Dominica Electricity Services Ltd
DOMLEC

ANNUAL REPORT 2013

NEW BEGINNINGS, EMBRACING OPPORTUNITIES

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AMONG THE YEAR'S HIGHLIGHTS WAS THE ACQUISITION BY LIGHT & POWER HOLDINGS LTD. (LPH) OF A MAJORITY INTEREST IN DOMLEC FROM WRB ENTERPRISES INC. IN APRIL, AND THE GRANTING OF TWO NEW OPERATING LICENSES BY THE INDEPENDENT REGULATORY COMMISSION (IRC) OF DOMINICA IN OCTOBER.

Cover Photo: Dame Eugenia Charles Boulevard at Night.

CHAIRMAN'S REPORT

2013 was a challenging and rewarding year for Dominica Electricity Services Limited. Among the year's highlights was the acquisition by Light & Power Holdings Ltd. (LPH) of a majority interest in DOMLEC from WRB Enterprises Inc. in April, and the granting of two new operating licenses by the Independent Regulatory Commission (IRC) of Dominica in October.

With the acquisition by LPH, DOMLEC is now part of the Emera group of companies. Emera Inc. is an energy and services company with investments in electricity generation, transmission and distribution, as well as gas transmission and utility energy services throughout northeastern North America, and in the Caribbean. Emera's strategy is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market.

As a member of the Emera family, DOMLEC has access to resources and operational expertise which, when coupled with the capabilities of the team at DOMLEC, will create new potential for adding value to benefit DOMLEC's customers in an increasingly complex and challenging environment.

The issuance of DOMLEC's new operating licenses by the IRC brought certainty and stability to the island's operating and regulatory environment. The two 25 year licenses comprise a non-exclusive generation license and an exclusive license for transmission, distribution and supply. DOMLEC recognizes that having a strong independent regulator brings confidence to investors, protects the interests of consumers, and considers the interests of all stakeholders.

A requirement of the new licenses, which came into force on January 1, 2014, is that DOMLEC files for a review of its tariffs by September 2014. The company's management is preparing for this application to the IRC, mindful of its obligation to meet customer requirements for safe and reliable electricity supply, and the need to have adequate revenue to meet its expenses, allow it to finance new plant and equipment, and provide a fair and reasonable return to its investors.

The company is awaiting enactment by Government of the self-insurance regulations. For several years electric utilities in the Caribbean have been unable to obtain commercial insurance for transmission and distribution (T&D) assets, and a number of these utilities have established self-insurance funds. The lack of insurance coverage continues to be a major risk and DOMLEC is working with the Government to advance this matter.

The team at DOMLEC is committed to maintaining its reputation among customers and providing a high level of service reliability. It is heartening to report that DOMLEC's electricity network performance over the past year improved by 30% over 2012, its previous best performance. For the first time in its history, there were no island-wide power interruptions for a full calendar year, achieved in spite of the breakdown of our largest diesel generating unit at Fond Cole when its crankshaft failed in May. The unit was returned to service in August.

Dominica already benefits from clean, renewable hydro which accounted for 36% of total generation in 2013, the highest contribution since 2005. Nonetheless, the cost of imported diesel fuel, which amounted to EC$43.4 million in 2013, is a significant element in the overall cost of electricity. Sustained high oil prices have placed pressure on our customers and, in keeping with Emera's strategy to introduce sustainable energy wherever economically viable to stabilize electricity prices and improve energy security, DOMLEC is supporting the initiative by the Government to introduce geothermal energy to the island. DOMLEC is preparing for the changes in its operations that will come about because of the introduction of geothermal energy, and is carrying out the necessary technical studies to position the company to be part of this major change within the energy sector on the island.

The company recorded a 0.9% decrease in sales as the economic downturn continued to impact on customers' electricity demand. Despite the decline in sales, the company's earnings benefitted from a reduction in the rates of depreciation on some of its major assets. The new rates are based on the results of a recent depreciation study conducted by an experienced consulting firm and this study has been submitted to the IRC for regulatory approval. The company earned a profit of EC$8.8 million after tax and paid shareholders a dividend of EC$0.20 per share on EC$0.85 earnings per share, a payout ratio of 24%.

DOMLEC's commitment to supporting organizations and institutions in need was again manifested in 2013. Over EC$200,000 was given back to the community with a focus on sports, culture, education, and social enhancement. As part of its Power Partnership Program, the company is proud to support the well-being of Dominicans.

Another of DOMLEC's key objectives is to provide its people with the necessary skills to engage them in the business and take the company into the future. DOMLEC participated in the Emera-wide annual employee engagement survey in 2013 with positive results. More than eighty percent of DOMLEC's employees were trained in 58 different programs offered through the year, and the company provided financial assistance to a further 14 employees to attend higher learning programs. Safety and environmental compliance are paramount within the company and improvements are ongoing in this area.

Subsequent to the acquisition by LPH, Directors from WRB Enterprises resigned from the DOMLEC Board of Directors. The Board wishes to record its appreciation to these Directors for their contribution to the deliberations of the Board over the past many years.

The Board wishes to express its sincere thanks to every member of the DOMLEC team for their hard work and dedication during 2013. Their commitment ensures that the company can continue to provide safe and reliable electricity service essential to Dominica's economic development.

Sarah MacDonald

Sarah MacDonald
Chairman

BOARD OF DIRECTORS

1. **MS. SARAH MACDONALD**
   Chairman
2. **MR. PETER WILLIAMS**
   Deputy Chairman
3. **MR. GRAYSON STEDMAN**
   Chairman - Audit Committee

4 **MR. ALEXANDER STEPHENSON**
Director

5 **MS. FREDERICA JAMES**
Director

6 **MR. NORMAN ROLLE**
Director

7 **MR. ROBERT BLANCHARD JNR.**
Director

8 **MR. ROBERT BELLIVEAU**
Director


DOMLEC
Training in
Progress

DIRECTORS' REPORT

THE DIRECTORS ARE PLEASED TO PRESENT THEIR REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013 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. Two new operating licenses for the company were approved by the Board of Commissioners of the Independent Regulatory Commission (IRC) in September 2013 and handed over to the company on October 7th 2013. This marked a milestone in the operations of the company and came after 18 months of negotiations between the IRC and the company's negotiating team. The new 25 year licenses, which are effective January 1, 2014, place the company in a better position to respond to the demands of the evolving energy sector on the island.

Financial results

In 2013, the company generated total revenue of $98.9 million, a decrease of 7.9% from the previous year. Total expenses were $86.61 million and other income was $0.4 million resulting in income before tax of $12.70 million.

Net income after the current year's tax was EC$8.84 million. This compares to the previous year's profit of EC$8.20 million. Earnings per share for the year totalled EC$0.85 compared to earnings per share of EC$0.79 in 2012.

Dividends

The company paid dividends of 20 cents per share to shareholders over the year in review.

Governance

On April 13th 2013, Dominica Private Power Ltd transferred its 52% interest in DOMLEC to Dominica Power Holdings Ltd., a subsidiary of Light & Power Holdings Ltd. (LPH). LPH is a subsidiary of Emera Inc of Canada.

As a result of the sale, Messieurs Nigel Wardle, Wayne Burks and Murray Skeete, who were previously nominated by Dominica Private Power Ltd., resigned. Ms. Sarah MacDonald, Mr. Peter Williams and Mr. Robert Belliveau were appointed by the board to fill the vacancies and were consequently elected to the board at the 39th Annual General Meeting of shareholders held on May 22nd 2013. Mr. Robert Blanchard Jnr. was also re-elected to continue to serve on the board and subsequently resigned effective March 19th 2014.

At a Special Shareholders Meeting held on September 13th 2013, the auditors PricewaterhouseCoopers (PWC) were replaced by Ernst & Young (E&Y) after the St. Lucian office of the PWC firm who performed the company's audit indicated to the company that they would no longer be affiliated with PWC and were joining the international audit firm of Grant Thornton. E&Y is the auditing firm of Emera Inc. and this has facilitated the conduct of the company's year end audit and its reconciliation with that of Emera.

Stock Performance

Over the year in review DOMLEC shares on the Eastern Caribbean Securities Exchange traded between $3.25 and $4.00 per share. On December 31st 2013 the shares were trading at $4.00 per share.

By Order of the Board

Ellise Darwton

Ellise Darwton
Company Secretary

MANAGEMENT
Team

1 **MR. DAVE STAMP**
Generation Manager

2 **MS. ELLISE DARWTON**
Corporate Secretary / Legal Officer

3 **MR. LEMUEL LAVINIER**
Engineering Transmission & Distribution Manager

4 **MR. COLLIN COVER**
General Manager

5 **MRS. MARVELIN ETIENNE**
Financial Controller

6 **MR. CARL MAYNARD**
IT Manager

7 **MRS. BERTILIA MC KENZIE**
Human Resource & Administration Manager

8 **MR. NATHANIEL GEORGE**
Commercial Manager

OPERATIONS
REVIEW

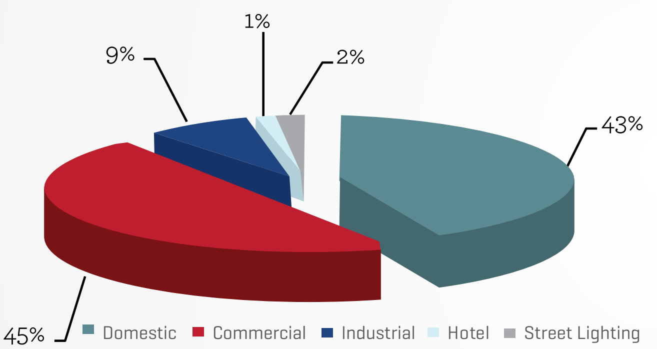
FINANCIAL OVERVIEW

INCOME STATEMENT

Sales

Electricity sales for the financial year ended December 31st, 2013 totaled 89.34 GWh, a decrease of 0.9% compared with the previous year's results. For the most part of 2013, the company recorded negative sales growth despite fuel surcharge throughout the year being 16% lower on average than 2012, indicative of the present prevailing adverse economic conditions.

SALES BY SECTOR 2013



The Commercial sector led the fall off in sales with a decline of 2.7% while the Domestic sector recorded a modest growth of 0.04%. Together, these two sectors accounted for more than 88% of total sales. On the other hand, the Hotel sector recorded positive sales growth of 11.3% due to less self-generation by a major player in the sector and accounted for 1.3% of the year's sales. Sales to the Industrial sector recorded a 1.0% growth and this year accounted for 8.8% of the sales, while Street Lighting recorded growth of 4.1% and was 1.9% of the year's sales. These last three sectors, Hotel, Industrial and Street Lighting had little overall impact on the total sales performance.

