Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended 31st December 2017

Issuer Registration number DOMLEC30041975DM

Dominica Electricity Services Limited

(Exact name of reporting issuer as specified in its charter)

DOMINICA

(Territory of incorporation)

18 Castle Street, P. O Box 1593, Roseau, DOMINICA

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): (767) 255- 6000; (767) 448-2681

Fax number: (767) 448 5397

Email address: ______________________

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes ☑ No ☐

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary	10, 417, 328

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer (Ag)

Dave Stamp

D Stamp

Signature

2018/6/28

Date

Name of Director:

Frederica James

F James

Signature

June 28, 2018

Date

Name of Chief Financial Officer:

Marvelin Etienne

M Etienne

Signature

June 28, 2018

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

Up till September 2017, DOMLEC was poised to achieve all its corporate objectives. Unfortunately, Dominica sustained a direct hit from Category 5 Hurricane Maria on the said date. While 100% of the Transmission and Distribution (T&D) network was compromised, 85% was severely affected. All 36,499 customers were left without power. The impact on the generating system and assets was significant. All support systems including information systems, commercial, financial and human resource processes were also affected. Consequently, the corporate work plan had to be amended to take into consideration the primary aim, which was to safely restore the power supply to our customers.

A Transmission & Distribution Damage Assessment indicated that:
1. 60% poles were affected and required replacement or straightening.
2. 29% of streetlights suffered physical damage rendering them unusable.
3. 18% of transformers suffered body damage, while 6.4% a suffered irreparable damage to internal components. Non-destructive testing of the remaining units revealed a 60% failure rate.
4. Approximately 154 km of high voltage (HV) and 393.4 km of low voltage conductor (LV) required repair or replacement.

An assessment of the generation assets revealed the following:
• Sugar Loaf Power Station – significant infrastructural and property damage as well as minor damage to the control building and generating units.
• Fond Cole Power Station – significant damage occurred to the 3 MAN units and Main Engine Hall units. Minor damage was sustained to two other units.
• Hydro Power Power Plants – Padu power station suffered extensive damage to the turbine house and generating units. The Headworks and Intake System, pipes and dams were all severely affected.

Fibre Optic links and telecommunications systems and IT equipment were destroyed. Our AMI platform was completely disrupted, thus adversely affecting the processes it supported.

The impact delivered by Hurricane Maria to all components of our operations resulted in the Company's inability to realise our pre-Maria projected revenue.

In undertaking the restoration, the Company sought to highlight that all works must proceed with every consideration being given to safe work practices.

Several challenges were experienced during the restoration process. These include but are not limited to inclement weather, insufficient manpower and key equipment, public action of cutting poles and conductors, right of way issues, delays in shipping and receipt of materials and equipment. Mitigating actions to minimize and eliminate the impact of these wherever possible.

The initial approach utilised to undertake the restoration was based on the company's Hurricane Plan, a process which is reviewed and revised annually prior to the start of each Hurricane Season. Due to the direct hit from Hurricane Maria and the extent of the damage sustained, a Hurricane Maria Restoration Plan was prepared to address issues specific to the event.

The approach to determine the order in which customers should be restored was as follows:
1. Government essential services which are fundamental to the health, welfare and safety of the population
2. Commercial, industrial, hotel and domestic sectors which facilitate economic activity
3. Domestic customers with priority given to residential areas which are substantial load centers and/or strategically

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

See attached Exhibits.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

THE EASTERN CARIBBEAN SUPREME COURT
IN THE HIGH COURT OF JUSTICE
COMMONWEALTH OF DOMINICA
DOMHCV 52 OF 2016

BETWEEN:
Dominica Electricity Services Ltd.
Applicant

AND

The Independent Regulatory Commission
Respondent

An application for judicial review was filed in the High Court on December 30th 2015. The IRC filed a notice of objection to the application and the matter was last scheduled to be heard on the 21st, 22nd and 23rd days of November 2017.

The passage of Hurricane Maria on September 18th 2017, disrupted the parties' full compliance with the Order of the High Court of Justice made on June 27th 2017 in respect of the conduct of the matter. The High Court has resumed sitting but not in its full capacity. A request was made for the scheduling of the matter on the Court list.

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

43rd Annual General Meeting May 3rd 2017

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

APRIL 26th RESIGNATION OF DIRECTORS Mr. Hutson Best and Mr. Robert Belliveau tendered their resignation from the Board effective the close of the Annual General Meeting of shareholders on May 3rd 2017. The circumstances described in Section 5 Schedule 3 of the ECSRC Accounting and Financial Reports Rule (Revised 2008) did not apply to the resignation of the named directors. 2. MAY 3RD 43RD ANNUAL GENERAL MEETING OF SHAREHOLDERS

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

VOTE TO INCREASE THE DIRECTORS' FEES FOR ATTENDANCE AT BOARD MEETINGS AND AT MEETINGS OF COMMITTEES OF THE BOARD. The following decision was taken on a majority vote by a show of hands: Directors fees were increased by10% over the existing fee structure approved by shareholders in 2014. It was also decided that (i) the revised fees be applied retroactively from January 2016 to enable directors to have the full benefit of the adjustment in compensation, (ii) that the payment of committee fees applies to Directors' attendance at Donations, Audit Committee, HR and Compensation Committee meetings as well as other meetings to

(d) A description of the terms of any settlement between the registrant and any other participant.

None

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

None

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

<u>For the most recent financial year</u>

(i) Auditor's report; and
(ii) Statement of Financial Position;

<u>For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed</u>

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

(a) Impact of Geothermal Production

The Government of Dominica has decided to be the project's developer and has established the Dominica Geothermal Development Company which is wholly owned by it. Negotiations for a Power Purchase Agreement is underway but has been delayed due to the recent passing of Hurricane Maria. Negotiations have recommenced post-Hurricane Maria and is expected to continue in 2018.

