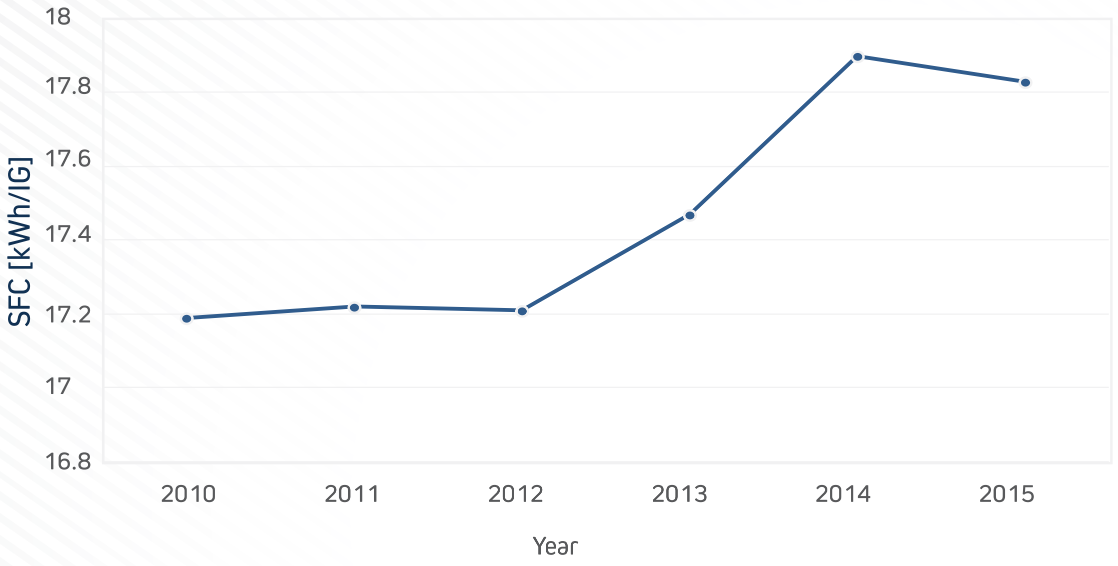
Profit before tax for the year ended December 31, 2015 was EC$16.84 million, compared to EC$16.52 million in 2014. Taxes for the year amounted to EC$4.55 million and net profit after taxes was EC$12.29 million, a reduction of EC$2.53 million or 17.1%.

GENERATION DEPARTMENT **REVIEW**

Highlights and Challenges for 2015

Health and Safety

The department continued its drive to achieve world class safety levels with the completion of a number of key initiatives. Significant progress was made towards the full implementation of the Confined Space Entry program with the installation of signage for all spaces meeting the required criteria. Other key health and safety initiatives completed were: the installation of blast walls between transformers, and additional switchgear protection at Fond Cole (FC) power station, and the successful execution of a fire drill at the FC power stations. In the area of public safety and liability and in demonstration of our corporate responsibility, a number of physical public safety barriers and signs were erected at key areas of the hydro installations to protect and to alert the public of the risks associated with accessing those areas.



Energy Production

The year 2015 was a challenging one for the Generation Department. These challenges varied and are reflected in the statistics given in this report. Total units generated for the year was 10.99GWh. The hydro generating units contributed 24.44GWh or 22.84% of total units generated. There was a slight decrease of 20.33% in hydro output when compared to 2014. This decrease was due to the unavailability of New Trafalgar 1 (NT1) up to March 2015, and both units at the Padu generating station for most of the third and last quarters due to severe damages suffered during the passage of Tropical Storm Erika in August 2015. The Padu generating units were overhauled and re-commissioned into service on 20th December 2015. The total kWh contribution to the network by Independent Power Producers amounted to 0.0952GWh which was 5.06% higher than the previous year.

Generation Reliability and Efficiency Indices

The average Equivalent Availability (EA) and Equivalent Forced Outage Rate (EFOR) was 80% and 10% respectively. The high forced outage rate was due to a prolonged outage on NT1 due to a damaged rotor for the electric generator. The EA was mainly affected by the unavailability of the Padu generating station for an extended period after TS Erika.
The unavailability of SL5 and SL6 at Sugar Loaf also contributed to the depressed EA.

There was a slight decrease in specific fuel consumption (SFC). In 2014 the SFC was 17.9 kWh/IG. compared to 17.83 kWh/IG for the reporting year. The System Average Interruption Duration Index (SAIDI), increased significantly over the previous year. The SAIDI for 2015 was 5.842 as compared to 1.705 in 2014. This increase was due to three island wide outages which occurred between April and June of 2015.

Plant Maintenance and Upgrade

In 2015, the department was faced with the challenge of reducing costs and outage duration associated with major maintenance activities on the generators. Through collaborative efforts of staff, management and OEM representatives, a significant improvement of 50% reduction in outage durations for the 9,000 hours and 18,000 hours maintenances respectively, were realized on the high speed generating units. This reduction in planned maintenance outage time translates into reduced cost per outage and quick return of the unit to service. This effort will continue in 2016 for the major planned maintenance activities on all diesel generators.

The department continued its efforts in improving protection for the generator by installing generator differential protection on SL5 and SL6, and work commenced on SL7 during 2015. This initiative was undertaken to obtain effective isolation of generator faults and improvement of system reliability.

Other significant improvements were realised through successful installation and commissioning of upgraded remote monitoring systems for the Padu units, and on-line vibration monitoring systems for the Laudat and New Trafalgar generating units.

Training

The first year skills of an Emera wide initiated training program namely Competency Based Training (CBT) for plant operators was successfully completed. This initiative is a clear indication of the Company's interest in its employees' development and ensuring that its employees are equipped to effectively and efficiently perform their duties.

Post Erika Restoration Works

There were significant challenges post Tropical Storm Erika. Due to the severe damage to the road network linking Roseau to the north of the island, transportation of diesel fuel by sea via a barge was necessary to ensure continued operation of the Sugar Loaf Power station which was not directly affected by the storm. This required great effort from both management and other employees who demonstrated their commitment to the Company and its customers in ensuring the continued supply of electricity to customers connected to the feeders from the Sugar Loaf power station.

Severe damage was sustained on sections of the pipeline from Clarke's River to the Fresh Water Lake, the Padu Intake Weir and sections of the pipeline from the Padu intake dam. The Padu Power Station turbine house flooded, affecting the generators and ancillary equipment. Repairs to the Clarke's River pipeline was completed ahead of the estimated deadline providing much needed water for use in generation at the Laudat Power station. A temporary support for the undermined section of the pipeline from the Padu Intake dam was completed as scheduled facilitating recommissioning of the Padu generators on 20th December 2015.

PADU PIPELINE WITH SUPPORT ERODED

ENGINEERING TRANSMISSION AND DISTRIBUTION **DEPARTMENT**

This year was challenging but rewarding. The network was fully restored from a once in a lifetime tropical event to deliver its highest level of reliability, despite experiencing three (3) system failures related to faulty equipment. The entire system was affected by forty-nine (49) faults during the year, a reduction of 6% over 2014, whilst the T&D network faults decreased by 8%; confirming increasing system reliability. At the feeder level, excluding the IEEE classified Major Event Day (MED), a System Average Interruption Duration Index (SAIDI)) of 5.1 hours, and a System Average Interruption Frequency Index (SAIFI) of 3.6 interruptions per customer was recorded. The MEDs totaled a SAIDI and SAIFI of 22.2 hours and 1.2 interruptions respectively.

Network Performance

The system collapsed on April 25th, 29th and June 11th causing island-wide interruptions. The faults were due to defective generating units, and a defective station services transformer. This prompted a detailed system review, and a corresponding action plan to avoid a reoccurrence. Components of the plan were actioned during the third quarter of 2015, which included increasing the under-frequency response of the system to improve stability during fault conditions.

TS ERIKA - LINEMEN AT WORK AT NIGHT

During the passage of Tropical Storm (TS) Erika the network suffered massive damage to structures in Petite Savanne, Dubique, CheckHall Valley, Resource Estate, Macouchrie, Coulibistrie, and Colihaut. Consequently, 73.5% of customers were affected by interruptions on eight (8) of the ten (10) feeders. Despite wide-spread landslides and damage to roads and bridges, within three (3) weeks the primary distribution lines (low and high voltage) supplying power to customers were restored through the diligent efforts of employees and contractors.