Gross Revenue

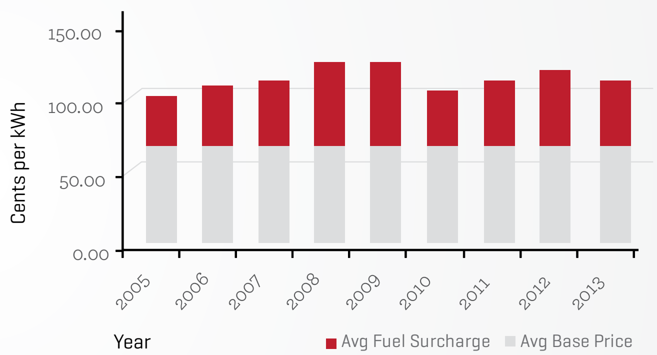
Total revenue decreased by EC$8.43 million to EC$98.92 million in 2013. Total fuel surcharge amounted to EC$37.47 million down from EC$44.26 million in 2012. This represents a 15% decrease over last year's results contributing significantly to the reduction in total revenue.

The 0.9% decrease in electricity sales units yielded less revenue of EC$0.76 million for the year when compared to 2012. Revenue from electricity sales was EC$60.83 million compared to EC$61.59 million the previous year.

DIRECT EXPENSES

Direct expenses decreased by EC$8.99 million or 10.7% from 2012 for the following reasons:

HISTORIAL PRICE BUILDUP



Fuel Costs

Fuel costs in 2013 totaled EC$43.44 million, EC$8.22 million or 15.9% lower than 2012 and accounts for more than 91.4% of the reduction in direct expenses. For this financial year, there was greater production from hydro generation due to high rainfall contributing to a 37.2% increase in hydro production when compared to 2012. This year's total hydro output of 36.71 GWh marks the highest hydro production recorded by the company since 1993 (37.79 GWh). As a consequence, diesel consumption as measured in imperial gallons decreased by 682,862 gallons or 15.7% over 2012. The 0.2% reduction in the average price paid per gallon from EC$11.88 to EC$11.86 this year also contributed to the overall reduction in fuel costs.

Operating Costs

Operating expenses were higher in 2013 by 15.5 % or $2.03 million, led by an increase of the bad debt provision by EC$1.43 million to provide for the debt of a major customer as well as other debts deemed uncollectible. Also, there were increased restoration costs following the adverse weather conditions experienced in the latter part of the year, along with small increases in other key areas.

Depreciation

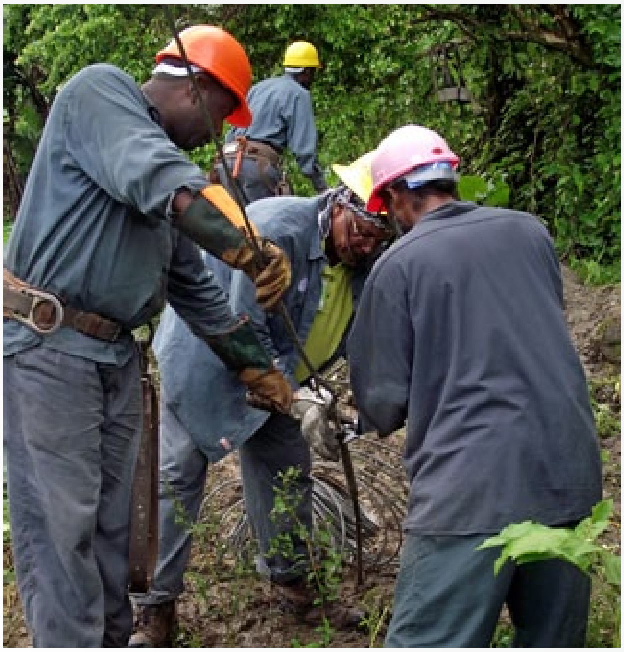
Depreciation expense decreased by $2.4 million or 22.4% over the previous year. During 2013, a depreciation rate study was conducted and the recommended changes to the depreciation rates used previously were implemented resulting in a decrease in depreciation expense.

Maintenance Expenses

Maintenance expenses recorded a decrease of 4.4% from $8.26 million in 2012 to EC$7.90 million. Although overhaul expenses were higher in 2013 by $0.90 million primarily due to unanticipated work on generating unit Fond Cole 5, this was however, offset by a reduction in inspection and breakdown related expenses of $1.30 million collectively. In 2012 there was an increase in expenditure to resolve some of the non-routine mechanical issues experienced with the diesel generating units.

ADMINISTRATIVE EXPENSES

Administrative expenses increased in the current year by EC$1.2 million to EC$9.15 million due to increases in a few key areas. A major factor was the increase in legal fees of EC$0.98 million over 2012 following final payment of the legal fees incurred for legal counsel relating to the arbitration with the Government of Dominica over the revocation of the company's license as well as the negotiation of the two new licenses. Also, payment was made to the Independent Regulatory Commission (IRC) in the amount of EC$0.27 million as payment for Licence Processing Fees for the new Generation and Transmission, Distribution and Supply licenses issued to the company. No such payment was made in 2012. There were also increases in audit related expenses, professional and technical fees, stationary, and building rates and taxes. Notwithstanding, there were notable decreases in the provision for obsolete inventory as a result of the new method applied to computing the provision along with internal audit cost as the company did not retain the services of an internal auditor for the last nine months of the year.



OTHER INCOME

Other income in 2013 totaled EC$0.39 million compared to net expenses of EC$0.79 million in 2012. During 2013, the company recorded a loss on disposal of plant and equipment of EC$0.21 million compared to EC$1.33 million in 2012. This year's loss relates to STS meters written off as part of the on-going meter changes to AMI meters coupled with the disposal of vehicles for the year. This was offset by EC$0.61 million in amortization of deferred revenue, capital grants and net foreign exchange gains.

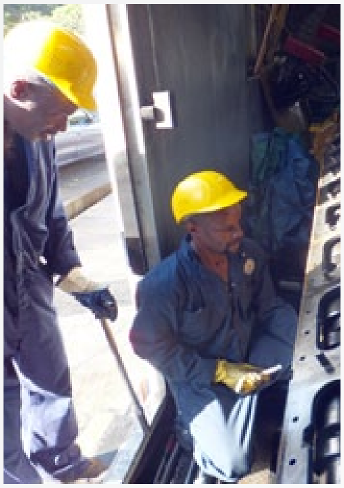
FINANCE CHARGES

Finance charges declined by 11.7% in 2013 to EC$2.60 million. Given the company's improved liquidity position for the year, the company made no drawdowns from its credit facility.

PROFIT

Profit before tax for the year ended December 31, 2013 stood at EC$12.70 million, compared to EC$11.81 million declared in 2012. Taxes for the year amounted to EC$3.86 million resulting in net profit after taxes of EC$8.84 million, an increase of 7.8%, compared to EC$8.20 million in 2012.

GENERATION



SAFETY, HEALTH AND ENVIRONMENT

The company is committed to ensuring the safety and health of its personnel, the public and the environment as it operates the business of generation, transmission and distribution of electricity to customers.

In keeping with this mandate a Safety, Health and Environmental Stewardship Awareness program was put in place. This included greater attention to house keeping and awareness, signage and access control to safety zones. Several administrative controls and procedures were implemented to improve and audit the Permit to Work (PTW), Lock Out Tag Out (LOTO) and Hot Work Permit (HWP) systems already in place.

To enhance its operating environment at Fond Cole, the yard surrounding the medium speed diesel units was paved to eradicate the dust and mud caused by the tankers delivering fuel and a solid waste control process was put in place.

The protection of personnel and operating assets was improved with the installation of fire hydrants, the deployment of several 300 pound wheeled dry chemical fire extinguishers in the power station and the installation of a fire detection system as well as an alarm system at the Fond Cole Power Station.

The above resulted in improved safety and health performance as the department recorded no Lost Time Accidents, and so ended the year with a Lost Time Frequency (LTF) of zero.

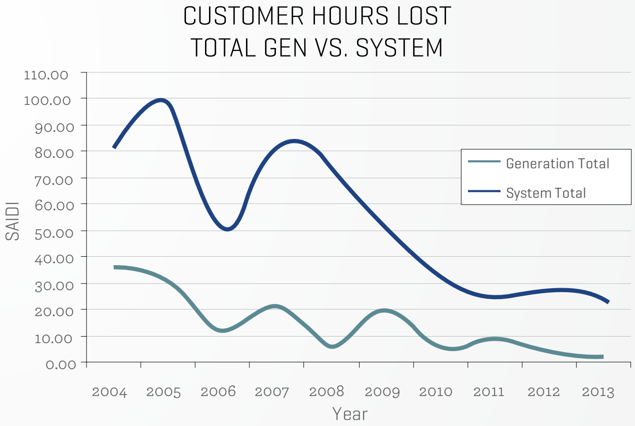
The above safety, health and environmental program will be continued, reinforced and improved in 2014 as we work towards the elimination of personal injuries and environmental spills.

Technical Performance

The Generation team overcame several challenges in the first half of the year to deliver one of the best operational performances in recent times in diesel unit efficiency, hydro production and availability of the plant.

The year 2013 began with the main focus being the return to service of the New Trafalgar No. 2 hydro unit (NT2) after it sustained a failed generator rotor shaft in May of 2012. This failure forced the deferral of major maintenance plans for Sugar Loaf No.7 and No. 6 from 2012 to 2013.

The department suffered a major challenge when the Fond Cole No.5 unit (FC5) suffered a crank shaft failure. The impact of the loss of this unit on the system was very significant as it is not only the largest unit, but also consistently delivers among the best fuel efficiency rating. We are proud to report that fully cognizant of the increased risk to system security and the possibility of having to load shed if other units failed, the maintenance team performed admirably and was able to effect the required repairs to have the unit return to service in August.



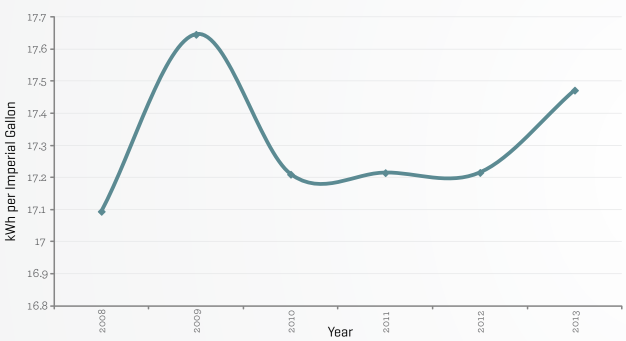
SAIDI

Despite these technical challenges the team performed as best as they could to ensure high levels of reliability and efficiency of the other units in service. This resulted in the bettering of our SAIDI target. In fact 2013's SAIDI performance was the best in 10 years since we began recording this index. This was achieved as a result of (a) improved outage coordination and planning between Generation and System Control (SCO) (b) strict adherence to the maintenance and operating regimes of the units in service (c) resolution of chronic mechanical issues on the Padu hydro units and the MAN diesel engines which plagued us in 2011 and 2012 and (d) prompt response by the maintenance team to unplanned outages and high risk defects.