(b) Regulatory Environment

The tariff review process is on hold pending the outcome of the legal challenge by DOMLEC in the High Court against the decision of the Independent Regulatory Commission on the Weighted Average Cost of Capital to be applied in the tariff review. The final determination on the tariff may impact the company's level of profitability and shareholders return.

(c) Operating Environment

At present, the company is actively engaged in restoring its power system which suffered catastrophic damage from Hurricane Maria in September, 2017. At December 31, electricity consumption (kWh) was 22% below the same period in the previous year. System peak load was 8.82MW or 48.9% of the pre-Maria peak.

The T&D assets remain uninsured. The company continues to explore options for self-insurance of its T & D assets against hurricane and other damage caused by natural disasters. The company has proposed a self-insurance scheme to the Government which will enable it to set up a fund from which capital would be readily available for financing restoration after a catastrophic eveertaining to this. Meanwhile, a standby facility was arranged with a financial institution to cover any catastrophic events on the Transmission and Distribution assets.

Hurricane Maria has highlighted the need to accelerate the implementation of the Self-Insurance Fund as the replacement costs for the damaged T & D assets were not covered by insurance. The implications of this form part of the Damage Assessment.

8. Changes in Securities and Use of Proceeds.

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

  N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

  N/A

- Name and address of underwriter(s)

  N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

  N/A

- Payments to associated persons and the purpose for such payments

  N/A

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

N/A

9. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

None

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

N/A

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

Principal Activities

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

Financial Results

Total revenue generated dropped in 2017, falling by 18.4% to EC$72.53 million, EC$16.37 million lower than 2016. Total revenue from electricity sales decline by 22.9% moving from EC$67.67 million in 2016 to EC$52.17 million this year. Total operating expenses were EC$70.61 million. Other income and finance cost were EC$1.17 million and EC$1.37 million respectively. Loss on disposal of plant and equipment was EC$13.42 million, contributing to loss before tax of EC$11.70 million.

Net loss after the current year's tax was EC$9.35 million. This compares to the previous year's profit of EC$12.88 million. Earnings per share for the year totalled ($0.90) compared to earning per share of $1.24 in 2016.

Dividends

A dividend payment of 30 cents per share was paid to shareholders during 2017.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

Liquidity

As at December 31, 2017, the company had a positive cash balance of EC$11.37 million. Loan drawdowns amounted to EC$13.59 million to assist with restoration activities.

Capital Resources

The company spent EC$22.17 million to acquire additional Property, Plant and Equipment this financial year. However, the Company wrote off assets of EC$13.42 million at year-end following extensive damages sustained Post Hurricane Maria.

Funding

The capital projects were funded in part from loan financing as well as from internally generated funds.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

The company has not engaged in Off Balance Sheet Arrangements

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls,

Overview of Results of Operations

Sales
Electricity sales for the financial year ended December 31st, 2017 totaled 77.60 GWh. This represents an overall decrease of 21.9% over unit sales in 2016. This decline was driven by the unexpected passage of Category 5 Hurricane Maria on September 18. The Transmission and Distribution network as well as the Generation infrastructure suffered extensive damage adversely impacting the generation and distribution of electricity supply to customers.

During the earlier part of the year, from January to August, the company recorded average sales growth of 0.5% with a 3.4% growth being recorded in March. However, between September and December, that trend was overturned when the company recorded average negative sales growth of 68.6%, with a maximum reduction in October of 93% post Hurricane Maria.

Sales units to all sectors recorded significant decreases in this financial year when compared to 2016. The two largest sectors Domestic and Commercial recorded declines of 24.8% and 19.2% respectively. Sales to the other sectors declined by 24.2% for Street lighting, 20.6% for Industrial and 12.1% for the Hotel Sector.

Gross Revenue
Total revenue dropped in 2017, falling by 18.4% to EC$72.50 million, EC$16.37 million lower than 2016. This was mainly due to a decline in electricity revenue of EC$15.49 million or 22.9%. Total revenue from electricity sales for the year was EC$52.17 million compared to EC$67.67 million in 2016.

Further, fuel surcharge decreased by EC$1.77 million or 8.6% to EC$18.84 million for the year due to an overall reduction in consumption. Last year, the company recorded fuel surcharge of EC$20.61 million.

Other revenue, on the other hand, saw an increase of EC$0.89 million to EC$1.51 million compared to EC$0.63 million in 2016. An adjustment of EC$1.07 million was made to deferred credits as early recognition of revenue in respect of suspense jobs that were assessed as impaired at year-end. Deferred revenue is normally amortised in accordance with the depreciation rate of the asset when completed.

OPERATING EXPENSES
Operating expenses was on par with 2016, decreasing slightly by 0.4% from EC$70.89 million to EC$70.61 million this year as a result of the following:

Fuel Costs
Fuel costs totaled EC$24.80 million, EC$2.49 million or 9.1% lower than 2016 and accounts for 35.1% of total operating expenses. The reduction was primarily as a result of less diesel production for the year attributing to a 21.8% drop in fuel consumption over 2016. Production from diesel generation decreased by 16.93GWh or 22.4%. Hydro production also reduced by 9.22GWh or 25.3% owing largely to the downtime in the latter part of the year. The Hydro units suffered extensive damages Post Hurricane Maria hence less reliance on these units.

Generation expenses
Generation expenses were EC$8.52 million, representing a decrease of EC$0.98 million or 10.3% over the prior year. Maintenance of plant was lower than 2016 by EC$0.55 million or 16.6% as there were less major overhauls this year.

General expenses
General expenses increased by EC$1.12 million or 8.0%, totaling EC$15.16 million for 2017. Bad Debt expense increased by EC$1.25 million over 2016. There was a significant adjustment to the provision upwards by EC$0.93 million following an impairment assessment of trade receivables over 90 days old Post Hurricane Maria. Employee benefit expenses also rose by EC$0.50 million mainly attributed to a provision made for the Balance Scorecard payout at December 2017.

There were however notable reductions in Commercial expenses of EC$0.18 million following a reallocation of the New Service section to the Engineering department for efficiency improvements; as well as public relations of EC$0.12 million following a halt on donations in the latter part of the year and EC$0.10 million in related party transactions.