Reliability Maintenance Activities

Preventative maintenance activities continued throughout the year on structures, lines and other apparatus. These included defective structure rebuilds, vegetation management, and distribution circuit upgrades.

An improvement in network reliability of 24% over 2014 was observed arising from these and other activities, despite the inclusion of outages caused by the public in the assessment. A team of eight was trained in conducting energized work from an aerial device. This increased human resource competence, coupled with the availability of a fully equipped bucket truck, allowed staff located at the Portsmouth office to perform numerous activities on the network without an interruption.

Technical Loss Management Activities

System losses continue to be well maintained, with a rolling average of 8%, composed of both technical and non-technical losses. Contributing to this decline was the maintenance and control of high voltage capacitors on the network, the installation of the first low voltage capacitor bank at one of the island's quarries, system upgrades, and InfraRed inspections.

Network Expansion Activities

There were 116 new LED street lights added to the network to improve street and footpath lighting. The network's low voltage distribution circuit was expanded by 17 km, compared to 12.6 km in 2014, while the high voltage circuit was expanded by 7.06 km compared to 4 km in 2014.

GIS & Asset Management

Activities have commenced to allow access to the GIS data from mobile devices. This access will be made available to all relevant field teams to enhance their productivity. The GIS database was instrumental in identifying structures which were washed away during TS Erika, thereby facilitating ease of restoration.

SCADA and Telecommunication

The introduction of four (4) remote operated switch points has improved the reliability of the network. Three (3) sites were added to the wireless communication network following the upgrade of the communication system. Switch sites, such as that at Rosalie, which previously required on average 45 minutes of driving to be attended to after failure of dial-up connections, can now be operated in less than five (5) minutes from the Control Centre on a more reliable wireless SCADA network.

TS ERIKA - COULIBISTRIE

Sustainable Energy

During the year 37 kW of privately owned renewable energy systems were interconnected. Rosalie Bay Resort remain the largest interconnected customer with a capacity of 257 kW. The interconnection policy was revised during the year to improve the process and enhance the quality of supply received from interconnected privately owned systems.

COMMERCIAL **DEPARTMENT**

Advanced Metering Infrastructure (AMI) System

DOMLEC continues to benefit from the implementation of the Advanced Metering Infrastructure (AMI) System. Thirty nine (39) out of its forty-three (43) or 91% of the telephone Gatekeepers have been upgraded to Ethernet Gatekeepers, thus resulting in superior performance, greater reliability, speed and overall improved efficiency of the system in terms of remote meter reads, disconnections and reconnections.

AMI Prepaid System

During 2015 the demand for prepaid connections increased by 15 %. At the end of 2015 there were 15,336 prepaid customers, representing 43% of the number of customers at year end. In 2015 the Company continued its gradual replacement of the STS/keypad type prepaid meters. During the year, a total of 1,444 of these meters were upgraded to AMI meters and over the next year, the Company plans to replace the remaining STS/keypad prepaid meters.

Quality of Service Report

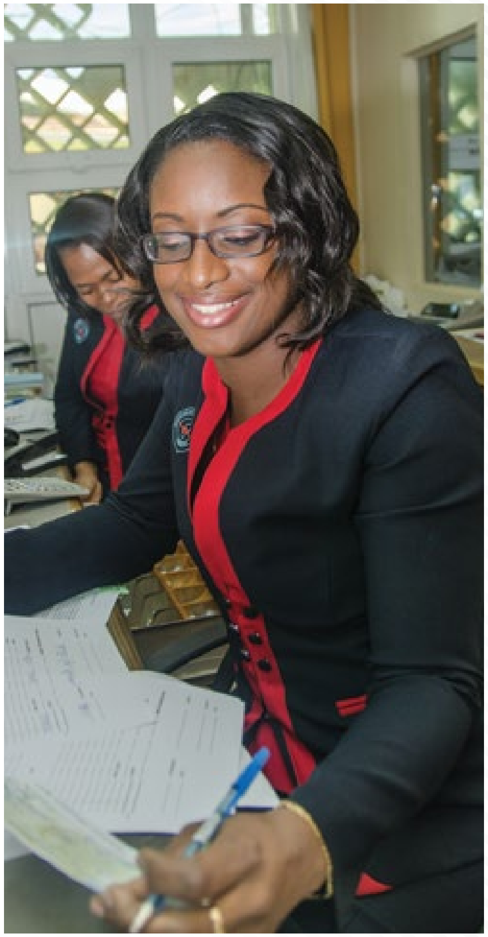
The Company conducted a service quality survey to determine customers' satisfaction with the service offered by the Company, the aim being the improvement of its service delivery quality.

Tariff Review

In accordance with the conditions of its Transmission Distribution and Supply licence, DOMLEC continued the tariff review process with the Independent Regulatory Commission (IRC). After several public consultations, the IRC issued its decision in April 2015 on the Weighted Average Cost of Capital to be applied in its review of the Company's tariffs. The Company has filed for judicial review of the IRC's decision in the High Court. The hearing of this application was pending at year end.

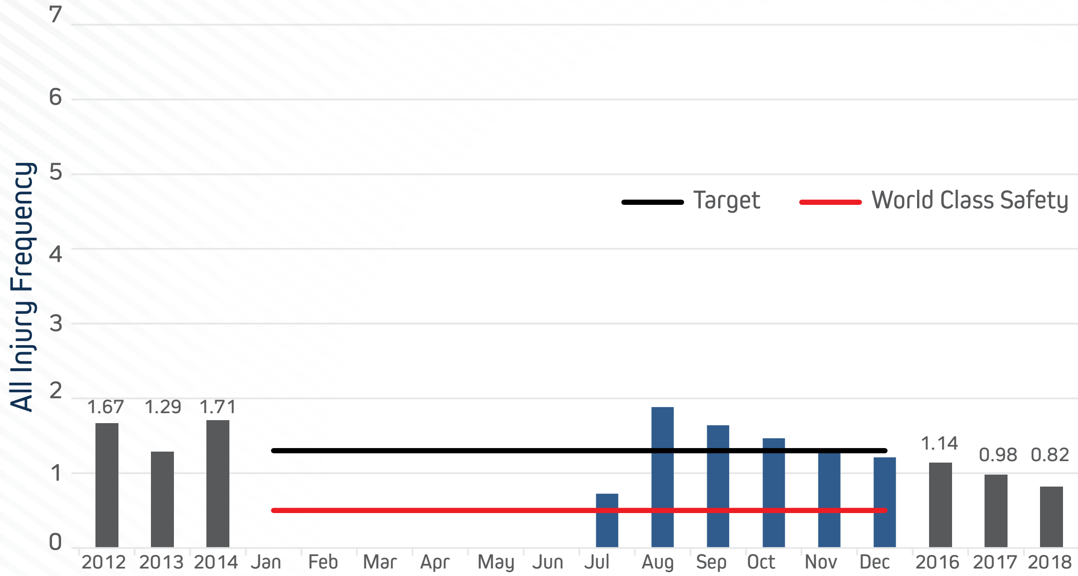
IRC Customer Service Standard

In 2015 the Company achieved an overall success rate of 91.5% and 94.6% in the Guaranteed and Overall Standards respectively. The table below shows the Company's performance for the last five years.