Fuel Efficiency

In 2013 the department also did very well in the critical areas of efficiency of the diesel generating units. The fuel efficiency target of 17.28 Imperial Gallons per kilowatt hour (IG/kWh) was exceeded and we finished the year with an efficiency of 17.42 IG/kWh. A key factor that assisted the department to better its efficiency target was the inter-departmental teamwork with System Control Operations (SCO). There was an elevation in the level of awareness of the variation of the machines' efficiency at different loads, coupled with greater performance monitoring and timely maintenance interventions by the Generation Team which all combined to achieve this result.

FUEL EFFICIENCY



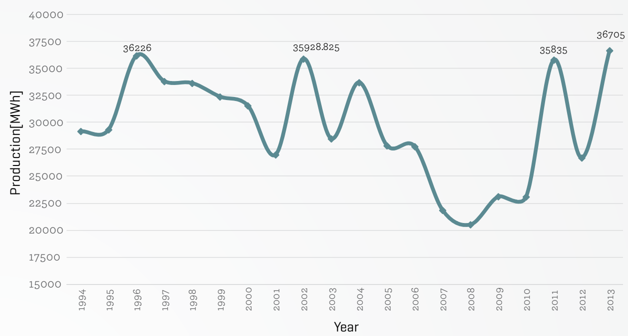
New Annual Record Hydro Production

2013 saw the achievement of two significant milestones with respect to production from the hydros.

- In May the production by the hydro plants exceeded the 4MWh (4 Million kWhs) mark for a single month. This was the highest single month's production in the history of the hydro plant.
- The end of year total production of over 36.7MWhs was the second highest on record in the history of the hydro operations.

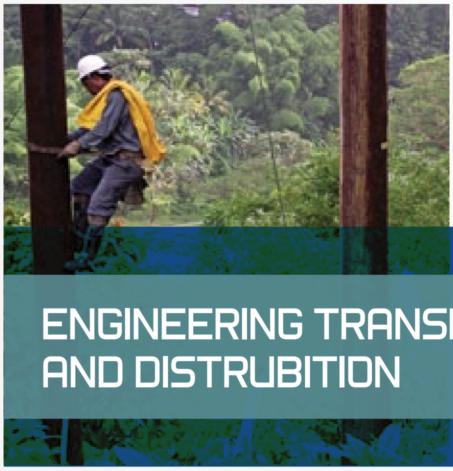
Although greatly assisted by favourable rainfall, the excellent production by the hydro units was also as a result of tremendous effort and teamwork by the hydro staff and the SCOs. Special mention needs to be made of the efforts of the Headworks team, who worked arduously to clear the intakes to the hydro plants of boulders and trees and other debris that the swollen river continuously deposited there that clogged the intakes and restricted flow to the hydro plants. Mention must be made of the diligence of the Hydro and Generation maintenance teams, and the expert dispatching, operating and monitoring by the SCOs. All these persons contributed to this important milestone.

HYDRO PRODUCTION



Way Forward – 2014 and Beyond

Armed with the lessons learned from these challenges, the department will embark on a number of key initiatives in 2014 which will include improvement in our predictive condition monitoring programs (vibration and lube oil analysis etc). This will provide advanced information and facilitate timely response to avert breakdowns. There will also be improved focus on staff training and development as well as plant retrofits and upgrades that will preserve the long term viability of the assets as these upgrades will avert obsolescence. The Generation department is poised to continue its improvements in system reliability and availability.



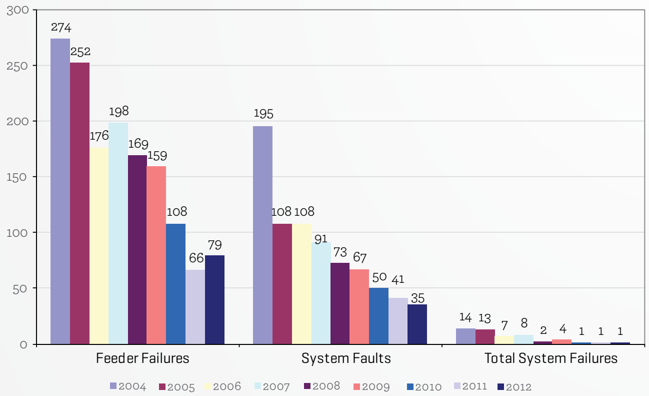
ENGINEERING TRANSMISSION AND DISTRUBITION

The term exceptional best describes network performance over the past year relative to previous years. The resilience of the electrical network was challenged by intense winds, lightning strikes, land slippages and two major weather events. Notwithstanding, the system registered increase in all reliability indices over 2012, our previous best performance, and up to a 30% increase in one index. For the first time in recorded history no island wide blackout was experienced for the year, either during normal operations or storm passage. Our specialised Hot Line Crew performed more work on live lines and so reduced the impact of planned maintenance on system availability by 11%.

Operations at the System Control Centre have been enhanced with a modernized electronic display panel. The panel is capable of displaying the current system and has sufficient space to allow for the display of future expansions of the system.

33% of the switching devices on the network can now be operated remotely by wireless control. This contributed to the increased system reliability mentioned before. Commands to open or close these switches were previously sent via dialup connections but these were unreliable. The company moved from dialup to radio control and have had almost 100% reliability since then.

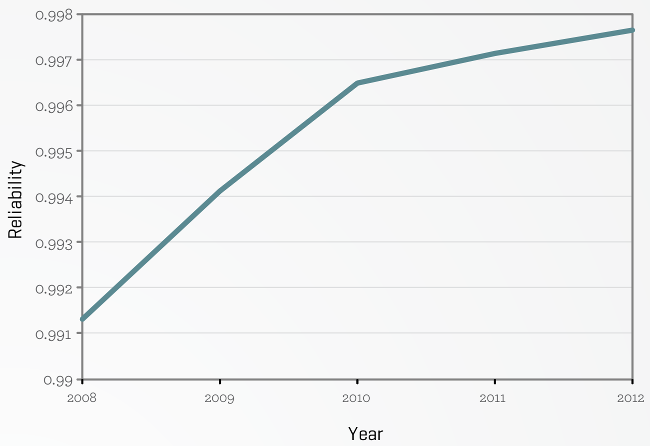
T&D NETWORK PERFORMANCE



Network Performance

Two major weather events impacted the network greatly in 2013 - tropical storm "Chantal" in July and the low level trough on December 24 which brought heavy torrential rains accompanied by landslides and extensive flooding. These special events caused the interruption of eight (8) feeders and six (6) feeder sections, which were restored at a cost of $174,899. These, in addition to other minor weather events and outages caused by the public resulted in an average interruption of 8.05 hours of service to the customers.

SYSTEM AVAILABILITY

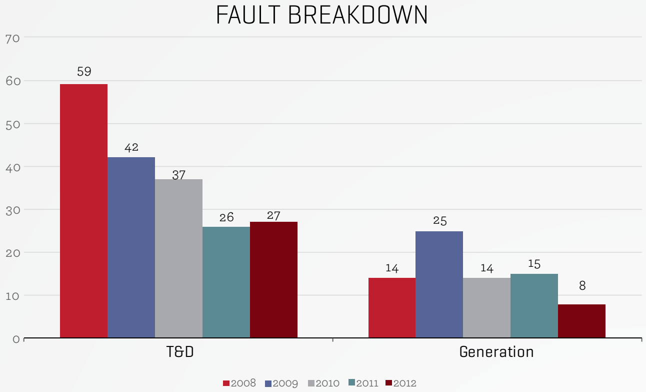


Despite increased lightning activity, from May to November, feeder interruptions dropped to 54 for the year, 32% lower than 2012. However section interruptions increased by 17% to 60. A section interruption occurs when only a portion of the feeder loses power. These results indicate that events taking place on parts of the network are restricted by protective devices to that area and prevented from affecting other parts of the system under normal operations.

The System Average Interruption Duration Index (SAIDI) measures how many hours the average customer is out of power for the year. This year the average customer was without power for 14.41 hours, a 30% drop from 2012. Work done by the Hotline Crew, kept the power on and avoided an average of 4.3 hours of interruption to the customers while doing preventative maintenance.

The System Average Interruption Frequency Index (SAIFI) is used to measure the number of interruptions in power the average customer experiences for the year. For 2012 this figure was 11.95 and in 2013 it fell to 7.69. Together the results for SAIDI and SAIFI show that the average customer is experiencing power failures of shorter duration and the outages are happening less frequently.

Contributing to the improved reliability is the ongoing implementation of the results of a 2011/2012 system protection study which improved fault isolation and identification and led to the coordination of a number of feeder breakers and re-closers. Full implementation will conclude in 2014.



The System Control Operators continued consistent dispatching of the generation units and have expanded use of the dispatch program into startup planning thereby reducing startup delays which could affect system stability. Such use has reduced to almost zero the interruptions to customers due to the failure of any single generating unit, compared to previous years. It has also increased stability of the generating system, resulting in zero blackouts during the year.

In an effort to continue to improve service to the customer, this year the Trouble Call Crews were fitted with smart phones. This has served to improve the safety of the team by eliminating disruptive calls, as well as ensuring prompt notification of faults requiring attention.

Reliability Maintenance Activities

Reliability improvement activities continued with the replacement of 231 HV and 403 LV poles including relevant hardware, a 72% increase over 2012. Street light repairs totaled 522 which included 69 replacements. There were 30 defective transformers which were replaced.

The IRC mandates that the Trouble Call Crews respond to a single customer's report of power failure within 4 hours. For the year under review we responded to these within the mandated time 92.63% of the time, - a 3.88% decline over last year. We are not satisfied with this and are making a targeted effort to improve this performance in 2014.

Area power failures decreased by 6.7% over the year to 416 - a consequence of the protection changes implemented in 2012. Individual power failures dropped by 25%, to 699, over 2012, due to the improved technical standards for service connections implemented a few years ago. Defective pole top connections continue to be a primary cause of individual power failures. To further mitigate the impact of increased lightning activity on the network 27 additional lightning arrestors were installed at strategic locations on the network.