Engineering and Distribution Expenses
Engineering and Distribution expenses were EC$9.08 million up from EC$7.67 million last year, an increase of EC$1.42 million or 18.5% arising mainly from hurricane restoration costs. To date, a total EC$1.54 million was spent on hurricane supplies contributing to a negative variance of EC$1.37 million.

Insurance
Insurance expense amounted to EC$1.83 million, a reduction of EC$0.27 million or 13.0% over the previous year. There was a reduction in premium for some of the policies.

Depreciation
Depreciation expenses for 2017 was EC$11.23 million. This reflects an increase of EC$0.92 million or 9.0% over 2016 attributing to

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

None

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

None

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

(i) Auditor's report;

(ii) A balance sheet as of the end of each of the two most recent financial years.

(iii) Consolidated statements of income, statements of cash flows, and statements of other stockholders' equity for each of the two financial years preceding the date of the most recent audited balance sheet being filed.

(iv) Financial statements for the most recent financial year.

(v) Notes to Financial Statements.

(vi) Financial Statements, Statement of Revenue Reserves, and Changes in Financial Position for the year ended December 31, 2016 and December 2017

(vii) List of Properties.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: David Keith McGregor Position: Chairman

Mailing Address: ______________________________

____

____

Telephone No.: (246) 626-5014

List jobs held during past five years (include names of employers and dates of employment).
Give brief description of **<u>current</u>** responsibilities

2006-2010

Station Manager- ACTO Power, Windsor Ontario-600MW Power Station
Responsible for all aspects of management & OPS

2010-2013

Senior Director/General Manager- Technical & Construction Services
Nova Scotia Power-Halifax- Responsible for all aspects of generation and construction engineering (500M$)

2013-

VP Asset Management, Emera- Asset management for all Emera Caribbean Assets.

Education (degrees or other academic qualifications, schools attended, and dates):

Education (degrees, schools, and dates):

Bsc (Hons.) Electrical & Electronic Engineering
University of Edinburgh (1989)
Member -Institution of Engineering & Technology (UK)

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Solange Bertilia LeBlanc-McKenzie Position: General Manager

Mailing Address: P.O. Box 514, Roseau, Commonwealth of Dominica

Telephone No.: Home: 767 448-7727; Work: 767 448 2681; Mob

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

Dominica Electricity Services Limited

POSITION

• Human Resources and Administration Manager 2002 – July 2014

• General Manager August 2014 to Present

Job Responsibilities Include:

o To recommend strategies, business plans, budgets, policies and courses of action to the Board and to implement those approved

o To manage financial strategy and controls
By
Deciding on budgeted expenditure through the expenditure approval processes

o To direct and lead the senior management team
By
Identifying actions required and issuing instructions for the achievement of same

Education (degrees or other academic qualifications, schools attended, and dates):

• Brooklyn College of the City University of New York, Brooklyn, N.Y., June 1988
Bachelor of Arts (Hons.)
Major: Economics
Minor: Psychology

• University of the West Indies, 1998
MBA Distinction
Major: Operations

• University of the West Indies, 2000
MBA HRM

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

Dominica Electricity Services Limited

Financial Statements

For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

Dominica Electricity Services Limited

Financial Statements
For the year ended December 31, 2017

Ernst & Young
P.O. Box BW 368,
Rodney Bay, Gros Islet,
St. Lucia, W.I.

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St. Lucia, W.I.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dominica Electricity Services Ltd ("the Company"), which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED (cont'd)

Report on the Audit of the Financial Statements

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables Related disclosures in the financial statements are included in Note 2.6 (page 18) and Note 7 (page 29). As per Note 7 of the financial statements, the provision for doubtful debts was $1,178,355 at December 31, 2017 as compared to $253,294 at December 31, 2016. Prior to 2017, the magnitude of the provision for doubtful debts was immaterial to the financial statements, as the collection of outstanding debts by the Company was at an effective level. Following the passing of Hurricane Maria, customers of the utility have been hampered financially and otherwise, and this has changed the aging profile of the receivable portfolio. As at December 31, 2017, 25% of the customers were reconnected and receiving power. The Company's accounting policy states that impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The advent of the hurricane increases the estimation uncertainty associated with this estimate as management's assumptions are based on pre-hurricane data.	 The receivables portfolio was disaggregated by customer type, and each customer with balances over 90 days old was examined and discussed with the Credit and Finance Departments of the Company. Receipts received subsequent to the financial year end were inspected to corroborate the amount receivable. For customers with special arrangements regarding amounts outstanding, we examined the documentation supporting the arrangement to corroborate management's representations. For customers who had not been reconnected and no receipts had been received for pre-hurricane amounts, we examined activity pre-hurricane to determine if the level of impairment recorded was appropriate. We also ensured that the financial statement disclosures regarding the estimate were appropriate and in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED (CONT'D)

Report on the Audit of the Financial Statements

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Valuation of disposals of plant and equipment Related disclosures in the financial statements are included in Note 2.3 (page 15) and Note 5 (page 28). As per Note 5 of the financial statements, the assets disposed by the Company for the year ended December 31, 2017 were $13,421,633, which was approximately 10% of the value of the net book value of the Property, Plant and Equipment at January 1, 2017. Transmission and distribution assets are accounted for using mass asset accounting. This is the practice of assembling several similar fixed assets into a single group which is used in aggregate as the cost base for depreciation calculations. All the items in the group are assumed to have the life of the group, and are considered fully depreciated at the time of retirement; no gain or loss is recognized when an item is retired. The passing of Hurricane Maria resulted in the destruction of a significant portion of the transmission and distribution assets. Due to the extent of damage and the lack of some historical information, management did not fully use mass asset accounting to determine the quantum of the assets disposed.	We reviewed the methodology used by management to determine the extent of the assets retired, ensuring that where management deviated from mass asset accounting, that the alternative option taken was based on management examining all possible options. We corroborated the unit costs used to determine the value of assets disposed and reviewed reports prepared by various parties engaged to assess the impact of the damage on the Company's assets. We also ensured that the financial statement disclosures regarding the Property, Plant & Equipment were appropriate and in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED (CONT'D)

Report on the Audit of the Financial Statements

Other information included in the Company's 2017 Annual Report
Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED (CONT'D)

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)
As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED (CONT'D)

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)
We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Rendra Gopee.