Quality of Service Standards

IRC STANDARDS	2011	2012	2013	2014	2015
Guaranteed Standards	89.20%	96.60%	93.40%	93%	91.50%
Overall Standards	97.10%	98.10%	89.60%	87.60%	94.60%



SUPERVISORS AT BASIC SAFETY MANAGEMENT TRAINING

HUMAN RESOURCES & ADMINISTRATION **DEPARTMENT**

HR Activities

The number of full time equivalent employees at the end of December 2015 was 237.75 comprising 192 permanent employees, 23 contract and 22.75 temporary employees. During the year the Company concentrated heavily on training and development to ensure that the employees were provided with the knowledge and skills required for the effective performance of their jobs. To this end, the Company invested $943,040 to undertake training in sixty-five training programs thus resulting in a total of one hundred & sixty four (164) employees being trained. Of significance is the implementation of the Year I skills of the Competency Based Training (CBT) Program and the subsequent achievement of the objective set by Emera Caribbean Incorporated pertaining to the CBT Program. Under this program 100% of all Linemen and Operators were trained in 50% of all the Year 1 skills which were identified to enable these employees to gain competence in their jobs. Of equal importance was the introduction of the Basic Safety Management Training which was provided to the management staff.

To continuously improve internal customer satisfaction, the Human Resources & Administration Department developed and implemented an HR Satisfaction Survey. The objective was to identify current strengths and areas for improvements in the programs and services offered to our employees. The HR Satisfaction Survey will lay the foundation for the development of HR Service Standards for development and implementation in 2016.

HEALTH AND **SAFETY**

DOMLEC demonstrated improved safety performance in 2015 having recorded an All-Injury Frequency Rate (AIF) of 1.21 compared to 1.71 in 2014. The Loss Time Injury Frequency Rate (LTF) was also reduced from 1.71 to 0.81. This resulted from improved safety practices and the introduction of new safety programs geared towards the development and promotion of a world class safety culture at the organization. In 2015 proactive reporting was introduced as part of the Company's safety program. Under this program 96.7% of the organization's employees submitted a total of 399 proactive reports. The introduction of this program and the encouragement of all employees to contribute to the achievement of the proactive objective ensured that sub-standard acts or conditions were identified and corrective actions were taken thus eliminating the occurrence of accidents on the job.

Another area of focus for the Company was the development of a draft Health and Safety Manual for implementation at all Emera Caribbean affiliates. This manual seeks to align the safe work practices of the affiliates by taking advantage of the best practices in each.

DOMLEC is not only concerned about the safety of its employees but also understands the impact that its operations can have on the environment. Therefore, as a responsible organization the Company has implemented an Environmental Management System (EMS) to ensure that the environment is not compromised as a result of the Company's operations.

In keeping with the objective of improved safety awareness, the Company reintroduced the Health and Safety Month. This program sought to educate employees, students and the wider public by undertaking a number of health and safety initiatives including visits to schools, a health and safety exposition and health checks for customers.

FREE HEALTH CHECK AT CUSTOMER SERVICE

INFORMATION TECHNOLOGY **DEPARTMENT**

The Information Technology (IT) Department endeavors to provide excellent quality service, resilience and reliability of the corporate network. This is inclusive of further protecting all DOMLEC's corporate IT equipment and data services, coupled with further reducing costs to the Company. In 2015, IT faced challenges; however, a number of achievements were recorded.

In 2015, the department was responsible for monitoring all telecommunications costs with the objective being to further reduce all associated costs. To achieve this objective, IT partnered with the Commercial Department and a solution was implemented which greatly assisted this objective.

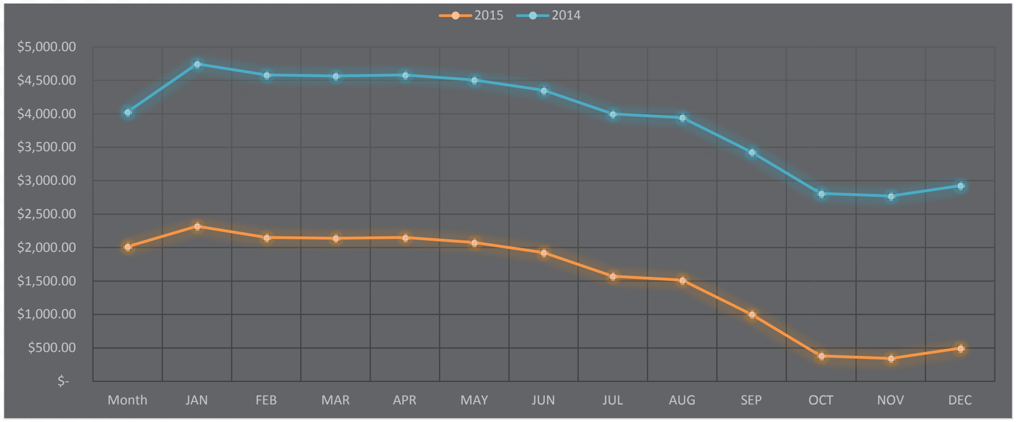
As a result, between January 2015 and December 2015, IT observed a major reduction in telecommunications charges associated with fixed lines when compared to 2014. The total reduction in costs for 2015 was 30.06%.

Customer Relation Management (CRM) application

IT has embarked on the introduction of CRM into the Company. This project is aimed at improving the Company's service excellence to its customers. CRM Implementation has benefited DOMLEC and its customers tremendously. Here are a few of the benefits:

- Complaint Management -All complaints are captured, shared, tracked and reported from a single application. This also promotes greater cooperation amongst staff.
- Work Management - All reportable activities engaged by staff on the customer's behalf can be scheduled and managed in CRM.
- Customer locations - CRM shows precise locations on the map where the Company's meters and streetlights are installed. This process reduces the search costs associated with locating customers.

Fixed Lines Monthly Expenditure
2014 vs 2015



- Customer Relations - Customers will be able to interact with DOMLEC through the CRM Customer portal to report or track their cases. Issuing of case numbers and due dates simplifies communications.
- Network Load Management - CRM is able to show all customers attached to feeders, transformers and poles. This information can be used to plan outages, and upgrades and to assess the financial impact of outages - both forced and planned.

Improved Security and Network Monitoring

IT consistently took the initiative to further improve the protection of the Company's IT assets and data. In this regard, a total of two next generation firewalls were installed. These firewalls enhances the security of the corporate network particularly protection against cyber-attacks and data loss. In addition, two large screen monitors were setup to monitor all IT's critical services in real time.

Extension of Data Recovery Off Island

This project was a notable accomplishment for 2015 where IT implemented an offsite storage replication solution in partnership with Barbados Light & Power Company (BLPC). The objective of this exercise is to help mitigate against data loss if DOMLEC were to experience a catastrophic failure of its IT services which can affect the Company's financial data.

SECTION OF PIPELINENE CUT ODFF

IT Responses to TS Erika

Following the passage of Tropical Storm Erika, IT was faced with a number of challenges. These challenges ranged from a broken fibre link between Bath Estate and Laudat to loss of communications between the Roseau and Portsmouth offices.

The Department was able to respond quickly in relation to the broken fibre and communications was restored to Trafalgar and Laudat. Regarding loss of communications between Roseau and Portsmouth, IT deployed two satellite phones between these two locations which assisted greatly, enabling the two locations to communicate on critical matters. In the interim, a backup Virtual Private Link for the Portsmouth and Sugar Loaf offices was setup. Network appliances were provisioned and installed at these locations which provides a redundant link in the event of a failure of the current fibre link which serves both locations.

REBUILD. RESTORE.
RECOVER.

CORPORATE SOCIAL **RESPONSIBILITY**

Community Outreach for 2016

2015 was a demanding year, particularly following the passage of Tropical Storm Erika. Nonetheless, we were unwavering in the provision of assistance in the areas of Health, Education, Sports and Culture.

We are committed to giving back to the community we serve and are proud that following TS Erika, Senior Managers strapped on their boots and journeyed to parts of the West Coast devastated by the storm, delivering water and other much needed supplies to residents of those communities.

The donation to that part of the island continued with the adoption of the Morne Rachette Community Centre which serves as a hurricane shelter. Following a request from the shelter's manager, DOMLEC provided appliances and other required items totaling $5,002.00.

Last year also witnessed the launching of the first electric vehicle (EV) on island, a big event for the Company which received much media coverage. The launching of this EV is among a list of energy-efficiency and renewable initiatives at DOMLEC, all geared at reducing causes of global warming and keeping our nature island clean and green. The Company's goal is to introduce more ecofriendly methods in the generation of electricity as it focuses on its sustainable energy thrust.