In order to improve technical losses and supply quality to the customers 36,921ft of LV conductor, and five (5) transformers were replaced. All capacitors installed to improve supply quality are functional due to increased maintenance during the year. 373 infrared inspections were also conducted on the HV distribution network. As a result 17 faults were identified and corrected before they could cause outages.

Network Expansion Activities

Street lighting installations totaled 208, an increase of 82% over 2012.

Expansion of the distribution network to accommodate new customers required the installation of 70 HV and 299 LV poles and associated fittings, along with 4 km of HV and 13.6km of LV conductor and 39 transformers. Pole installations increased by 49% while conductor installations decreased by 6.5% relative to 2012. One factor contributing to the increased use of poles during construction is the difficulty being experienced in the acquisition of right of way from private landowners for pole and hardware installation. Oftentimes, permission is not granted for access over the most economical route. The reliability of supply to the city, and the aesthetic of downtown Roseau have been further improved through expansion of the underground infrastructure along Kennedy Avenue, Hanover Street and Ship Street. These installations increase the reliability of supply to the city during and after a weather event.

GIS

The GIS system continues to play a major role in managing the company's assets. The database is well maintained and updated in a timely manner after changes occur on the network. Since 2012 the company has been pursuing the purchase of software that will automate line design. The selected system is a two stage process involving the integration of the existing accounting software package and the GIS system. This is expected to provide significant savings. The first stage of this process commenced in the last half of the year and is expected to be concluded by the end of the first quarter of 2014.

SCADA and Telecommunication

The wireless network commissioned last year has continued to function effectively, significantly improving restoration on the southern parts of the island. Challenges with communication on the north continued with some improvement. LIME has consented to the installation of a communication tower on their premises at Morne Espagnol in the north. Preparatory works have commenced and when installed this is expected to significantly improve voice and data communication on the north. Remote hydro operation continued smoothly from Fond Cole and wireless remote sites can now be monitored continuously from the control centre. In order to improving reliability on the south a re-closer has been installed at Elmshall and its configuration is expected to be completed in 2014.

Interconnected Private Renewable Energy

During the year 37kW of privately generated renewable energy was installed and interconnected to the grid, bringing the total amount of interconnected renewable energy to 318kW. Rosalie Bay Resort has the largest installed capacity of 257kW.

CUSTOMER SERVICE DEPARTMENT

Advanced Metering Infrastructure (AMI) System

Since the successful completion of the Advanced Metering Infrastructure (AMI) project in 2012 DOMLEC has become the first regional utility to have a complete AMI system and the most advanced prepaid system. Several regional utilities have visited the company to observe first hand our AMI and pre-paid metering systems.

Customers are now becoming used to the features and benefits of the system, including rapid reconnections and the ability to view their consumption patterns by viewing their load profiles.

The AMI system has many features some of which are not presently in use, so during the year past we conducted AMI leveraging sessions with key staff members and contractors. These training sessions were aimed at improving our staff's competencies in their use of AMI which resulted in increased efficiencies across the company.

AMI Prepaid System

At the end of 2013, there were 13,564 prepaid customers, an increase of 1,356 or 11% over 2012. As the company continues its gradual discontinuation of the STS – keypad type prepaid meters, the number of STS – keypad prepaid customers reduced during the year from 5,713 to 4,649. Some 1,064 STS – keypad type prepaid meters were replaced with AMI meters. For the most part, customers requested to have their STS – keypad type meters upgraded to AMI meters.

The network of vendors across the island continued to grow as we strive to bring access to prepaid service to customers. In 2013, we added 10 new vendors making a total of 80 active vendors. Vending is also available online and via the National Credit Union's 24 hour CUCALL system.

Customer Education

In 2013, we exploited various opportunities to educate customers about our policies, procedures and standards. We also participated in Career Day events at secondary schools and the ICT exhibition.

A public meeting with home-owners, builders and electricians was held at the conference room of the Portsmouth Credit Union. The purpose of the event was to provide key stakeholders with critical information about the requirements for multiple / panel apartment connections and underground low voltage standards. Though the turnout at the meeting was less than anticipated those who attended expressed their satisfaction with the information received. The attendees acknowledged that knowing what is required for complex connections saves time and money since costly mistakes are avoided and the timely completion of construction is enabled.

Potential homeowners and customers desirous of having multiple metering points and underground connections, should first contact DOMLEC 's offices for information on the requirements at the planning stage of these projects.

This year the Meter Services Section began working with the Bureau of Standards in order to achieve a greater level of confidence in the accuracy and compliance standards of the company's meters. A protocol has been established whereby an application is made to the Bureau for approval of all electrical meters. The application must be accompanied by supporting data including factory calibration results and supporting third party approvals. This process is ongoing and is expected to be strengthened in 2014.

Independent Regulatory Commission (IRC) Customer Service Standards

In 2013, the company achieved an overall success rate of 92.64% and 89.65% in the Guaranteed Standards and Overall Standards respectively – a regime of quality of service standards established by the Independent Regulatory Commission (IRC) in 2009. Under the Guaranteed standards, the company performed extremely well in the reconnection requirement which mandated that a customer should be reconnected within 24 hours of settling the outstanding balance on the account. However the company has established a higher standard and has an internal policy of reconnecting customers on the same day of payment. Of the 7,951 customers reconnected during the year, only 16 or 0.20% were not reconnected within 24 hours.

On the other hand, under the Overall Standards, the company performed poorly in the requirement relating to the timely repair of street lights within 10 days. Of the 750 cases of defective street lights reported during the year, only 57% were repaired within the required standard. For the most part, delays were due to shortage of material. The company is endeavoring to improve this significantly in 2014.

INFORMATION TECHNOLOGY (IT) DEPARTMENT

The year 2013, was quite an interesting and challenging year for IT as the department was kept busy with network maintenance, systems and software upgrades and the reorganizing of the department's data centers. Throughout that period, staff members were also fully engaged with tasks and issues aimed at ensuring the sustainability of the company's wide area network, further enhancing of the network security, telecommunications cost reductions and maintenance of disaster recovery related hardware and processes.

IMPROVEMENT OF SECURITY

IT Security Risk Assessment.

Ensuring the security of the IT network from external attack is one of the paramount tasks of the IT department. So in February 2013, a US based company was contracted to perform a comprehensive Security Risk Assessment of the corporate network. All results produced came to the conclusion that the network could not be easily breached from the outside. However recommendations were made to further harden all servers, desktops, network switches and Voice Over Internet Provider systems. These recommendations were all implemented. In addition to this the company's corporate firewall was also upgraded from Microsoft ISA 2004 to Microsoft ISA 2006 during the year.

Disaster recovery and backup procedures

As the company is the provider of an essential service it is important that it is able to recover from a disaster, quickly retrieve all relevant financial, operational and other records and quickly resume service to its customers. To this end two new IBM servers were installed, one at Head office the other at the Fond Cole server room. These new servers allowed the expansion of the disaster recovery infrastructure. The new and improved infrastructure houses the critical financial applications such as the Customer Information System (CIS) and the accounting software (ACCPAC). Storage space was also increased from 6.41 terabytes to a total of 22.5 terabytes. All back-ups are now housed in two new virtual servers.

OTHER UPGRADES

Data centers re-organisation.

Both data centers (the one at Fond Cole and the other at the Head Office) were upgraded. Both jobs required careful planning as they both had to be done with minimum interruption to network service. Additional air conditioning was installed in both rooms to help keep the equipment at the optimum temperature.

These two projects involved quite a bit of fibre splicing, network cabling, electrical work, installation of patch panels, new switches and installation of server racks. At the end of it all the company now has two complete and re-organized datac enters.

Redundant internet accessibility for prepaid power application

The JUICE application domain name used by customers to purchase power was served by only one internet provider. This meant that if service failed customers would not be able to access their pre-paid accounts. To rectify this, two domain name servers were set up, with two different internet service providers. Replication was setup between these two servers so the identical information for the services provided is reflected on both servers. In the event that either provider becomes unavailable, service to customers would not be interrupted

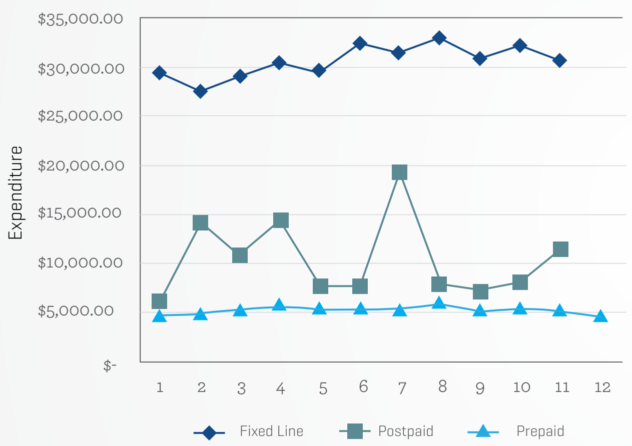
Upgrade of e-mail server.

The company's corporate e-mail was upgraded from Microsoft Exchange 2003 to Microsoft Exchange 2007.

TELECOMMUNICATIONS

The IT Department closely monitors the company's telecommunications costs and continuously provides ways to curb and reduce costs where it is deemed necessary. The overall costs for 2013 fluctuated frequently throughout the year starting at a low of $40,000 in January and capping at a high of over $56,000 in July. This is an improvement over the year 2012 which fell into the range of $43,000-$59,000 monthly. The drop in costs is largely attributed to the review of contracts with the telecoms service provider and the disconnection of unused lines and services. Changes worthy of mention include a reassessment of JUICE SMS charges which was reduced from an average of $4,500 monthly to nil from June 2013 onwards. Similarly, in April 2013, the Corporate Mobile plan was revisited changing the plan from 15,000 minutes to 10,000, resulting in another $1000 monthly in savings.

TELECOMMUNICATIONS MONTHLY EXPENDITURE



Despite these savings we experienced a steady increase in fixed line bills and multiple spikes in the postpaid costs. The previous cost of $56,000 in July 2013 mentioned above was entirely due to high postpaid data roaming charges, change in user plans and Blackberry purchases. Meanwhile, the costs for Fixed Line bills grew gradually throughout the year starting with $27,500 at its lowest and $33,000 at highest. This can only be attributed to changes in telephone usage throughout the year. Prepaid bills grew steadily at the start of the year particularly during the August hurricane season. However, this growth tapered off toward the end of the year with a change in the policy of the telecommunications provider. Tax is no longer included when issuing credit amounts to prepaid mobile users. Overall telecommunicatins costs quickly returned to normality and maintained a steady pattern towards the end of the year.