Ernst & Young
CHARTERED ACCOUNTANTS
St. Lucia
1 May 2018

Dominica Electricity Services Limited

Balance Sheet
As of December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Assets			
Non-current assets			
Property, plant and equipment	5	**135,646,128**	138,126,138
		135,646,128	138,126,138
Current assets			
Cash and cash equivalents	6	**11,374,587**	13,744,077
Trade and other receivables	7	**13,525,019**	12,815,195
Inventories	8	**11,946,513**	9,435,997
Corporation tax recoverable	14	**1,233,057**	-
		38,079,176	35,995,269
Total assets		**173,725,304**	174,121,407
Equity			
Share capital	9	**10,417,328**	10,417,328
Retained earnings		**80,542,803**	93,022,706
		90,960,131	103,440,034
Non-current liabilities			
Borrowings	10	**30,151,149**	20,799,780
Customers' deposits	11	**3,701,273**	3,700,596
Demand promissory note	20	**2,716,900**	-
Deferred revenue	12	**11,241,237**	9,784,173
Deferred tax liability	14	**17,242,323**	19,585,413
Capital grants	13	-	120,299
		65,052,882	53,990,261
Current liabilities			
Trade and other payables	15	**10,821,311**	9,902,621
Due to related party	20	**1,232,983**	154,624
Corporation tax payable	14	-	1,046,149
Borrowings	10	**5,657,997**	5,587,718
		17,712,291	16,691,112
Total equity and liabilities		**173,725,304**	174,121,407

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

Approved by the Board of Directors on May 1, 2018 and signed on its behalf by:

...................................Director ....James..................Director

Dominica Electricity Services Limited

Statement of Changes in Equity
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Common shares $	Retained earnings $	Total $
Balance at December 31, 2015	10,417,328	84,313,836	94,731,164
Total comprehensive income	-	12,875,801	12,875,801
Dividends paid (40¢ per share)	-	(4,166,931)	(4,166,931)
Balance at December 31, 2016	10,417,328	93,022,706	103,440,034
Total comprehensive income	-	(9,354,705)	(9,354,705)
Dividends paid (30¢ per share)	-	(3,125,198)	(3,125,198)
Balance at December 31, 2017	**10,417,328**	**80,542,803**	**90,960,131**

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

Dominica Electricity Services Limited

Statement of Comprehensive Income
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Operating revenue	19	**72,532,565**	88,908,559
Operating expenses			
Fuel		**24,797,980**	27,284,986
Generation		**8,520,317**	9,496,653
General		**15,158,079**	14,035,815
Engineering and distribution		**9,081,525**	7,663,662
Insurance		**1,825,031**	2,098,834
Depreciation	5	**11,225,930**	10,305,346
	16	**70,608,862**	70,885,296
Operating income		**1,923,703**	18,023,263
Other income	17	**1,171,717**	793,599
Finance and other costs	18	**(14,793,215)**	(1,560,197)
(Loss) income before taxation		**(11,697,795)**	17,256,665
Taxation	14	**2,343,090**	(4,380,864)
Net (loss) income being comprehensive (loss) income for the year		**(9,354,705)**	12,875,801
Basic and diluted earnings per share (cents)	21	**(90)**	124

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

Dominica Electricity Services Limited

Statement of Cash Flows
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Cash flows from operating activities			
(Loss)/Income before taxation		**(11,697,795)**	17,256,665
Adjustments for non-cash items:			
Depreciation	5	**11,225,930**	10,305,346
Gain on foreign exchange		**(22,159)**	(3,804)
Loss (gain) on disposal of property, plant and equipment	18	**13,421,632**	(79,989)
Provision for inventory obsolescence	8	**739,042**	754,250
Finance costs	18	**1,371,583**	1,560,197
Amortization of deferred revenue	17	**(629,342)**	(536,061)
Amortization of capital grants	13	**(120,299)**	(133,801)
Net change in provision for other liabilities and charges		**1,382,364**	(133,018)
Operating income before working capital changes		**15,670,956**	28,989,785
(Increase)/decrease in trade and other receivables		**(709,824)**	3,910,752
Increase in inventories		**(3,249,558)**	(295,141)
Increase in trade and other payables		**(441,514)**	307,685
Increase (decrease) in due to related parties		**3,795,259**	(173,503)
Cash generated from operations		**15,065,319**	32,739,578
Interest and finance charges paid	18	**(1,371,583)**	(1,560,197)
Corporation tax paid	14	**(2,279,206)**	(4,537,580)
Net cash from operating activities		**11,414,530**	26,641,801
Cash flows used in investing activities			
Additions to property, plant and equipment	5	**(22,167,552)**	(19,058,502)
Proceeds on disposal of property, plant and equipment		**-**	106,062
Net cash used in investing activities		**(22,167,552)**	(18,952,440)
Cash flows used in financing activities			
Proceeds from borrowings	10	**13,585,500**	-
Dividends paid		**(3,125,198)**	(4,166,931)
Repayment of borrowings	10	**(4,163,852)**	(5,290,852)
Customers' contributions	12	**2,086,406**	1,192,417
Customers' deposits (net)		**677**	44,818
Net cash used in financing activities		**8,383,533**	(8,220,548)
Net increase in cash and cash equivalents		**(2,369,490)**	(531,187)
Cash and cash equivalents - beginning of year		**13,744,077**	14,275,264
Cash and cash equivalents - end of year	6	**11,374,587**	13,744,077

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

1. General information

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

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

Dominica Power Holding Limited, a subsidiary of Emera (Caribbean) Incorporated, owns 52% of the ordinary share capital of the Company. The ultimate parent of the Company is Emera Inc, an energy and services company registered in Canada.