Various communities, organisations and individuals benefitted from over Three Hundred Thousand Dollars ($300,000.00) which was given back in 2015. Some of these included: Carnival Activities - $35,100.00, Education - $49,473, Sports - $24,829, Village Councils - $6,800.00, other events & organizations - $25,459. Among the groups which were assisted for Carnival are the Stardom Tent, Afrikulture Stilt Walkers, Marigot Kiddies Carnival, Salisbury Social Club, Mahaut Carnival, Castle Bruce Secondary School, Portsmouth Town Council and Scotts Head Development Committee.

The Afrikulture Stilt Walkers emerged victorious as the Adult Band of the Year.

Our sponsorship of the Roseau Valley Football League continued with the provision of $6,000.00. A new initiative was the assistance to the Dominica Grammar School Football Team for the purchase of uniforms. $10,000 was invested in the education of the island's youth through a contribution to the Education Trust Fund. DOMLEC welcomed the opportunity to donate $18,000 to CariMan for its Prison Rehabilitation Program which seeks to equip young men with the necessary skills to facilitate reintegration into society following their release.

The Operation Youth Quake secured $5000.00 towards the renovation of its building's roof. Full sponsorship of the Rotary Club Literacy Festival was realized to the tune of $6000.00.

AFRIKULTURE STILT WALKERS

The Grotto Home for the Homeless continues to receive the $10,200 towards its electricity bill on an annual basis while twenty-six centenarians are beneficiaries of the annual $600.00 credit towards their electricity bills.

In support of our drive towards service excellence, the Company's Facebook page was launched recognizing the need to interact via social media. Customers with access to the Internet are now able to make inquiries, voice concerns and even make recommendations through this medium.

Radio programs which serve as an educational tool for our customers every Monday focused on all aspects of DOMLEC and the energy sector. The quarterly newsletter is circulated internally and is available on the Company's website - www.domlec.dm. Developments within the Company are also printed in the quarterly Emera Caribbean Newsletter, "Clear Signal".

Shareholders were brought up to date on developments within the organization for the past year through the production of a 15 minute video which was aired during the Annual General Meeting.

The month of May was declared Health, Safety & Environment month under the theme "Safety and Quality, our Values without compromise". It was an opportunity to interact with the public and students through Health Checks, a Mini Expo, Health Walks, and Safety Sensitisation Talks at primary schools.

2015 SCHOLARSHIP RECIPIENTS

Throughout the year, effective use was made of live radio shows, television and newspaper advertising highlighting energy saving tips, hurricane preparedness, and congratulatory messages when necessary, as well as other customer related information.

DONATION TO CARIMAN PROJECT AT THE STATE PRISON

FINANCIAL STATEMENTS

Building a better
working world

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Dominica Electricity Services Limited
We have audited the accompanying financial statements of Dominica Electricity Services Limited which comprise the balance sheet as of December 31, 2015 and the statement of comprehensive income, statement of changes in equity and statement of 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.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dominica Electricity Services Limited** as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Chartered Accountants
St. Lucia
1 April 2016

DOMINICA ELECTRICITY SERVICES LIMITED

Balance Sheet

As of December 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	2015 $	2014 $
Assets			
Non-current assets			
Property, plant and equipment	5	**129,399,055**	127,069,452
		129,399,055	127,069,452
Current assets			
Cash and cash equivalents	6	**14,275,264**	13,066,410
Trade and other receivables	7	**16,725,947**	17,139,207
Inventories	8	**9,895,106**	10,571,694
		40,896,317	40,777,311
Total assets		**170,295,372**	167,846,763
Equity			
Share capital	9	**10,417,328**	10,417,328
Retained earnings		**84,313,836**	76,194,152
		94,731,164	86,611,480
Non-current liabilities			
Borrowings	10	**26,591,893**	31,678,123
Customers' deposits	11	**3,655,778**	3,694,534
Deferred revenue	12	**9,127,816**	8,954,252
Deferred tax liability	14	**18,866,726**	17,394,576
Capital grants	13	**254,100**	387,901
		58,496,313	62,109,386
Current liabilities			
Trade and other payables	15	**9,731,759**	12,614,879
Due to related party	20	**328,127**	38,889
Corporation tax payable	14	**1,921,552**	1,664,232
Borrowings	10	**5,086,457**	4,807,897
		17,067,895	19,125,897
Total equity and liabilities		**170,295,372**	167,846,763

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

Approved by the Board of Directors on April 1, 2016 and signed on its behalf by:

……………………………………………… Director

……………………………………………… Director

Statement of Changes in Equity
For the year ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Common shares $	Retained earnings $	Total $
Balance at December 31, 2013	10,417,328	64,601,969	75,019,297
Total comprehensive income	–	14,821,555	14,821,555
Dividends paid (31¢ per share)	–	(3,229,372)	(3,229,372)
Balance at December 31, 2014	**10,417,328**	**76,194,152**	**86,611,480**
Total comprehensive income	–	12,286,615	12,286,615
Dividends paid (40¢ per share)	–	(4,166,931)	(4,166,931)
Balance at December 31, 2015	**10,417,328**	**84,313,836**	**94,731,164**

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

DOMINICA ELECTRICITY SERVICES LIMITED
Statement of Comprehensive Income
For the year ended December 31, 2015
(Expressed in Eastern Caribbean Dollars)

	Notes	2015 $	2014 $
Operating revenue	19	**93,536,745**	101,910,663
Operating expenses			
Fuel		**35,733,967**	45,062,560
Generation		**10,526,807**	8,740,402
General		**11,986,857**	11,788,811
Engineering and distribution		**7,391,540**	6,596,804
Insurance		**1,572,547**	1,577,298
Depreciation	5	**9,409,452**	8,842,281
	16	**76,621,170**	82,608,156
Operating income		**16,915,575**	19,302,507
Other income	17	**2,052,497**	654,497
Finance and other costs	18	**(2,127,482)**	(3,437,742)
Income before taxation		**16,840,590**	16,519,262
Taxation	14	**(4,553,975)**	(1,697,707)
Net income being comprehensive income for the year		**12,286,615**	14,821,555
Basic and diluted earnings per share (cents)	21	**118**	142

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, 2015

(Expressed in Eastern Caribbean Dollars)

	2015 $	2014 $
Cash flows from operating activities		
Income before taxation	**16,840,590**	16,519,262
Adjustments for non-cash items:		
Depreciation	**9,409,452**	8,842,281
Loss/(gain) on foreign exchange	**12,616**	(21,787)
Loss on disposal of property, plant and equipment	**74,702**	1,094,020
Provision for inventory obsolescence	**374,479**	140,000
Finance and other costs	**2,040,164**	2,343,722
Amortization of deferred revenue	**(495,649)**	(498,909)
Amortization of capital grants	**(133,801)**	(133,801)
Net change in provision for other liabilities and charges	**(118,584)**	(104,576)
Operating income before working capital changes	**28,003,969**	28,180,212
Decrease/(increase) in trade and other receivables	**374,371**	(555,703)
Decrease in inventories	**302,110**	102,186
(Decrease)/increase in trade and other payables	**(2,738,263)**	565,337
Increase in due from related party	**289,238**	38,889
Cash generated from operations	**26,231,425**	28,330,921
Interest and finance charges paid	**(2,040,164)**	(2,343,723)
Corporation tax paid	**(2,824,505)**	(2,793,949)
Net cash from operating activities	**21,366,756**	23,193,249
Cash flows used in investing activities		
Additions to property, plant and equipment	**(11,818,757)**	(10,044,535)
Proceeds on disposal of property, plant and equipment	**5,000**	29,500
Net cash used in investing activities	**(11,813,757)**	(10,015,035)

	2015 $	2014 $
Cash flows used in financing activities		
Dividends paid	**(4,166,931)**	(3,229,372)
Repayment of borrowings	**(4,807,669)**	(4,539,355)
Customers' contributions	**669,211**	1,094,694
Customers' deposits	**(38,756)**	(17,718)
Net cash used in financing activities	**(8,344,145)**	(6,691,751)
Net increase in cash and cash equivalents	**1,208,854**	6,486,463
Cash and cash equivalents - beginning of year	**13,066,410**	6,579,947
Cash and cash equivalents - end of year (Note 6)	**14,275,264**	13,066,410

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

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 (the commission) is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by the Commission. The principle activity of the Company includes the generation, distribution and transmission of electricity.