HUMAN RESOURCES AND ADMINISTRATION

At December 2013, there were two hundred and twenty-five (225) employees comprising of one hundred and ninety six (196) permanent and twenty-nine (29) contractual employees. One hundred and ninety one (191) employees or 85% of the workforce were trained in 58 programs. The courses with the highest number of participants were as follows:

First Aid & Fire Safety	57
Performance Management	55
System Control Dispatch Planning	48
Customer Service	43

A review of the pilot phase of the Manager-In-Training Program (MITP) was conducted in December 2013. Of the original six participants, three are on schedule to complete the Program in a timely manner. The other participants were not released to complete the On the Job training components due to operational reasons. This pilot phase is expected to conclude by June 2014. The program will be repeated to allow staff members who are one level below the department manager grade to be prepared for managerial responsibilities.

A Succession Plan for each department was completed in 2013. The plans will serve as a blueprint to ensure that vacant supervisory and managerial positions can be filled by existing employees who possess the required knowledge, skills and competencies. This however does not preclude the hiring of persons from outside the company.

Annually, DOMLEC hosts students in its Student Internship Program. All departments were involved in this initiative in 2013 which resulted in forty (40) students obtaining work experience.

As at December 2013, twenty-one (21) secondary school students are current recipients of DOMLEC scholarships. The following list indicates the number of students and the schools they attend:

Castle Bruce Secondary School	1
Convent High School	6
Dominica Community High School	1
Dominica Grammar School	2
Isaiah Thomas Secondary School	2
Northeast Comprehensive School	1
Pierre Charles Secondary School	2
Seventh Day Adventist Secondary School	3
St. Mary's Academy	3

Carnival 2013

POWER IN
COMMUNITY

DOMLEC's commitment to providing assistance to organizations and institutions in need was again fully manifested in 2013.

Over two hundred thousand dollars ($200,000) was given back to the community in the areas of sports, culture, education, social enhancement and other areas. We pride ourselves in our corporate social responsibility, delivering in ways which continue to support the social well-being of the citizens of our country.

Quite apart from our traditional charities we have extended our generosity to every facet of the society ensuring that those whose lives we touch are truly deserving of our assistance. We are forever touched by the numerous thank you letters and kind words of praise and gratitude we receive from many who have felt the impact of our helping hand.

The requests for donations must be approved by the Donations Committee or the General Manager who make efforts to confirm the legitimacy of the request and ensure that as many persons as practicable are benefitting from the funds or support provided.

Certificate from DAPD

The Grotto Home for the Homeless continues to receive an annual contribution of $10,200 for the provision of electricity, and centenarians receive a $600.00 per annum towards the cost of their electricity.

Other major contributions were made to the Fond Cole Pre-School which through our Power Partnership Program received an annual subvention of $12, 480.00 directed to the continued upkeep and running of the institution. The amount also covers part of the teachers' salaries, utility bills and other incidentals. DOMLEC makes a separate donation towards the provision of electricity.

We believe that a well-educated people makes for a better society and contributions to education continued through the Education Trust Fund which received $5,000, Nature Island Book festival $5,000, the Kalinago Child Support Foundation $6,000, St. Vincent De Paul Society $1,500 for the provision of scholarships to less fortunate students and the Portsmouth Secondary School business students $2,500.00.

PSS Presentation 2013

The islands' cultural heritage is important to us and as such donations were made to the Dominica Festivals Committee to the tune of $15,000, the National Cultural Council $5,000, with $1,500 to the Discover Dominica Authority for its annual Paint-a thon Project. Our sponsorship highlight for carnival was support for Queen Contestant Diana Matthew. Some $25,000 was disbursed in that regard. She emerged second runner-up in the competition.

Other Carnival activities which received support are the Teenage Pageant, the Princess Show, the Stardom Calypso Tent, the Africulture Stilt Walkers, and the Northern Carnival Committee all to an amount of just over $20,000.

The health sector benefitted greatly through our annual support of $25,000 to the Private Sector Foundation for Health of which DOMLEC is a founding member. The sector provides assistance in grant or loan form to persons requiring medical assistance overseas or otherwise. It also makes equipment available when necessary to the main hospitals and other medical facilities.

Sports remain high on our agenda for donations and in 2013 the following organizations benefitted: Dominica Cricket Association - $5,000 for the hosting of an international cricket match, the Trafalgar Football Committee - $6,000 for the Roseau Valley Football League, the Dominica Football Association - $13,000 for the DOMLEC Women's Football League, the South East Basketball Committee - $1,500, the Dominica Amateur Basketball Association -$3,000 for sponsorship of the First Division League.

Other institutions to profit from the generous hands of DOMLEC include, the Roseau Improvement Committee, the Fond Cole Football Committee, the Somerset Sports Club, the Tarish Pit Development Committee, the St. Martin's Primary School, the Convent High School, the Rotaract Club, the Dominica Council on Aging, the Dominica Association of Persons with Disabilities, the Anse De Mai village Council, Benjamin's Park Upkeep Committee, Special Olympics, Cancer Society, Netball Association, the Sixth Form Sisserou Singers, the Dominica Hotel and Tourism Association and the President's Charities Foundation. Donations totaled some $15,000.

Through our community education, contractors and home owners in the north participated in a forum through which knowledge of DOMLEC's procedures and policies was imparted. Students from across the island including the North East Comprehensive School and the Grand Bay Secondary School visited the hydro power plant to broaden their knowledge of its operations.

We participate in career day events throughout the year educating students about the many career opportunities generated by the company's operations.

We pride ourselves on giving our time when and where necessary to the community. Staff of the Commercial Department displayed that spirit when they volunteered to wire the house of an elderly couple in Marigot.

Our weekly radio programs and quarterly newsletter serve as an excellent educational tool for our customers and are also available on the company's website:www.DOMLEC.dm.

Through out the year we consistently made use of traditional radio, television and newspaper advertising with special emphasis on energy saving during the month of October.

DOMLEC
STAFF MATTERS

For many of us the Christmas Season is one of fun, joy, laughter and togetherness. And so every year the children of DOMLEC employees look forward to an afternoon of fun and frolic, lots to eat and drink of course gifts from DOMLEC's very own Santa.

The annual children's Christmas party is organized by the Human Resources & Administration Department and is always a great event for the kids.

And as the year comes to an end deserving staff members are recognized for their dedicated and exemplary work to the organization.

A number of staff members were honored for long service, as employee of the year in the various departments and with special recognition. We also bid farewell to two colleagues who were leaving the company.


Charles McClean


Dave Antoine

LIST OF THE AWARDEES:

35 YEARS OF SERVICE:

Victor Williams Line Inspector	**John Rolle** System Control Operator	**Charles McClean** Hydro Supervisor

20 YEARS OF SERVICE:

Verda Baron Assistant Accountant	**Terry Victor** Senior Fitter Mechanic Hydro

15 YEARS OF SERVICE:

Marvelin Etienne Financial Controller	**Julie Paul** Journeyman	**Albernachie Ackie** Purchasing Clerk	**Jason John** System Control Operator	**Frank Joseph** System Control Operator
Norbert Didier Senior Technician	**Joseph Lapinard** Labourer			

EMPLOYEE OF THE YEAR AWARDS:

Dave Antione Assistant Storekeeper	**Elroy Darroux** Lineman A	**Ronald Williams** Lineman A	**Malcolm Richards** Senior Operator	**Francis Joseph** Labourer

SPECIAL AWARDS:

Delon Musgrave IT Network Technician	**Bernard Destouche** Accounting Technician

FAREWELL RECOGNITION:

Ossie Laurent	**Albert Timothy**

FINANCIAL STATEMENTS

Ernst & Young
P.O Box 261,
Bridgetown, BB11000
Barbados W.I.

Street Address
Worthing,
Christ Church,
BB15008
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 426 0472
246 435 2079
246 430 3879

www.ey.com

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 statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dominica Electricity Services Limited** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter
The financial statements of **Dominica Electricity Services Limited** for the year ended 31 December 2012 were audited by another auditor who expressed an unqualified opinion on those financial statements on March 21, 2013.

Ernst & Young

CHARTERED ACCOUNTANTS
Bridgetown
March 24, 2014

Statement of Financial Position

As at December 31, 2013

(Expressed in Eastern Caribbean Dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents (Note 5)	6,579,947	1,948,772
Trade and other receivables (Note 6)	16,583,503	19,227,193
Inventories (Note 7)	10,813,881	12,081,511
	33,977,331	33,257,476
Capital work-in-progress (Note 8)	448,645	460,879
Property, plant and equipment (Note 9)	126,542,073	124,877,129
Total assets	160,968,049	158,595,484
Liabilities		
Current liabilities		
Borrowings (Note 10)	4,539,667	5,359,107
Trade and other payables (Note 11)	12,170,968	13,568,049
Due to related party (Note 12)	-	90,120
Income tax payable	940,604	873,162
	17,651,239	19,890,438
Borrowings (Note 10)	36,485,708	41,038,732
Deferred tax liabilities (Note 13)	19,214,446	17,313,615
Other non-current liabilities (Note 14)	12,075,657	11,436,796
Capital grants (Note 15)	521,702	655,507
Total liabilities	85,948,752	90,335,088
Equity		
Share capital (Note 16)	10,417,328	10,417,328
Retained earnings	64,601,969	57,843,068
Total equity	75,019,297	68,260,396
Total liabilities and equity	160,968,049	158,595,484

Approved by the Board of Directors on March 24, 2014

_______________ Director   _______________ Director

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

Statement of Comprehensive Income
For the year ended December 31, 2013

(Expressed in Eastern Caribbean Dollars)

	2013 $	2012 $
Revenue		
Energy sales	60,830,368	61,593,011
Fuel surcharge (Note 20)	37,473,942	44,260,626
Other revenue	619,966	1,500,883
	98,924,276	107,354,520
Direct expenses		
Fuel cost (Notes 18 and 20)	43,436,628	51,660,677
Operating costs (Note 18)	15,135,189	13,107,007
Depreciation (Notes 9 and 18)	8,388,831	10,821,809
Maintenance (Note 18)	7,901,348	8,262,621
	74,861,996	83,852,114
Gross profit	24,062,280	23,502,406
Administrative expenses	(9,150,725)	(7,949,385)
Other income/(expenses) net (Note 21)	393,117	(797,728)
Operating profit	15,304,672	14,755,293
Finance costs (Note 22)	(2,601,741)	(2,944,975)
Profit before income tax	12,702,931	11,810,318
Income tax (Note 23)	(3,860,564)	(3,607,522)
Net income being comprehensive income for the year	8,842,367	8,202,796
Earnings per share attributable to the equity holders of the Company during the year (Note 24) **- basic and diluted**	0.85	0.79