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Company 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, as modified by the revaluation of available-for-sale financial investments.

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

2. Summary of significant accounting policies *…continued*

2.1 Basis of preparation *…continued*

2.1.1 Changes in accounting policy and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendment to IFRS effective as of January 1, 2017. Unless otherwise noted, the adoption of the revised standards did not have a significant change on the financial statements of the Company.

- **IAS 7, 'Statement of Cash Flows'**, issued January 2016. The standard was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment was effective for annual periods beginning on or after January 1, 2017. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IAS 12, 'Income Taxes'**, issued January 2016. The standard was amended to clarify a few aspect of the standard. Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. These amendments are effective for annual periods beginning on or after January 1, 2017. The amendments have no effect on the Company's financial position, performance or disclosures.

- **Annual Improvements 2014-2016 Cycle**
  The pronouncement contains amendments to International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project for IFRS 12. The scope of the IFRS 12 was clarified by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2. Summary of significant accounting policies *…continued*

2.1 Basis of preparation *…continued*

2.1.1 Changes in accounting policy and disclosures *…continued*

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 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 39, 'Financial Instruments: Recognition and Measurement'**, amended in November 2013. The amendments permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception. The amendment was affective when IFRS 9 is applied by an entity. It is not anticipated that the amendment to the standard will have a significant impact on the financial statements.

- **IAS 40, 'Investment Property'**, amended in December 2003. The amendment was made to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. This amendment is effective for annual periods beginning on or after January 1, 2018, with earlier application being permitted. It is not anticipated that the amendment to the standard will have a significant impact on the financial statements.

- **IFRS 2, 'Share-based Payment'**, issued June 2016. The amendment was done to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. This amendment is effective for annual periods beginning on or after January 1, 2018, with earlier application being permitted. The amendment is not expected to have an effect on the Company's financial position, performance or disclosures.

- **IFRS 7, 'Financial Instruments: Disclosures'**, amended in December 2011. The amendment defers the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 'Financial Instruments' to annual periods beginning on or after January 1, 2018.

2. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted.*..continued*

It is not anticipated that the amendment to the standard will have an impact on the financial statements.

- **IFRS 9, 'Financial instruments'**, issued in July 2014. This finalized version of the standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 contains requirements for classification and measurement, impairment, derecognition and hedge accounting and is likely to affect the Company's accounting for its financial assets with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is yet to assess the impact of IFRS 9 and early adoption is not expected.

- **IFRS 9, 'Financial instruments' with IFRS 4 Insurance Contracts**, issued in September 2016. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The overlay approach requires an entity to remove from profit or loss additional volatility that may arise if IFRS 9 is applied with IFRS 4. When applying the temporary exemption, entities must still provide extensive disclosure that require the application of some aspects of IFRS 9. The standard is effective for annual periods beginning on or after January 1, 2018. It is not anticipated that the amendment to the standard will have an impact on the financial statements.

- **IFRS 10, 'Financial Statements'**, issued in September 2014. The amendment address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. It requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and partial recognition of gains and losses where the assets do not constitute a business. These requirements apply regardless of the legal form of the transaction. The amendment has been deferred indefinitely.

2. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

c) ***New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted.****..continued*

- **IFRS 15, 'Revenue from Contracts with Customers'**, issued May 2014. The new standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers; identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The standard was amended to clarify three aspects of the standards (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The Company has begun its analysis of the impact of the new standard and early adoption is not expected. The new standard is effective for annual periods beginning on or after January 1, 2018.

- **IFRS 15, 'Revenue from Contracts with Customers'**, issued April 2016. The standard was amended to clarify three of the five topics identified - identifying performance obligations, principal versus agent considerations, and licensing. The amendment also provides some transition relief for modified contracts and completed contracts. It was concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash consideration. The Company has begun its analysis of the impact of the amendment and has opted not to early adopt. The amended standard is effective for annual periods beginning on or after January 1, 2018.

- **IFRS 16, 'Leases'**, issued January 2016. The new standard specifies how an IFRS reporter will recognise, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company has begun its analysis of the impact of the new standard and early adoption is not expected.

2. Summary of significant accounting policies *…continued*

2.1 Basis of preparation *…continued*

2.1.1 Changes in accounting policy and disclosures *…continued*

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted *…continued*

- **IFRS 17, 'Insurance Contracts'**, issued May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The new standard is effective for annual periods beginning on or after January 1, 2021. It is not anticipated that this standard will have an impact on the Company's financial statements.

- **Annual Improvements 2014-2016 Cycle**
  The pronouncement contains amendments to three International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project – IFRS 1 and IAS 28. The short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. Under IAS 28, it was clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. It is not anticipated that the amendments to the standards will have an impact on the financial statements.

2.2 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2. Summary of significant accounting policies *…continued*

2.3 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the acquisition of the items and includes cost of materials, direct labour, supervision and engineering charges and interest incurred during construction which is directly attributable to the acquisition or construction of a qualifying asset.

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

Contributions received towards construction of electric plant are credited to the cost of work in progress or are shown as deferred credits in the case where construction has not yet started.

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

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

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

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

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

2. Summary of significant accounting policies *…continued*

2.3 Property, plant and equipment *…continued*

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

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

2.4 Financial investments

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

a) Loans and receivables

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

b) Impairment of financial assets

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

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

2. Summary of significant accounting policies *…continued*

2.4 Financial investments *…continued*

c) Derecognition of financial assets

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

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

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

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

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

2.5 Cash and cash equivalents

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

2. Summary of significant accounting policies *…continued*

2.6 Trade receivables

Trade receivables are amounts due from customers for electricity or other services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost less provision for impairment and discounts. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable is uncollectible it is written off in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

2.7 Inventories

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

2.8 Share capital

Common shares are classified as equity.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has the unconditional right to defer settlement of the liability for at least twelve (12) months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

2.10 Taxation

Current and deferred income tax

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

The current tax is the expected tax payable on taxable income for the period and is calculated on the basis of the tax rates enacted or substantially enacted at the balance sheet date.