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

Dominica Power Holding Limited, a subsidiary of Emera (Caribbean) Incorporated, owns 52% of the ordinary share capital of the Company. 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.

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 the Dominica Electricity Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

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, 2015. Unless otherwise noted, the adoption of the revised standards did not have a significant change on the financial statements of the Company.

- **IAS 24, 'Related Party Disclosure'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Company's financial position, performance or disclosures.

- **IAS 40, 'Investment Property'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Company's financial position, performance or disclosures.

- **IFRS 3, 'Business Combinations – Accounting for Contingent Consideration'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Company's financial position, performance or disclosures.

- **IFRS 8, 'Operating Segments – Aggregation of Segment'**, amended in December 2013. The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to

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

2.1 Basis of preparation *...continued*

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

a) New and amended standards, and interpretations adopted by the Company*...continued*

operating segments. The amendment was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Company's financial position, performance or disclosures.

- **IFRS 8, 'Operating Segments – Reconciliation of Segment Assets'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Company's financial position, performance or disclosures.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2015 but not currently relevant to the Company

- **IAS 16, 'Property, Plant and Equipment'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IAS 19, 'Employee Benefits – Employee Contributions'**, amended in November 2013. The amendments simplified the requirements for contributions from employees or third parties to a defined benefit plan, when those contributions are applied to a simple contributory plan that is linked to service. The amendment was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Company's financial position, performance or disclosures.

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, 2015 but not currently relevant to the Company *...continued*

- **IAS 38, 'Intangible Assets'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IFRS 2, 'Share-based Payment – Definition of Vesting Condition'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IFRS 3, 'Business Combinations – Scope Exception for Joint Ventures'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IFRS 13, 'Fair Value Measurement'**, amended 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 was effective for annual periods beginning on or after July 1, 2014 and has no effect on the Company's financial position, performance or disclosures.

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, 2015 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 interpretation.

- **IAS 1, 'Presentation of Financial Statements'**, amended in December 2014.The amendment addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements. Specifically, the amendments clarify that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements, and that even when a standard requires a specific disclosure, materiality considerations apply. They also clarify that the list of line items to be presented in the financial statements can be disaggregated and aggregated as relevant and give additional guidance on subtotals in these statements. Also clarified was that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. The amendments also clarify that understandability and comparability should be considered when determining the order of the notes and that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IAS 16, 'Property, Plant and Equipment'**, amended 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 reflect 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

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, 2015 and not early adopted*...continued*

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 an impact on the Company's financial statements.

- **IAS 16, 'Property, Plant and Equipment'**, amended 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 is effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IAS 19, 'Employee Benefits'**, amended 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 an impact on the Company's financial statements.

- **IAS 27, 'Separate Financial Statements'**, amended 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 an 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, 2015 and not early adopted*...continued*

- **IAS 28, 'Investments in Associates and Joint Ventures'**, amended 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 clarifies 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 an impact on the Company's financial statements.

- **IAS 28, 'Investments in Associates and Joint Ventures'**, amended in December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments are not expected to have an effect on the Company's financial position, performance or disclosures.

- **IAS 34, 'Interim Financial Reporting'**, amended 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 an impact on the Company's financial statements.

- **IAS 38, 'Intangible Assets'**, amended 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 an 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, 2015 and not early adopted*...continued*

- **IAS 39, 'Financial Instruments: Recognition and Measurement'**, amended in November 2013. The amendment permits an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception. The amendment becomes effective when IFRS 9 is applied by an entity. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IAS 41, 'Agriculture'**, amended 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 an impact on the Company's financial statements.

- **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 an impact on the Company's financial statements.

- **IFRS 7, '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

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, 2015 and not early adopted*...continued*

after January 1, 2018. 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. 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 an impact on the Company's financial statements.

- **IFRS 7, 'Financial Instruments: Disclosures'**, amended in November 2013. The amendment implements additional disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements as a result of the introduction of a hedge accounting chapter in IFRS 9. The amendment becomes effective for annual periods beginning on or after January 1, 2018. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **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 hedge accounting and is likely to affect the Company's accounting for its financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is yet to fully assess IFRS 9's impact and early adoption is not expected.

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, 2015 and not early adopted*...continued*

- **IFRS 10, 'Consolidated Financial Statements'**, 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 clarifies 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 an impact on the Company's financial position, performance or disclosures.

- **IFRS 10, 'Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception'**, amended in December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments are effective for annual periods beginning on or after January 1, 2016 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have an effect on the Company's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements'**, amended 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 amendment applies 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

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, 2015 and not early adopted*...continued*

on or after January 1, 2016 and is not expected to have an effect on the Company's financial position, performance or disclosures.

- **IFRS 12, 'Disclosure of Interests in Other Entities'**, amended in December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The amendments are not expected to have an 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 it will not have an 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.

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, 2015 and not early adopted*...continued*

The Company has begun its analysis of the impact of the new standard and early adoption is not expected. The new standard is effective for annual periods beginning on or after January 1, 2018.

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'). Financial statements are presented in Eastern Caribbean dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Eastern Caribbean 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 rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Cost represents 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 construction which is directly attributable to the acquisition or construction of a qualifying asset. In certain specific 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.

Subsequent costs are included in the asset's carrying value 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 year in which they are incurred.

The Company includes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset until the asset is made available for service.

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use. For financial reporting purposes depreciation on other property, plant and equipment is calculated by the straight line method using rates required to allocate the cost of the assets less salvage over their estimated service lives as follows:

Generation equipment	2.25% - 44.44%
Transmission and distribution	4.5% - 5%
Other	2% - 25%

When depreciable transmission and distribution property, plant and equipment are retired, the gross book value less proceeds net of retiral expense is charged to accumulated depreciation. For material disposals of motor vehicles and property, the asset cost and accumulated depreciation are removed with any gain or loss credited or charged to current operations.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount (Note 2.4).

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

2.4 Financial assets

The Company has classified its financial assets as loans and receivables. Management determines the classification at initial recognition and reviews the designation at every reporting date. The classification depends on the purpose for which the financial assets are acquired.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise cash resources and trade and other receivables.

b) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. In the case of debt securities classified as available-for-sale, a breach of contract such as default or delinquency in interest or principal payments, or evidence of significant financial difficulty of the issuer is considered as an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income) is removed from other comprehensive income and recognised in the statement of income.

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

2.4 Financial assets *...continued*

b) Impairment of financial assets… *continued*

In the case of loans not quoted in an active market, a breach of contract such as default or delinquency in interest or principal payments, or evidence of significant financial difficulty of the issuer is considered as an indicator of impairment. If any such evidence exists, the impairment loss (measured as the difference between the carrying value and the net recoverable amount) is recognised in the statement of comprehensive income.

c) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in income.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amounts allocated to the part is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

2.4 Financial assets *...continued*

c) Derecognition of financial assets… *continued*

Assets that have an indefinite life, e.g. land are not subject to amortisation and are reviewed for impairment annually.

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 an 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.

2.5 Cash and cash equivalents

These consist of cash held in hand and at bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less, which are subject to insignificant change in value.

2.6 Trade receivables

Trade receivables are amounts due from customers for electricity or other services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables 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 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 in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

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

2.7 Inventories

Inventories of fuel, materials and supplies are stated 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.

2.8 Share capital

Common shares are classified as equity.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds 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 the unconditional right to defer settlement of the liability for at least twelve (12) months after the balance sheet date. Interest cost on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing cost are expensed. Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan.

2.10 Taxation

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

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

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

2.10 Taxation *...continued*

Current and deferred income tax*...continued*

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

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

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

2.11 Customers' deposits

Commercial and all other customers except prepaid customers are normally required to provide security for payment. The cash deposit is refunded when the account is terminated

Given the long term nature of the customer relationship, customer deposits are shown in the balance sheet as non-current liabilities (i.e. not likely to be repaid within twelve months of the balance sheet date). Interest on deposits is recognised using the effective interest rate method.