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

(Expressed in Eastern Caribbean Dollars)

	Share capital $ (Note 16)	Retained earnings $	Total equity $
Balance at January 1, 2012	10,417,328	51,723,738	62,141,066
Net income being comprehensive income for the year	-	8,202,796	8,202,796
Transactions with owners Dividends (Note 17)	-	(2,083,466)	(2,083,466)
Balance at December 31, 2012	**10,417,328**	**57,843,068**	**68,260,396**
Net income being comprehensive income for the year	-	8,842,367	8,842,367
Transactions with owners Dividends (Note 17)	-	(2,083,466)	(2,083,466)
Balance at December 31, 2013	**10,417,328**	**64,601,969**	**75,019,297**

| 29 |

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

(Expressed in Eastern Caribbean Dollars)

	2013 $	2012 $
Cash flows from operating activities		
Profit before income tax	**12,702,931**	11,810,318
Adjustments for:		
Depreciation	**8,388,831**	10,821,809
Finance costs	**2,601,741**	2,944,975
Loss on disposal of plant and equipment (Note 21)	**213,884**	1,334,138
Provision for inventory obsolescence (Note 7)	**(239,384)**	33,098
Amortisation of deferred revenue (Note 21)	**(443,648)**	(397,305)
Capital work in progress written off (Note 8)	**81,873**	7,303
Amortisation of capital grants (Notes 15 and 21)	**(133,805)**	(133,801)
Unrealised foreign exchange gains	**(10,015)**	(8,389)
Operating profit before working capital changes	**23,162,408**	26,412,146
Decrease/(increase) in trade and other receivables	**2,643,689**	(3,458,831)
Decrease in inventories	**1,507,014**	4,443,543
(Decrease)/increase in trade and other payables	**(1,387,069)**	1,730,768
(Decrease) in due to related party	**(90,120)**	(58,432)
Cash generated from operations	**25,835,922**	29,069,194
Finance costs paid	**(2,601,741)**	(2,944,975)
Income tax paid	**(1,892,291)**	(3,277,053)
Net cash provided by operating activities	**21,341,890**	22,847,166
Cash flows from investing activities		
Additions to capital work-in-progress (Note 8)	**(456,046)**	(1,302,693)
Purchase of property, plant and equipment (Note 9)	**(9,921,750)**	(12,400,511)
Proceeds on disposal of property, plant and equipment	**40,500**	12,500
Net cash used in investing activities	**(10,337,296)**	(13,690,704)
Cash flows from financing activities		
Proceeds from borrowings	**-**	2,000,000
Repayment of borrowings	**(5,372,465)**	(6,940,624)
Dividends paid (Note 17)	**(2,083,466)**	(2,083,466)
Increase in other non-current liabilities	**1,082,512**	861,696
Net cash used in financing activities	**(6,373,419)**	(6,162,394)
Net increase in cash and cash equivalents	**4,631,175**	2,994,068
Cash and cash equivalents, beginning of year	**1,948,772**	(1,045,296)
Cash and cash equivalents, end of year (Note 5)	**6,579,947**	1,948,772

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

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

On April 10, 2013, Dominica Power Holdings Limited a wholly owned subsidiary of the Light & Power Holdings Limited Group acquired 52% of the ordinary share capital of the Company from Dominica Private Power Ltd.

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

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

The reporting date is December 31, 2013.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

Changes in accounting policy and disclosures

New and amended standards adopted by the Company

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, 2013. The adoption of the revised standard did not have a significant change on the financial statements of the Company.

- **IAS 1, 'Financial Statement Presentation' - Clarification of the requirement for comparative information (Amendment).** These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- **IAS 19, '*Employee Benefits* (Amendment)'** amended June 2011. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013 and will have no impact on the financial statements.

- **IFRS 13, 'Fair Value Measurement'** issued in May 2011. The standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative periods before the initial application of the Standard. As a result, the Company has not made any new disclosures for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

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

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

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

- **IAS 16, Property, Plant and Equipment (amendment) – Servicing Equipment**. The amendment requires entities to capitalize major spare parts and standby equipment when an entity expects to use them during more than one period or if spare parts and equipment can be used only in connection with an item of property, plant and equipment. The amendment was effective for annual periods beginning on or after January 1, 2013.

  The amendment has resulted in the reclassification of major generation spares from inventory to property plant and equipment. The adjustment to the property plant and equipment was an increase of $179,033 (2012 - $3,437,555 million). The corresponding decrease was to inventory. The balance sheet and the statement of cash flows as at December 31, 2012 were restated to reflect the impact of the reclassification. There was no impact on the 2012 statement of income.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2013 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)

- **IAS 27, '*Separate Financial Statements* (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IAS 28, '*Investments in Associates and Joint Ventures* (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

- **IFRS 1, *'Government Loans- Amendment to IFRS 1,'*** effective January 1, 2013. The amendment has added an exception to the retrospective application of IFRS 9 Financial instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Governments Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to Government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and to Government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

2. Summary of significant accounting policies *…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, 2013 but not currently relevant to the Company (although they may affect the accounting for future transactions and events) *…continued*

- **IFRS 7, '*Disclosures - Offsetting Financial Assets and Financial Liabilities*'** issued December 2011. The amendments to IFRS 7 require an entity to disclose information about rights of set-off and related arrangements. The new disclosures are required for all recognized financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with IAS 32. As the Company does not have any off-setting arrangements in place, the application of the amendment did not have a material impact on the disclosures or on the amounts recognized in the financial statements.

- **IFRS 10, 'Consolidated Financial Statements'** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements'**. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The standard is not expected to have an effect on the Company's non-consolidated financial statements. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

2. Summary of significant accounting policies *...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, 2013 but not currently relevant to the Company (although they may affect the accounting for future transactions and events) *...continued*

- **IFRS 12, 'Disclosure of Interests in Other Entities'**. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

- **IFRIC 20, *'Stripping costs in the production phase of a surface mine'***. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation may require mining entities reporting under IFRS to write off stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. The new standard and its amendments has no effect on the Company's financial position, performance or disclosures.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted

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

- **IAS 27, 'Separate Financial Statements', amended in October 2012**. The amendment to the standard is to establish a definition of an investment entity and to clarify the application of the Standard for investment entities. The amendment becomes effective for annual periods beginning on or after January 1, 2014. It is not anticipated that the standard will have an impact on the financial statements.

- **IAS 32, *'Offsetting Financial Assets and Financial Liabilities'***, effective January 1, 2014. These amendments clarify the meaning of "currently has the enforceable right to set-off" by stating that right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. It is not anticipated that the standard will have a significant impact on the financial statements.

2. Summary of significant accounting policies *...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, 2012 and not early adopted** ...continued*

- **IAS 36, 'Impairment of Assets',** effective January 1, 2014. The overall effect of the amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in recognizing or reversing impairment losses where recoverable amount is based on fair value less costs of disposal and is determined using a present value technique. It is not anticipated that the standard will have a significant impact on the financial statements.

- **IAS 39, 'Financial Instruments: Recognition and Measurement** amended', effective January 1, 2014. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided the following criteria are met. Novation must happen as a consequence of laws or regulations or the introduction of laws or regulations. Following the novation, a central counterparty would become the new counterparty to each of the original parties to the derivative and any changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty.

- **IFRS 9, *'Financial instruments'***, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2015 but is available for early adoption. The Company is yet fully to assess IFRS 9's impact. However, initial indications are that it may affect the Company's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

2.2 Foreign currency translation

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

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

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

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft.

2.4 Trade receivables

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

2.5 Inventories

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

2.6 Property, plant and equipment and intangible assets

Land and buildings comprise mainly generation plants and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and includes cost of materials, direct labour, supervision and engineering charges and interest incurred during the construction which is directly attributable to the acquisition or construction of a qualifying asset.

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are recorded as deferred revenue and the actual cost incurred is capitalised in property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

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

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

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

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

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

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

2.7 Impairment of non-financial assets

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

2.8 Trade payables

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

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

2.9 Borrowings and borrowing costs

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

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

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

2.10 Income taxes

(a) Current tax
The current income tax expense is calculated on the basis of tax laws enacted or substantively enacted at the reporting date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

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

2.14 Share capital
Ordinary shares are classified as equity.

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

2. Summary of significant accounting policies*…continued*

2.16 Revenue and expense recognition

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

(a) Sale of energy

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

(b) Interest income

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

(c) Other income

Other income is recorded on an accrual basis.

(d) Costs and expenses

Costs and expenses are recognised as incurred.

2.17 Related parties

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

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

2.18 Employee benefits

(a) Pension

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

(b) Termination benefits

Termination benefits are payable when employment is terminated prior to the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2.19 Provisions

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

2.20 Contingent liabilities

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

2.21 Subsequent events

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

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risks (including foreign exchange, price risk and cash flow interest rate risk) credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Finance department. The Board of Directors is involved in the Company's overall risk management providing guidance on matters such as market risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

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

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

At December 31, 2013, if the currency had weakened/strengthened by 10% against the Euro and GPB with all other variables held constant, pre-tax profit for the year would have been EC$384 (2012 - EC$4,742) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Pounds Sterling and Euro denominated trade payables.

(ii) Cash flow interest rate risk

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

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

(iii) Price risk

Price risk arises primarily from exposure to equity securities. As the Company holds no such instruments, it has no price risk exposure at December 31, 2013.

(b) Credit risk

Credit risk is the inherent risk that counterparties may experience business failure or otherwise avoid their contractual obligations to the Company.

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

3. Financial risk management …*continued*

Financial risk factors…*continued*

(b) Credit risk …*continued*

Management performs periodic credit evaluations of its customers' financial condition and monitors credit limits regularly. Management does not believe that significant credit risk exists at December 31, 2013.