2. Summary of significant accounting policies *…continued*

2.10 Taxation *…continued*

Current and deferred income tax *…continued*

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

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

2.11 Customers' deposits

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

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

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.13 Revenue recognition

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

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

2. Summary of significant accounting policies …*continued*

2.14 Employee benefits

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

2.15 Bonus plans

The Company recognises a liability and an expense for bonuses on a formula that takes into consideration the profit attributable to the Company's shareholders. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Dividend distribution

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

2.17 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, associates or companies that directly or indirectly control or are controlled by or are under common control with the Company are also considered related parties.

2.18 Provisions

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

3. Financial risk management

3.1 Financial instruments by category

At December 31, 2017

	Loans and receivables $	Total $
Assets as per balance sheet		
Trade and other receivables excluding pre-payments	**12,732,188**	**12,732,188**
Cash and cash equivalents	**11,374,587**	**11,374,587**
Total	**24,106,775**	**24,106,775**

	Other financial liabilities at amortised cost $	Total $
Liabilities as per balance sheet		
Borrowings	**35,809,146**	**35,809,146**
Trade and other payables excluding statutory liabilities	**10,518,867**	**10,518,867**
Customers’ deposits	**3,701,273**	**3,701,273**
Total	**50,029,286**	**50,029,286**

3. Financial risk management *…continued*

3.1 Financial instruments by category *…continued*

At December 31, 2016

	Loans and receivables $	**Total $**
Assets as per balance sheet		
Trade and other receivables excluding pre-payments	11,987,718	11,987,718
Cash and cash equivalents	13,744,077	13,744,077
Total	25,731,795	25,731,795

	Other financial liabilities at amortised cost $	**Total $**
Liabilities as per balance sheet		
Borrowings	26,387,498	26,387,498
Trade and other payables excluding statutory liabilities	9,169,686	9,169,686
Customers' deposits	3,700,596	3,700,596
Total	39,257,780	39,257,780

3.2 Financial risk factors

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

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

3. Financial risk management …*continued*

3.2 Financial risk factors …*continued*

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

a) Market risk

i) Foreign currency risk

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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Euros and the Great Britain Pound (GBP). The exchange rate of the Eastern Caribbean dollar (EC$) and the United States dollar (US$) has been formally pegged at EC$ 2.7=US$ 1.00 since July 1976.

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

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

ii) Price risk

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

iii) Cash flow and fair value interest rate risk

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

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

The Company's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk.

3. Financial risk management *…continued*

3.2 Financial risk factors *…continued*

a) ***Market risk*** *…continued*

Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates. At December 31, 2017 and December 31, 2016 all of the Company's borrowings are at fixed rates.

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

b) Liquidity risk

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

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

Management monitors the Company's liquidity reserves which comprise undrawn borrowing facility to meet operational needs so that the Company does not break covenants (where applicable) on its borrowing facilities. Management monitors cash and cash equivalents (note 6), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations. The management monitors the Company's liquidity requirements on a continuous basis to ensure it has sufficient cash.

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

3. Financial risk management *…continued*

3.2 Financial risk factors *…continued*

b) Liquidity risk *…continued*

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 2017					
Assets					
Cash and cash equivalents	**11,374,587**	**-**	**-**	**-**	**11,374,587**
Trade and other receivables	**13,525,019**	**-**	**-**	**-**	**13,525,019**
Total assets	**24,899,606**	**-**	**-**	**-**	**24,899,606**
Liabilities					
Borrowings	**6,520,000**	**9,780,000**	**19,560,000**	**5,086,447**	**40,946,447**
Trade and other payables	**9,869,113**	**-**	**-**	**-**	**9,869,113**
Customers' deposits	**-**	**-**	**-**	**3,701,273**	**3,701,273**
Total liabilities	**16,389,113**	**9,780,000**	**19,560,000**	**8,787,720**	**54,516,833**
At December 31, 2016					
Assets					
Cash and cash equivalents	13,744,077	-	-	-	13,744,077
Trade and other receivables	12,815,195	-	-	-	12,815,195
Total assets	26,559,272	-	-	-	26,559,272
Liabilities					
Borrowings	6,780,000	6,780,000	18,118,350	-	31,678,350
Trade and other payables	9,902,621	-	-	-	9,902,621
Customers' deposits	-	-	-	3,700,596	3,700,596
Total liabilities	16,682,621	6,780,000	18,118,350	3,700,596	45,281,567

3. Financial risk management *…continued*

3.2 Financial risk factors *…continued*

c) Credit risk

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

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers, including outstanding receivables and committed transactions. The Company's bank deposits and financial instruments are placed with reputable financial institutions to limit its exposure. Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from commercial customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition. Management does not believe significant credit risk exists at December 31, 2017, or 2016. Further analysis of the Company's trade receivables is disclosed in Note 7.

d) Underinsurance risk

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

3.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

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

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

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

3. Financial risk management …*continued*

3.3 Capital risk management …*continued*

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

	2017 $	2016 $
Shareholder's equity	**90,960,131**	103,440,034
Total borrowing	**35,809,146**	26,387,498
Debt/equity ratio	**1:2.54**	1:3.92

3.4 Fair value estimation

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

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

4. Significant accounting judgements, estimates and assumptions

4.1 Critical accounting estimates and assumptions

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

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

4.2 Critical judgements in applying the entity's accounting principles

Impairment of financial assets

When the fair value declines or when there is objective evidence of impairment, management makes assumptions about the declines in value to determine whether it is an impairment that should be recognized in income.