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

2.13 Revenue recognition

Revenue comprises the value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

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

2.13 Revenue recognition *...continued*

The Company records revenue as billed to its customers, net of value-added tax. The Company also estimates and recognizes any unbilled revenue at the end of the reporting period. Fuel surcharge revenue is recognized on the basis of the amount actually recoverable for the accounting period.

2.14 Employee benefits

The Company contributes to a defined contribution plan for all employees contributing 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 obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee services in the current and prior periods.

2.15 Dividend distribution

Dividend distribution to the Company's shareholders if not settled at year end, is recognised as a liability in the period in which the dividend is declared and approved by the Board of Directors.

2.16 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 are under common control with the Company are also considered related parties.

2.17 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.

3. Financial risk management

3.1 Financial instruments by category

At December 31, 2015

	Loans and receivables $	Total $
Assets as per balance sheet		
Trade and other receivables excluding pre-payments	15,443,874	15,443,874
Cash and cash equivalents	14,275,264	14,275,264
Total	29,719,138	29,719,138

At December 31, 2015

	Other financial liabilities at amortised cost $	Total $
Liabilities as per balance sheet		
Borrowings	31,678,350	31,678,350
Trade and other payables excluding statutory liabilities	9,276,326	9,276,326
Customer deposits	3,655,778	3,655,778
Total	44,610,454	44,610,454

3. Financial risk management *...continued*

3.1 Financial instruments by category *...continued*

At December 31, 2014

	Loans and receivables $	Total $
Assets as per balance sheet		
Trade and other receivables excluding pre-payments	16,290,904	16,290,904
Cash and cash equivalents	13,066,410	13,066,410
Total	29,357,314	29,357,314

At December 31, 2014

	Other financial liabilities at amortised cost $	Total $
Liabilities as per balance sheet		
Borrowings	36,486,020	36,486,020
Trade and other payables excluding statutory liabilities	11,723,321	11,723,321
Customer deposits	3,694,534	3,694,534
Total	51,903,875	51,903,875

3. **Financial risk management** *...continued*

3.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange, price risk, cash flow and interest rate risk, liquidity, credit risk and underinsurance 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 Company's management under direction from the Board of Directors.

The Company's exposure and approach to its key risks are as follows:

a) Market risk

i) Foreign currency risk

This is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Euros and the Great Britain Pound (GBP). The exchange rate of the Eastern Caribbean dollar (EC$) and the United States dollar (US$) has been formally pegged at EC$ 2.7=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 transaction and recognised assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars.

The Company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

3. Financial risk management *...continued*

3.2 Financial risk factors *...continued*

a) Market risk *...continued*

ii) Price risk

Commodity price risk is the risk that the value of 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 level of supply and demand. Management perceives that the risk is low as major fluctuations are uncommon.

iii) Cash flow and fair value interest rate risk

Interest rate risk is the potential adverse impact on the earnings and economic value of the Company caused by movements in interest rates.

The Company’s interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company’s policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates. At December 31, 2015 and December 31, 2014 all of the Company’s borrowings are at fixed rates.

The Company’s exposure to interest rates and the terms of borrowings are disclosed in Note 10.

b) Liquidity risk

Liquidity risk refers to the risk that the Company cannot adequately generate sufficient cash and cash equivalents to satisfy commitments as they become due.

3. Financial risk management *...continued*

3.2 Financial risk factors *...continued*

b) Liquidity risk *...continued*

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 and operating and capital requirements.

Management monitors the Company's liquidity reserves which comprise 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 6), 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. Management monitors the Company's liquidity requirements on a continuous basis to ensure it has sufficient cash.

3. **Financial risk management** *...continued*

3.2 **Financial risk factors** *...continued*

b) Liquidity risk *...continued*

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Balances due within 12 months equal their carrying balances. The amounts disclosed in the below table for borrowings will not reconcile to the balance sheet as they are the contractual undiscounted cash flows.

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 2015					
Assets					
Cash and cash equivalents	14,275,264	–	–	–	14,275,264
Trade and other receivables	16,725,947	–	–	–	16,725,947
Total assets	31,001,211	–	–	–	31,001,211
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	3,086,756	36,986,756
Trade and other payables	10,143,599	–	–	–	10,143,599
Customers' deposits	–	–	–	3,655,778	3,655,778
Total liabilities	16,923,599	6,780,000	20,340,000	6,742,534	50,786,133

3. Financial risk management *...continued*

3.2 Financial risk factors *...continued*

b) Liquidity risk ...continued

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 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	17,139,207	–	–	–	17,139,207
Total assets	30,205,617	–	–	–	30,205,617
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	9,866,756	43,766,756
Trade and other payables	12,614,879	–	–	–	12,614,879
Customers' deposits	–	–	–	3,694,534	3,694,534
Total liabilities	19,394,879	6,780,000	20,340,000	13,561,290	60,076,169

3. Financial risk management *...continued*

3.2 Financial risk factors *...continued*

c) 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, deposits with banks and financial institutions as well as credit exposure to customers, including outstanding receivables and committed transactions. The Company's bank deposits and financial instruments are placed with reputable financial institutions to limit its exposure. Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from commercial customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition. Management does not believe significant credit risk exists at December 31, 2015. Further analysis of the Company's trade receivables is disclosed in Note 7.

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.

3.3 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, benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3. Financial risk management *...continued*

3.3 Capital risk management*...continued*

In managing capital, the Company estimates its future cash requirements by preparing a budget annually for review and approval by the Board of Directors. The budget establishes the activities for the upcoming year and estimates costs of these activities. Budget to actual variances are prepared monthly and reviewed by the Company's management.

The Company also monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total equity divided by total borrowings.

The debt to equity ratios at December 31 were as follows:

	2015 $	2014 $
Shareholder's equity	**94,731,164**	86,611,480
Total borrowing	**31,678,350**	36,486,020
Debt/equity ratio	**1:2.99**	1:2.37

3.4 Fair value estimation

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no obligation to act and is best evidenced by a quoted market price, if one exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

3. Financial risk management *…continued*

3.4 Fair value estimation*…continued*

The carrying value of cash, short term deposits, trade receivables less impairment provision and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes (Note 10) is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Significant accounting judgements, estimates and assumptions

4.1 Critical accounting estimates and assumptions

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. Property, plant and equipment

	Generation $	Transmission and Distribution $	Other $	Work in progress $	Total $
At December 31, 2015					
Cost	127,529,360	121,121,871	30,974,315	1,758,639	281,384,185
Accumulated depreciation	(81,477,895)	(55,569,966)	(14,937,269)	–	(151,985,130)
Net book amount	46,051,465	65,551,905	16,037,046	1,758,639	129,399,055
For the year ended December 31, 2015					
Opening net book amount	48,031,149	62,156,313	15,554,114	1,327,876	127,069,452
Additions and transfers	1,735,833	7,788,736	1,863,425	430,763	11,818,757
Retirals	–	–	(79,702)	–	(79,702)
Depreciation charge	(3,715,517)	(4,393,144)	(1,300,791)	–	(9,409,452)
Closing net book amount	46,051,465	65,551,905	16,037,046	1,758,639	129,399,055

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

	Generation $	Transmission and Distribution $	Other $	Work in progress $	Total $
At December 31, 2014					
Cost	125,996,463	115,736,482	29,598,068	1,327,876	272,658,889
Accumulated depreciation	(77,935,314)	(53,580,169)	(14,073,954)	–	(145,589,437)
Net book amount	48,061,149	62,156,313	15,524,114	1,327,876	127,069,452
For the year ended December 31, 2014					
Opening net book amount	50,726,370	60,543,464	15,272,239	448,645	126,990,718
Additions and transfers	966,463	6,642,527	1,556,314	879,231	10,044,535
Retirals	–	(1,123,020)	(500)	–	(1,123,520)
Depreciation charge	(3,661,684)	(3,906,658)	(1,273,939)	–	(8,842,281)
Closing net book amount	48,031,149	62,156,313	15,554,114	1,327,876	127,069,452

No borrowing costs were capitalised during the years 2014 and 2015.