The maximum credit risk exposure is as follows:

	2013 $	2012 $
Cash and cash equivalents	6,579,947	1,948,772
Trade and other receivables	16,583,503	19,227,193
	23,163,450	21,175,965

(c) Liquidity risk

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

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

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

3. Financial risk management *...continued*

Financial risk factors*...continued*

(c) Liquidity risk *...continued*

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

	Less than 1 year $	Between 1 and 2 years $	Between 3 and 5 years	Over 5 years $	Total $
At December 31, 2013					
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	16,646,756	50,546,756
Trade and other payables	12,170,968	-	-	-	12,170,968
Consumers' deposits	-	-	-	3,712,253	3,712,253
Total liabilities	18,950,968	6,780,000	20,340,000	20,359,009	66,429,977
At December 31, 2012					
Liabilities					
Borrowings	7,858,861	6,780,000	20,340,000	23,446,635	58,425,496
Trade payables	13,568,049	-	-	-	13,568,049
Due to a related party	90,120	-	-	-	90,120
Consumers' deposits	-	-	-	3,712,251	3,712,251
Total liabilities	21,517,030	6,780,000	20,340,000	27,158,886	75,795,916

3. Financial risk management*...continued*

Financial risk factors*...continued*

d) Underinsurance risk

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

e) Capital risk management

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

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

The gearing ratios at December 31, 2013 and 2012 were are follows:

	2013 $	2012 $
Total borrowings (Note 10)	41,025,375	46,397,839
Less: cash (Note 5)	(6,579,947)	(1,948,772)
Net debt	34,445,428	44,449,067
Total equity	75,019,297	68,260,396
Total capital	109,464,725	112,709,463
Gearing ratio	31%	39%

3.2 Fair value estimation

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

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

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

4. Critical accounting estimates and judgements

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.

Other than in the establishment of routine provisions against trade receivables, inventories and current provisions for liabilities and other changes, no significant estimates or judgements have been required in applying accounting policies that may have a material impact on the Company's reported assets, liabilities, revenues and expenses.

4.1 Change in accounting estimate

During 2013 a depreciation rate study was conducted. A depreciation rate study reviews and analyses the average service life and remaining lives of property plant and equipment with due consideration given to physical, functional, and economic factors as well as prior practices.

As a result of the study some changes were recommended to the previous depreciation rates used by the Company and approved for use in its financial statements as at December 31, 2013. The new rates as per the study are set out in section 2.6. As required by International Accounting Standard (IAS) 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the change in rates was applied prospectively from 2013. The impact of the rate change on the statement of income for year ended December 31, 2013 was EC$2.6 million. It is expectd that the impact will be consistent in future periods.

5. Cash and cash equivalents

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

	2013 $	2012 $
Cash at bank	6,579,947	1,948,772

6. Trade and other receivables

	2013 $	2012 $
Government	3,559,899	2,482,185
Other	9,354,858	11,121,865
Trade receivables, gross	12,914,757	13,604,050
Provision for impairment of trade receivables	(1,323,866)	(144,793)
Trade receivables, net	11,590,891	13,459,257
Accrued income	1,049,127	936,239
	12,640,018	14,395,496
Other receivables	3,704,491	4,826,868
Provision for impairment of other receivables	(362,922)	(21,171)
Other receivables, net	3,341,569	4,805,697
Prepayments	601,916	26,000
	16,583,503	19,227,193

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

As of December 31, 2013, trade receivables of $9,434,444 (2012 - $11,104,770) were fully performing. These relate to a number of independent customers for whom there is no recent history of default.

Trade receivables that are categorized as active and are less than 60 days past due are not considered impaired. As of December 31, 2013, trade receivables of $2,107,599 (2012 - $2,308,304) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2013 $	2012 $
61 - 90 days	1,606,119	571,420
91 + days	501,480	1,736,884
	2,107,599	2,308,304

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

As of December 31, 2013, trade receivables of $1,372,714 (2012 - $190,976) were impaired and partially provided for. The amount of the provision was $1,323,865 as of December 31, 2013 (2012 - $144,793). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2013 **$**	**2012** **$**
Up to 12 months	48,849	60,647
Over 12 months	1,275,017	130,329
	1,323,866	190,976
Total trade receivables, gross	12,914,757	13,604,050

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

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

	2013 **$**	**2012** **$**
At beginning of year	165,964	160,302
Bad debt expenses (Note 18)	1,518,780	91,717
Written off during the year	2,043	(86,055)
At end of year	1,686,787	165,964

The creation and release of provision amounts for impaired receivables have been included in 'Operating costs' in the statement of comprehensive income amounts (Note 18). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying values which approximates the fair value of each class of receivable mentioned above. The Company holds cash deposits as partial security for its receivables.

7. Inventories

	2013 $	2012 $
Network spares	7,088,298	8,097,325
Generation spares	3,386,698	3,683,502
Fuel	576,419	639,333
Other	417,391	555,660
	11,468,806	12,975,820
Provision for impairment of inventories	(654,925)	(894,309)
Inventories, net	10,813,881	12,081,511

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

	2013 $	2012 $
At beginning of year	894,309	861,551
Provision/(Recovered) for inventory obsolescence (Note 18)	(239,384)	33,098
Written off during the year	-	(340)
At end of year	654,925	894,309

8. Capital work-in-progress

	2013 $	2012 $
At beginning of year	460,879	930,807
Additions	456,046	1,302,693
Transferred to property, plant and equipment (Note 9)	(386,410)	(1,765,318)
Written-off	(81,870)	(7,303)
At end of year	448,645	460,879

9. Property, plant and equipment

	Land and Buildings $	Generation, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
Year ended December 31, 2012					
Opening net book amount	30,438,021	89,347,233	1,542,309	1,552,185	122,879,748
Additions for the year	113,861	11,358,566	374,195	553,889	12,400,511
Transfer from capital work-in-progress	142,746	1,554,311	-	68,261	1,765,318
Disposals	-	(1,904,227)	(43,000)	-	(1,947,227)
Disposals on accumulated depreciation	-	557,589	42,999	-	600,588
Depreciation	(1,618,450)	(8,026,363)	(473,245)	(703,751)	(10,821,809)
Closing net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
At December 31, 2012					
Cost or valuation	61,936,703	180,159,036	4,676,749	7,433,249	254,205,737
Accumulated depreciation	(32,860,525)	(87,271,927)	(3,233,491)	(5,962,665)	(129,328,608)
Net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
Year ended December 31, 2013					
Opening net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
Additions for the year	515,645	8,724,507	228,000	453,598	9,921,750
Transfer from capital work-in-progress	286,551	54,354	-	45,505	386,410
Disposals	-	(318,747)	(161,370)	-	(480,117)
Disposals on accumulated depreciation	-	64,365	161,367	-	225,732
Depreciation	(1,172,204)	(6,454,573)	(347,692)	(414,362)	(8,388,831)
Closing net book amount	28,706,170	94,957,015	1,323,563	1,555,325	126,542,073
At December 31, 2013					
Cost or valuation	62,738,899	188,619,150	4,743,379	7,932,352	264,033,780
Accumulated depreciation	(34,032,729)	(93,662,135)	(3,419,816)	(6,377,027)	(137,491,707)
Net book amount	28,706,170	94,957,015	1,323,563	1,555,325	126,542,073

9. Property, plant and equipment*…continued*

The Company carries insurance coverage on its main assets on a group basis with two neighbouring islands' electric utility companies. The liability for the Company is limited to $150,000,000 for all property including Transmission and Distribution assets within 1,000ft from the generating plant. Transmission and Distribution assets over 1,000ft from the generating plant are not covered for wind and wind related perils. A catastrophe standby facility of $10,000,000 was arranged with a financial institution to cover the Transmission and Distribution assets.

Depreciation expense charged to direct expenses and administrative expenses amounted to $7,974,469 (2012 - $10,118,058) and $414,362 (2012 - $703,751), respectively.

No interest was capitalised during 2013 and 2012.

10. Borrowings

	2013 $	2012 $
Current		
Bank borrowings	4,539,667	5,359,107
	4,539,667	5,359,107
Non-current		
Bank borrowings	36,485,708	41,038,732
Total borrowings	41,025,375	46,397,839

Interest expense on bank borrowings amounted to $2,500,300 (2012 - $2,839,375), while interest on bank overdraft amounted to $0.00 (2012 - $1,324) (Note 22).

The weighted average effective interest rates at the balance sheet date were as follows:

	2013 %	2012 %
Bank borrowings	**5.75**	5.75

10. Borrowings*…continued*

Maturity of non-current borrowings:

	2013 $	2012 $
Between 1 and 2 years	4,807,688	4,538,969
Between 2 and 5 years	16,188,460	15,283,532
Over 5 years	15,489,560	21,216,231
	36,485,708	41,038,732

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

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

	Carrying amount		Fair value	
	2013 $	2012 $	2013 $	2012 $
Bank borrowings	36,485,708	41,038,732	36,499,992	39,138,579

The fair values of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 7% (2012 - 7.0%)

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

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

	2013 $	2012 $
Eastern Caribbean dollars	41,025,375	46,397,839

As at December 31, 2013 the Company has unused credit facilities of $30,000,000 (2012 - $28,921,139).

10. Borrowings…*continued*

In accordance with the Mortgage Debenture securing the borrowings, the company is required to maintain a debt to effective equity ratio that does not exceed 80/20 and a debt service ratio of not less than 1.2. The company complied with the requirement under the debenture in 2013 and 2012.

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

	2013 $	2012 $
Total liabilities	85,948,753	90,335,088
Less deferred tax liability	(19,214,446)	(17,313,615)
	66,734,307	73,021,473
Total equity	75,019,297	68,260,396
Debt effective equity ratio	47/53	52/48

The debt service ratios at December 31, 2013 and December 31, 2012 were as follows:

	2013 $	2012 $
Earnings before interest, taxes and depreciation	23,693,503	25,577,102
Bank borrowings – current	4,539,667	5,359,107
Interest charges	2,500,300	2,840,699
	7,039,967	8,199,806
Debt service ratio	3.37	3.12

11. Trade and other payables

	2013 $	2012 $
Trade creditors	8,748,051	10,242,526
Accruals	2,899,222	2,815,412
Other	523,695	510,111
	12,170,968	13,568,049

12. Related party balances and transactions

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

Key related parties and relationships are as follows:

Related parties	**Relationship**
Emera Inc.	Ultimate parent company
Light & Power Holdings Limited	Indirect parent company
Light & Power Caribbean Holdings Limited	Indirect parent company
Dominica Power Holdings Limited	Parent company
The Barbados Light & Power Company Limited	Related party
Dominica Social Security	Non-controlling shareholder
WRB Enterprises	Parent company up to April 9, 2013

Transactions with these parties during the year were as follows:

	2013 $	**2012 $**
Management fees:		
WRB Enterprises Inc.	339,612	339,612
Director expenses, internal auditor costs, technical consultancies, feasibility studies and regulatory expenses: - WRB Enterprises	136,626	615,617
Directors expenses – Light & Power Caribbean Holdings Limited	12,103	-

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

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

Compensation for these individuals was as follows:

	2013 $	**2012 $**
Salaries and other short-term employee benefits	1,572,325	1,489,935
Post-employment benefits	83,979	86,287
	1,656,304	1,576,222

13. Deferred tax liabilities

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

	2013 $	2012 $
At beginning of year	17,313,615	16,596,696
Statement of comprehensive income charge (Note 23)	1,900,831	716,919
At end of year	19,214,446	17,313,615

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

	2013 $	2012 $
Accelerated capital allowance	64,569,855	58,367,555
Capital grants	(521,702)	(655,507)
	64,048,153	57,712,048

Accelerated capital allowances noted above have no expiry dates.