5. Property, plant and equipment

	Generation $	Transmission and Distribution $	Other $	Work in progress $	Total $
At December 31, 2017					
Cost	**132,654,552**	**115,977,335**	**38,319,910**	**7,440,885**	**294,392,682**
Accumulated depreciation	**(90,198,119)**	**(51,188,836)**	**(17,359,599)**	**-**	**(158,746,554)**
Net book amount	**42,456,433**	**64,788,499**	**20,960,311**	**7,440,885**	**135,646,128**
For the year ended December 31, 2017					
Opening net book amount	**45,538,108**	**68,692,311**	**19,950,355**	**3,945,364**	**138,126,138**
Additions and transfers	**2,870,212**	**12,319,007**	**3,226,756**	**3,751,578**	**22,167,553**
Retirals	**(957,618)**	**(12,090,953)**	**(117,005)**	**(256,057)**	**(13,421,633)**
Depreciation charge	**(4,994,269)**	**(4,131,866)**	**(2,099,795)**	**-**	**(11,225,930)**
Closing net book amount	**42,456,433**	**64,788,499**	**20,960,311**	**7,440,885**	**135,646,128**
At December 31, 2016					
Cost	131,235,275	123,158,355	35,407,694	3,945,364	293,746,688
Accumulated depreciation	(85,697,167)	(54,466,044)	(15,457,339)	-	(155,620,550)
Net book amount	45,538,108	68,692,311	19,950,355	3,945,364	138,126,138
For the year ended December 31, 2016					
Opening net book amount	46,051,465	65,551,905	16,037,046	1,758,639	129,399,055
Additions and transfers	3,705,915	7,614,401	5,551,461	2,186,725	19,058,502
Retirals	-	-	(26,073)	-	(26,073)
Depreciation charge	(4,219,272)	(4,473,995)	(1,612,079)	-	(10,305,346)
Closing net book amount	45,538,108	68,692,311	19,950,355	3,945,364	138,126,138

No borrowing costs were capitalised during the years 2016 and 2017.

6. Cash and cash equivalents

	2017 $	2016 $
Cash at bank	**11,374,587**	13,744,077

7. Trade and other receivables

	2017 $	2016 $
Trade receivables	**10,339,073**	9,694,046
Less: provision for impairment	**(1,096,433)**	(104,414)
Trade receivables, net	**9,242,640**	9,589,632
Other receivables	**3,571,470**	2,546,966
Less: provision for impairment	**(81,922)**	(148,880)
Trade and other receivables, net	**12,732,188**	11,987,718
Prepayments	**792,831**	827,477
	13,525,019	12,815,195

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

The movement in the provision for impairment was as follows:

	2017 $	2016 $
Balance - beginning of year	**253,294**	575,171
Increase (decrease) in provision	**925,061**	(321,877)
Balance - end of year	**1,178,355**	253,294

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

A recovery of $15,883 for impaired receivables was recorded during the year to the statement of comprehensive income (2016 – a direct write off of $22,650).

7. Trade and other receivables …*continued*

The ageing of trade and other receivables is as follows:

	2017		2016	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
Less than 30 days	**2,537,839**	**2,531,813**	6,765,640	1,831,563
31 - 60 days	**2,426,981**	**268,685**	2,375,066	88,550
61 - 90 days	**162,703**	**262,756**	201,187	7,001
Over 90 days	**5,211,551**	**508,216**	352,153	619,852
	10,339,074	**3,571,470**	9,694,046	2,546,966

Due to the nature of the business and based on historical information, trade receivables that are less than 61 days past due are not considered impaired. As of December 31, 2017, trade receivables of $4,964,820 (2016 - $9,139,134) were fully performing.

As of December 31, 2017, trade receivables of $2,738,674 (2016 - $408,060) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

	2017		2016	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
61 - 90 days	**162,703**	**262,756**	199,318	917
Over 90 days	**2,575,971**	**508,216**	208,742	388,809
	2,738,674	**770,972**	408,060	389,726

8. Inventories

	2017 $	2016 $
Networks spares	**7,095,570**	5,490,232
Generation spares	**5,509,684**	4,935,153
Fuel	**446,524**	284,665
Other	**1,555,921**	649,601
	14,607,699	11,359,651
Provision for impairment of inventories	**(2,661,186)**	(1,923,654)
	11,946,513	9,435,997

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $739,042 (2016 - $754,250).

9. Share capital

	2017 $	2016 $
Authorised:		
15,000,000 Ordinary shares of no par value	**15,000,000**	15,000,000
Issued 10,417,328 (2016 – 10,417,328) Ordinary shares	**10,417,328**	10,417,328

10. Borrowings

	2017 $	2016 $
National Bank of Dominica Repayable by 2022 in monthly instalments of blended principal at an interest rate of 5% (2016 - 5%)	**22,223,646**	26,387,498
National Bank of Dominica Repayable by 2023 in monthly instalments of blended principal at an interest rate of 5%.	**13,585,500**	-
Less: Current portion	**(5,657,997)**	(5,587,718)
Non-current portion	**30,151,149**	20,799,780

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

The maturity of borrowings is as follows:

	2017 $	2016 $
Less than 1 year	**5,399,777**	5,587,718
Between 1 and 2 years	**8,451,999**	5,733,844
Between 2 and 5 years	**20,537,596**	15,065,936
Over 5 years	**1,419,774**	-
Total	**35,809,146**	26,387,498

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

	Carrying amount		Fair value	
	2017 $	2016 $	2017 $	2016 $
Borrowings	**35,809,146**	26,387,498	**33,374,394**	24,752,394

The fair values are based on cash flows discounted using a rate based on the Government bond rate of 7% (2016 - 7%).

Of the company’s $30 million credit facility, $16.42 million was unused as at 31 December 2017 (2016 – Nil used). DOMLEC was granted a seven-month moratorium on the facility on interest and principal repayments.

11. Customers' deposits

Commercial and all other customers, except prepaid customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. Interest accrued on these deposits at a rate of 2% (2016 - 2%) per annum. Interest of $85,419 (2016 - $71,049) was charged against income.