6. Cash and cash equivalents

	2015 $	2014 $
Cash at bank	**14,275,264**	13,066,410

7. Trade and other receivables

	2015 $	2014 $
Trade receivables	**11,701,794**	13,865,143
Less: provision for impairment	**(269,497)**	(627,801)
Trade receivables, net	**11,432,297**	13,237,342
Other receivables	**4,317,251**	3,395,313
Less: provision for impairment	**(305,674)**	(341,751)
Trade and other receivables, net	**15,443,874**	16,290,904
Prepayments	**1,282,073**	848,303
	16,725,947	17,139,207

The fair values of trade and other receivables equal their carrying values due to the short term nature of these assets.

The movement in the provision for impairment was as follows:

	2015 $	2014 $
Balance - beginning of year	**969,552**	1,686,787
Decrease in provision	**(394,381)**	(717,235)
Balance - end of year	**575,171**	969,552

Based on the historic trend and expected performance of customers, the Company believes that the above allowance for doubtful receivables sufficiently covers the risk of default.

Direct write offs for impaired receivables during the year to the statement of comprehensive income were $49,650 (2014 - $245,751).

7. Trade and other receivables *...continued*

The ageing of trade and other receivables is as follows:

	2015		2014	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
Less than 30 days	**7,035,938**	**3,658,106**	8,947,434	2,769,487
31 - 60 days	**2,633,365**	**11,254**	2,624,236	48,454
61 - 90 days	**1,112,645**	**940**	1,447,446	46,392
Over 90 days	**919,846**	**646,951**	846,027	530,980
	11,701,794	**4,317,251**	13,865,143	3,395,313

Due to the nature of the business and based on historical information, trade receivables that are less than 61 days past due are not considered impaired. As of December 31, 2015, trade receivables of $9,655,269 (2014 - $11,567,469) were fully performing.

7. Trade and other receivables *...continued*

As of December 31, 2015, trade and other receivables of $1,745,470 (2014 - $1,665,750) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

	2015		**2014**	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
61 - 90 days	**1,108,478**	**940**	1,446,577	46,392
Over 90 days	**636,992**	**305,200**	219,173	189,229
	1,745,470	**306,140**	1,665,750	235,621

8. Inventories

	2015 $	**2014 $**
Networks spares	**5,509,129**	6,591,902
Generation spares	**4,478,645**	3,756,891
Fuel	**331,714**	441,106
Other	**745,022**	576,720
	11,064,510	11,366,619
Provision for impairment of inventories	**(1,169,404)**	(794,925)
	9,895,106	10,571,694

8. Inventories … *continued*

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $374,479 (2014 - $140,000).

9. Share capital

	2015 $	2014 $
Authorised:		
Ordinary shares of no par value	15,000,000	15,000,000
Issued		
10,417,328 (2014 – 10,417,328) Ordinary shares	10,417,328	10,417,328

10. Borrowings

	2015 $	2014 $
National Bank of Dominica Repayable by 2021 in monthly instalments of blended principal at an interest rate of 5.75%	**31,678,350**	36,486,020
Less: Current portion	**(5,086,457)**	(4,807,897)
Non-current portion	**26,591,893**	31,678,123

10. Borrowings *...continued*

Borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain specific immovable properties

The maturity of borrowings is as follows:

	2015 $	2014 $
Less than 1 year	**5,086,457**	4,807,897
Between 1 and 2 years	**5,391,835**	5,086,457
Between 2 and 5 years	**18,160,405**	17,149,297
Over 5 years	**3,039,653**	9,442,369
Total	**31,678,350**	36,486,020

The carrying amounts and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2015 $	2014 $	2015 $	2014 $
Borrowings	**31,678,350**	36,486,020	**29,048,675**	33,244,224

The fair values are based on cash flows discounted using a rate based on the Government bond rate of 7% (2014 - 7%).

11. Customers' deposits

Commercial and all other customers, except prepaid customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. Interest accrued on these deposits at a rate of 2% (2014 - 3%) per annum. Interest of $67,833 (2014 - $103,077) was charged against income.

	2015 $	2014 $
Balance - beginning of year	**3,694,534**	3,712,252
New deposits	**18,607**	79,092
Deposits refunded	**(57,363)**	(96,810)
Balance - end of year	**3,655,778**	3,694,534

12. Deferred Revenue

	2015 $	2014 $
Customer contributions	**9,127,816**	8,954,252

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

13. Capital grants

	2015 $	2014 $
Balance - beginning of year	**387,901**	521,702
Amortization	**(133,801)**	(133,801)
Balance - end of year	**254,100**	387,901

14. Taxation

Corporation tax expense

	2015 $	2014 $
Current taxation	**3,081,825**	3,517,577
Deferred tax	**1,472,150**	(1,819,870)
Taxation charge	**4,553,975**	1,697,707

14. Taxation *...continued*

Corporation tax expense*...continued*

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 28% (2014 - 30%) for the following reasons:

	2015 $	2014 $
Income before taxation	**16,840,589**	16,519,262
Corporation tax at 28% (2014 - 30%)	**4,715,365**	4,955,779
Expenses not subject to tax	**70,774**	80,315
Income not subject to tax	**(37,464)**	(40,140)
Adjustment for deferred income tax	**(194,700)**	(3,298,247)
Tax charge for the year	**4,553,975**	1,697,707

Corporation tax payable

	2015 $	2014 $
Opening payable	**1,664,232**	940,604
Current tax charge	**3,081,825**	3,517,577
Taxes paid	**(2,824,505)**	(2,793,949)
Corporation tax payable	**1,921,552**	1,664,232

14. Taxation *...continued*

Deferred tax liability

The net deferred tax liability is calculated in full on temporary differences under the liability method using a tax rate of 25%. In 2014 the rates used were 28% and 25% as a result of the legislated change in the income tax rates by the Government of Dominica in 2014.

	2015 **$**	**2014** **$**
Balance - beginning of year	**17,394,576**	19,214,446
Transfer to the income statement - current year charge/(credit)	**1,472,150**	(1,819,870)
Balance - end of year	**18,866,726**	17,394,576

The deferred tax liability on the balance sheet consists of the following components:

	2015 **$**	**2014** **$**
Accelerated tax depreciation	**75,212,881**	69,363,976
Taxed provisions	**(254,100)**	(387,901)
	74,958,781	68,976,075

Accelerated tax depreciation and taxed provisions have no expiry dates.

15. Trade and other payables

	2015 $	2014 $
Trade payables	**6,017,458**	8,842,310
Accrued expenses	**2,842,091**	2,876,074
Social security and other taxes	**867,273**	891,558
Retirement benefit plan	**4,937**	4,937
	9,731,759	12,614,879

16. Expenses by nature

	2015 $	2014 $
Fuel	**35,733,967**	45,062,560
Maintenance of plant	**6,836,063**	5,548,057
Employee benefits (excluding amounts charged to capital projects)	**15,953,693**	15,124,662
Depreciation	**9,409,452**	8,842,281
Insurance	**1,572,547**	1,577,298
Other expenses	**7,115,448**	6,453,298
Total operating expenses	**76,621,170**	82,608,156

16. Expenses by nature *...continued*

Employee benefits comprise:	2015 $	2014 $
Wages and salaries	**11,905,328**	11,219,575
Social security costs	**728,702**	665,833
Pension	**242,253**	209,204
Other benefits	**3,531,629**	3,331,344
	16,407,912	15,425,956
Allocated as follows:		
Operating expenses	**15,953,693**	15,124,662
Capitalised	**454,219**	301,294
	16,407,912	15,425,956

17. Other income

Finance income is comprised as follows:

Other income:	2015 $	2014 $
Amortization of capital grants	**133,801**	133,801
Amortization of deferred revenue	**495,649**	498,909
Currency exchange gain	**–**	21,787
Gain on insurance claim	**1,423,047**	–
Finance and other income	**2,052,497**	654,497