14. Other non-current liabilities

	2013 $	2012 $
Deferred revenue	8,358,469	7,738,659
Consumers' deposits	3,712,252	3,692,796
Retirement benefit plan	4,936	5,341
	12,075,657	11,436,796

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

Consumers' deposits
Consumers requesting energy connections are required to pay a deposit, which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum. Interest of $101,441 (2012 $104,276) was charged against income (Note 22).

15. Capital grants

	2013 $	2012 $
At beginning of year	655,507	789,308
Amortisation (Note 21)	(133,805)	(133,801)
At end of year	521,702	655,507

16. Share capital

	2013 $	2012 $
Authorised:		
Ordinary shares at no par value	15,000,000	15,000,000
Issued and fully paid:		
10,417,328	10,417,328	10,417,328

17. Dividends

The Company paid dividends of $2,083,466 (2012 - $2,083,466) to ordinary shareholders in respect of the year ended December 31, 2013.

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

	2013 $	2012 $
Dividends declared and paid	2,083,466	2,083,466
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Dividend per share	0.200	0.200

18. Expenses by nature

	2013 $	2012 $
Fuel costs (Note 20)	43,436,628	51,660,677
Employee benefit expenses (Note 19)	14,898,516	14,444,300
Depreciation (Note 9)	8,388,831	10,821,809
Equipment and line repairs and maintenance	6,581,448	6,419,543
Legal and professional	2,321,726	1,601,094
Insurance	2,097,570	2,097,285
Office expenses	1,103,339	1,017,067
Travel expenses	855,969	863,859
Commercial expenses	163,387	211,129
Communication	459,625	486,948
Public relations	442,175	467,617
Security	523,022	472,282
Bank and credit card charges	458,156	476,065
Bad debt expenses (Note 6)	1,518,780	91,717
Hurricane restoration costs	174,900	55,254
Provision for inventory obsolescence (Note 7)	(239,384)	33,098
Power purchased	101,642	115,746
Audit fees/expenses	258,025	174,385
Directors fees	81,600	76,500
Other expenses	386,766	215,124
Total direct and administrative expenses	84,012,721	91,801,499

19. Employee benefit expenses

	2013 $	2012 $
Salaries and wages	11,769,754	11,374,723
Other staff costs	3,128,762	3,069,577
	14,898,516	14,444,300

20. Fuel cost

	2013 $	2012 $
Fuel cost at base price	6,360,604	7,457,141
Fuel surcharge	37,076,024	44,203,536
Total fuel cost (Note 18)	43,436,628	51,660,677
Fuel surcharge recovery	(37,473,942)	(44,260,626)
Net fuel cost	5,962,686	7,400,051

21. Other income/(expenses), net

	2013 $	2012 $
Loss on disposal of plant and equipment	(213,884)	(1,334,138)
Amortisation of capital grants (Note 15)	133,805	133,801
Amortisation of deferred revenue	443,648	397,305
Foreign exchange gains / (losses) – net	29,548	5,304
	393,117	(797,728)

22. Finance costs

Finance costs comprise the following:

	2013 $	2012 $
Loan interest charges (Note 10)	2,500,300	2,839,375
Other interest charges (Note 14)	101,441	104,276
Overdraft charges (Note 10)	-	1,324
	2,601,741	2,944,975

23. Taxation

	2013 $	2012 $
Taxation		
Current	1,958,128	2,881,463
Under-accrual of prior year's income tax	1,605	9,140
Deferred charge (Note 13)	1,900,831	716,919
	3,860,564	3,607,522

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

	2013 $	2012 $
Profit before income tax	12,702,930	11,810,318
Tax calculated at the rate of 30%	3,810,879	3,543,095
Income not subject to taxation	(40,142)	(40,140)
Expenses not deductible for tax purposes	92,548	93,370
Adjustment on deferred income tax	(4,326)	2,057
Under-accrual of prior year's income tax	1,605	9,140
Tax charge	3,860,564	3,607,522

24. Earnings per share

	2013 $	2012 $
Net income for year	8,842,367	8,202,796
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Basic and fully diluted earnings per share	0.85	0.79

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

25. Commitments

The Company has committed to purchase products and services in the amount of $1,136,276 and $1,497,904 from a number of companies as at December 31, 2013 and 2012, respectively.

26. Contingent liabilities

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

OPERATING STATISTICS

Capacity & Demand (kW)	2013	2012	2011	2010	2009
Generating Plant Installed Capacity					
Hydro	6,640	6,640	6,640	6,640	4,760
Diesel	20,100	20,100	20,100	20,060	19,460
Total	26,740	26,740	26,740	26,700	24,220
Firm* Capacity					
Hydro (Dry Season)	3,200	3,200	3,200	3,200	2,300
Diesel	14,860	14,860	14,860	14,860	15,500
Total	18,060	18,060	18,060	18,060	17,800
Peak Demand (kW)	16,789	17,229	17,170	16,583	15,623
Growth (%)	-2.6	0.3	3.5	6.1	6.5
Load Factor = Average Demand / Maximum Demand	0.69	0.67	0.67	0.68	0.68
Energy Produced (kWh x 1000)					
Gross Generation					
Hydro	36,705	26,748	35,836	23,132	23,156
Diesel	63,987	74,807	64,571	76,033	69,565
Energy Purchased	60	117	76	16	-
Total	100,752	101,672	100,483	99,181	92,721
Growth (%)	-0.9	1.2	1.3	7.0	6.0
Diesel Fuel Used in Generation					
Quantity (Imp.Gal)	3,662,154	4,345,200	3,750,719	4,417,799	3,942,115
Fuel Efficiency (kWh per Imp.Gal)	17.5	17.2	17.2	17.2	17.6

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

OPERATING STATISTICS (... cont'd)

Capacity & Demand (kW)	2013	2012	2011	2010	2009
Energy Sold (kWh x 1000)					
Domestic	40,800	40,785	40,149	39,473	36,369
Commercial	37,631	38,692	37,858	35,537	32,280
Industrial	7,949	7,868	7,560	7,449	7,877
Hotel	1,192	1,071	1,654	2,769	2,339
Street Lighting	1,767	1,697	1,621	1,547	1,443
Total	89,339	90,113	88,842	86,775	80,308
Growth (%)	-0.9	1.4	2.4	8.1	9.0
Own Use and Losses (kWh x 1000)					
Power Station Usse	2,881	3,075	2,714	2,938	2,642
Office Use	550	551	541	540	522
Losses	7,983	7,932	8,383	8,928	9,249
Losses (% of Gross Generation)	7.9	7.8	8.3	9.0	10.0
Losses (% of Net Generation)	8.2	8.0	8.6	9.3	10.3
Number of Customers at Year End					
Domestic	31,091	30,512	29,838	28,984	25,904
Commercial	4,084	3,962	4,027	3,907	3,567
Industrial	40	31	29	28	30
Hotel	30	27	28	571	477
Street Lighting	273	338	469	496	571
Total	35,518	34,870	34,391	33,986	30,549
Growth (%)	1.9	1.4	1.2	11.3	(11.1)
Number of Full-Time Equivalent Employees	225	228	218	226	222
Number of Customers per Employee	158	153	157	150	138

5 YEAR
FINANCIAL STATISTICS

	2013	2012	2011	2010	2009
Units Sold (kWh x 1000)	89,339	90,113	88,842	86,775	80,308
Revenue /Unit Sold (EC cents)	110.04	117.47	109.77	102.66	93.77
Summarized Balance Sheet (EC$ 000)					
Share Capital	10,417	10,417	10,417	10,417	10,417
Retained Earnings	64,602	57,843	51,724	45,800	47,634
Deferred Credits	19,736	17,969	17,386	16,880	16,491
Long Term Liabilities	48,561	52,476	56,308	54,157	48,761
	143,316	138,705	135,835	127,254	123,303
Fixed Assets (Net)	126,542	121,440	122,880	118,355	111,849
Capital WIP	448	461	931	3,315	7,056
Current Assets	33,977	36,695	32,930	25,933	24,982
Current Liabilities	(17,651)	(19,890)	(20,906)	(20,349)	(20,584)
	143,316	138,705	135,835	127,254	123,303
Summarized Statement of Income					
Expenses					
Fuel	43,436	51,661	42,928	37,546	27,697
Operating Expenses	15,135	13,107	12,703	13,035	11,235
Administration	9,151	7,949	9,806	9,405	9,912
Depreciation	8,389	10,822	10,335	9,488	8,813
Maintenance	7,901	8,263	7,656	8,550	7,683
	84,012	91,801	83,428	78,023	65,340
Operating Revenue					
Electricity Sales	60,830	61,593	60,856	58,977	54,911
Fuel Surcharge	37,474	44,261	36,661	30,108	20,393
Other	620	1,501	799	1,734	1,506
	98,924	107,355	98,317	90,819	76,810
Operating Income	14,912	15,553	14,888	12,796	11,470
Interest Charges	(2,602)	(2,945)	(3,114)	(3,008)	(2,956)
Other Charges & Credits	(214)	(1,334)	(1,268)	(1,696)	3
Amortisation of Capital Grants	577	531	492	466	475
Foreign Exchange Gain (Loss)	30	5	90	(79)	(17)
Taxation	(3,861)	(3,608)	(3,343)	(8,750)	(2,824)
Net Income	8,842	8,203	7,747	(271)	6,151
Dividend	2,083	2,083	1,823	1,563	1,563
Reinvested Earnings	6,759	6,119	5,924	(1,834)	4,588
Rate Base (Average Fixed Assets)	123,991	122,160	120,618	115,102	101,102
Return on Average Fixed Assets	12.03%	12.73%	12.34%	11.12%	11.34%
Debt/Equity Ratio	1.14	1.31	1.51	1.61	1.46
Current Ratio	1.92	1.84	1.58	1.27	1.21
Collection Period (Days)	52	50	44	37	49

DESIGNED AND PRODUCED BY SAVVY CARIBBEAN MARKETING

Dominica Electricity Services Limited
P.O. Box 1593, 18 Castle Street, Roseau, Commonwealth of Dominica
Telephone: 767-255-6000 / 448-2681 | Fax: 767-448-5397
Email: domlec@domlec.dm | Website: www.domlec.dm

Bankers: National Bank of Dominica | Auditors: Ernst & Young | Solicitors: Defreitas Defreitas & Johnson