18. Finance and other cost

	2015	2014
	$	$
Finance cost is comprised as follows:		
Loan interest charges	**1,972,331**	2,240,645
Customer deposit interest	**67,833**	103,077
Currency exchange loss	**12,616**	-
	2,052,780	2,343,722
Other cost:		
Loss on disposal of plant and equipment	**74,702**	1,094,020
Finance and other cost	**2,127,482**	3,437,742

19. Operating revenue

	2015	2014
	$	$
Energy sales	**64,697,547**	62,119,547
Fuel Surcharge	**28,244,888**	38,084,651
Other revenue	**594,310**	1,706,465
	93,536,745	101,910,663

20. Related party transactions

Key management compensation

	2015 $	2014 $
Salaries and other short term benefits	**1,584,550**	1,497,293
Directors' fees	**97,500**	95,981
Post-employment benefit	**8,317**	9,986
	1,690,367	1,603,260

Other related party transactions

During the year the Company engaged in transactions with its indirect parent Emera (Caribbean) Incorporated. These are expenses paid on behalf of the Company. These include insurances, consultancies, professional fees, corporate support, and supplies for tropical storm restoration. Total transactions with Emera (Caribbean) Incorporated for the year is $1,153,731 (2014 - $416,238)

The following balances were outstanding at the end of the year:

	2015 $	2014 $
Due to Emera (Caribbean) Incorporated	**328,127**	38,889

21. Earnings per share

The earnings per share is calculated by dividing the profit for the year by the weighted average number of common shares in issue during the year.

	2015 $	2014 $
Net income for the year	**12,286,615**	14,821,555
Weighted average number of common shares	**10,417,328**	10,417,328
Basic and diluted earnings per share (cents)	**118**	142

22. Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was $225,298 (2014 - $215,015)

23. Bank overdraft facilities

The Company entered into a credit agreement with National Bank of Dominica on October 24, 2011 to create a loan facility in the maximum aggregate principal amount of $83,566,249. Included under the facility is an overdraft facility with a limit of $3,000,000.

24. Capital commitments

The Company has budgeted capital expenditure of $24,817,120 (2014 - $18,106,791) for the 2015 income year of which $ 14,405,103 (2014 - $10,702,402) was contracted for at December 31, 2015.

25. 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)	2015	2014	2013	2012	2011
Generating Plant Installed Capacity					
- Hydro	6,640	6,640	6,640	6,640	6,640
- Diesel	20,100	20,100	20,100	20,100	20,100
Total	26,740	26,740	26,740	26,740	26,740
Firm* Capacity					
- Hydro (Dry Season)	3,200	3,200	3,200	3,200	3,200
- Diesel	14,860	14,860	14,860	14,860	14,860
Total	18,060	18,060	18,060	18,060	18,060

*Capacity available during normal operation in a very dry month, assuming the largest thermal unit breaks down while another is out for maintenance.

	2015	2014	2013	2012	2011
Peak Demand (kW)	17,260	16,972	16,789	17,229	17,170
Growth (%)	1.7	1.1	-2.6	0.3	3.5
Load Factor = Average Demand / Maximum Demand	0.71	0.69	0.69	0.67	0.67
ENERGY PRODUCED (kWh x 1000)					
Gross Generation					
- Hydro	24,441	30,639	36,705	26,748	35,836
- Diesel	82,548	71,786	63,987	74,807	64,571
Energy Purchased	95	131	60	117	76
Total	107,084	102,556	100,752	101,672	100,483
Growth (%)	4.4	1.8	-0.9	1.2	1.3
Diesel Fuel Used in Generation					
Quantity (Imp.Gal)	4,624,191	4,010,875	3,662,154	4,345,200	3,750,719
Fuel Efficiency (kWh per Imp.Gal)	17.8	17.9	17.5	17.2	17.2

OPERATING STATISTICS (CONT'D)

ENERGY SOLD (kWh x 1000)	2015	2014	2013	2012	2011
- Domestic	43,256	41,684	40,800	40,785	40,149
- Commercial	39,163	37,503	37,631	38,692	37,858
- Industrial	9,260	8,721	7,949	7,868	7,560
- Hotel	1,299	1,377	1,192	1,071	1,654
- Street Lighting	1,980	1,874	1,767	1,697	1,621
Total	94,958	91,158	89,339	90,113	88,842
Growth (%)	4.2	2.0	-0.9	1.4	2.4
OWN USE & LOSSES (kWh x 1000)					
Power Station Use	3,379	2,829	2,881	3,075	2,714
Office Use	579	570	550	551	541
Losses	8,168	7,998	7,983	7,932	8,383
Losses (% of Gross Generation)	7.6	7.8	7.9	7.8	8.3
Losses (% of Net Generation)	7.9	8.0	8.2	8.0	8.6
NUMBER OF CUSTOMERS AT YEAR END					
- Domestic	31,308	30,954	31,091	30,512	29,838
- Commercial	4,144	4,055	4,084	3,962	4,027
- Industrial	41	42	40	31	29
- Hotel	32	39	30	27	28
- Street Lighting	267	264	273	338	469
Total	35,792	35,354	35,518	34,870	34,391
Growth (%)	1.2	-0.5	1.9	1.4	1.2
No. of Full-Time Equivalent Employees	238	219	225	228	218
Number of Customers per Employee	150	161	158	153	157

5 YEAR FINANCIAL **STATISTICS**

	2015	2014	2013	2012	2011
Units Sold (kWh x 1000)	94,958	91,158	89,339	90,113	88,842
Revenue/Unit Sold (EC cents)	97.88	109.92	110.04	117.47	109.77
Summarized Balance Sheet (EC$ 000)					
Share Capital	10,417	10,417	10,417	10,417	10,417
Retained Earnings	84,314	76,194	64,602	57,843	51,724
Deferred Credits	28,249	26,737	28,099	25,713	24,624
Long Term Liabilities	30,247	35,372	40,198	44,732	49,070
	153,227	148,720	143,316	138,705	135,835
Fixed Assets (Net)	129,399	127,069	126,990	121,900	123,811
Current Assets	40,896	40,777	33,977	36,695	32,930
Current Liabilities	(17,068)	(19,126)	(17,651)	(19,890)	(20,906)
	153,227	148,720	143,316	138,705	135,835
Operating Expenses					
Fuel	35,734	45,063	43,436	51,661	42,928
Generation	10,527	8,740	9,531	9,501	9,065
General	11,987	11,789	14,211	10,974	12,786
Distribution	7,392	6,597	6,348	6,746	6,120
Depreciation	9,409	8,842	8,389	10,822	10,335
Insurance	1,572	1,577	2,098	2,097	2,194
	76,621	82,608	84,013	91,801	83,428

5 YEAR FINANCIAL STATISTICS (CONT'D)

	2015	2014	2013	2012	2011
Operating Revenue					
Electricity Sales	64,698	62,120	60,830	61,593	60,856
Fuel Surcharge	28,245	38,085	37,474	44,261	36,661
Other	594	1,706	620	1,501	799
	93,537	101,911	98,924	107,355	98,317
Operating Income	16,916	19,303	14,912	15,553	14,888
Interest Charges	(2,040)	(2,344)	(2,602)	(2,945)	(3,114)
Other Charges & Credits	(75)	(1,094)	(214)	(1,334)	(1,268)
Amortisation Of Capital Grants/Deferred Revenue	629	633	577	531	492
Gain on Insurance Claim	1,423	0	0	0	0
Foreign Exchange Gain (Loss)	(12)	22	30	5	90
Taxation	(4,554)	(1,698)	(3,861)	(3,608)	(3,343)
Net Income	12,287	14,822	8,842	8,203	7,747
Dividend	4,167	3,229	2,083	2,083	1,823
Reinvested Earnings	8,120	11,592	6,759	6,119	5,924
Average Fixed Assets	128,234	127,030	124,445	122,856	121,083
Return On Average Fixed Assets	13.19%	15.20%	11.98%	12.66%	12.30%
Debt/Equity Ratio	25/75	30/70	35/65	40/60	46/54
Current Ratio	2.40	2.13	1.92	1.84	1.58
Collection Period (Days)	46	51	52	50	44

REBUILD. RESTORE.
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NOTES

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