	2017 $	2016 $
Balance - beginning of year	**3,700,596**	3,655,778
New deposits	**46,486**	51,268
Deposits refunded	**(45,809)**	(6,450)
Balance - end of year	**3,701,273**	3,700,596

12. Deferred revenue

	2017 $	2016 $
Customer contributions	**11,241,237**	9,784,173

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

13. Capital grants

	2017 $	2016 $
Balance - beginning of year	**120,299**	254,100
Amortization	**(120,299)**	(133,801)
Balance - end of year	**-**	120,299

14. Taxation

Corporation tax expense

	2017 $	2016 $
Current taxation	**-**	3,662,177
Deferred tax	**(2,343,090)**	718,687
Taxation charge	**(2,343,090)**	4,380,864

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% (2016 - 25%) for the following reasons:

	2017 $	2016 $
(Loss)/income before taxation	**(11,697,795)**	17,256,665
Corporation tax at 25% (2016 - 25%)	**(2,738,716)**	4,314,166
Expenses not subject to tax	**46,638**	67,648
Income not subject to tax	**(36,402)**	(34,401)
Adjustment for deferred income tax	**571,123**	33,451
Tax charge for the year	**(2,343,090)**	4,380,864

Corporation tax payable

	2017 $	2016 $
Opening payable	**1,046,149**	1,921,552
Current tax charge	**-**	3,662,177
Taxes paid	**(2,279,206)**	(4,537,580)
Corporation tax payable	**(1,233,057)**	1,046,149

Subject to agreement with the Inland Revenue Division the Company has tax losses as at December 31, 2017 of $2,164,193 which may be carried forward and used to reduce taxable income in future years and for which no benefit has been recognized in these financial statements. The expiry date for claiming these losses is March 31, 2022.

14. Taxation *…continued*

Deferred tax liability

The net deferred tax liability is calculated in full on temporary differences under the liability method using a tax rate of 25%.

	2017 $	2016 $
Balance - beginning of year	**19,585,413**	18,866,726
Current year (credit) charge	**(2,343,090)**	718,687
Adjustment	**-**	-
Balance - end of year	**17,242,323**	19,585,413

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

	2017 $	2016 $
Accelerated tax depreciation	**64,461,167**	77,953,827
Taxed provisions	**-**	(120,299)
Adjustment	**(508,124)**	(120,299)
	68,969,291	77,833,528

Accelerated tax depreciation and taxed provisions have no expiry dates.

15. Trade and other payables

	2017 $	2016 $
Trade payables	**5,985,633**	6,496,894
Accrued expenses	**4,528,297**	2,667,855
Social security and other taxes	**302,444**	732,935
Retirement benefit plan	**4,937**	4,937
	10,821,311	9,902,621

16. Expenses by nature

	2017 $	2016 $
Fuel	**24,797,980**	27,284,986
Maintenance of plant	**4,525,815**	6,238,948
Employee benefits (excluding amounts charged to capital projects)	**18,353,773**	17,299,857
Depreciation	**11,225,930**	10,305,346
Insurance	**1,825,031**	2,098,834
Other expenses	**9,880,333**	7,657,325
Total operating expenses	**70,608,862**	70,885,296

Employee benefits comprise:	2017 $	2016 $
Wages and salaries	**14,080,440**	12,848,600
Social security costs	**798,102**	763,292
Pension	**261,722**	251,067
Other benefits	**3,654,184**	4,029,087
	18,794,448	17,892,046
Allocated as follows:		
Operating expenses	**18,353,773**	17,299,857
Capitalised	**440,675**	592,189
	18,794,448	17,892,046

17. Other income

	2017 $	2016 $
Amortization of capital grants	**120,299**	133,801
Amortization of deferred revenue	**629,342**	536,061
Currency exchange gain	**22,159**	14,729
Gain on insurance claim	**399,916**	29,019
Gain on disposal of Plant and Equipment	**-**	79,989
Other income	**1,171,717**	793,599

18. Finance and other cost

	2017 $	2016 $
Finance cost is comprised as follows:		
Loan interest charges	**1,286,164**	1,489,148
Customer deposit interest	**85,419**	71,049
	1,371,583	1,560,197
Other cost:		
Loss on disposal of plant and equipment	**13,421,632**	-
Finance and other cost	**14,793,215**	1,560,197

19. Operating revenue

	2017 $	2016 $
Energy sales	**52,179,348**	67,674,186
Fuel Surcharge	**18,839,974**	20,608,682
Other revenue	**1,513,243**	625,691
	72,532,556	88,908,559

20. Related party transactions

Key management compensation

	2017 $	2016 $
Salaries and other short term benefits	**1,791,075**	1,704,699
Directors' fees	**122,840**	108,901
Post-employment benefit	**48,264**	8,317
	1,962,179	1,821,917

20. Related party transactions …*continued*

Other related party transactions

During the year the Company engaged in transactions with its indirect parent Emera (Caribbean) Incorporated. These are expenses paid on behalf of the Company. These include insurance, consultancies, professional fees, corporate support. Total transactions with Emera (Caribbean) Incorporated for the year is $1,889,047 (2016 - $1,376,948).

The Company also received a loan of US$1,000,000 in the form of a demand promissory note to assist in restoration following Hurricane Maria from Emera Inc., the ultimate parent company.

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

	2017 $	2016 $
Due to Emera Inc. – Loan	**2,716,900**	-
Due to Emera (Caribbean) Incorporated	**1,232,983**	154,624

These amounts are interest free. The amounts advanced by ECI have no fixed date of repayment.

21. Earnings per share

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

	2017 $	2016 $
Net (loss)/income for the year	**(9,354,705)**	12,875,801
Weighted average number of common shares	**10,417,328**	10,417,328
Basic and diluted earnings per share (cents)	**(90)**	124

22. Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was $241,237 (2016 - $233,231).

23. Bank overdraft facilities

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

24. Capital commitments

The Company has budgeted capital expenditure of $63,536,033 (2016 - $45,051,009) for the 2018 income year of which $25,409,219 (2016 - $21,574,505) was contracted for at December 31, 2017.

25. Contingent liabilities

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

26. Non-recurring items

Due to the effects of Hurricane Maria in September 2017, the Company suffered catastrophic damage to over 85% the Transmission and Distribution infrastructure. Additionally, out of 19 generating units 12 were adversely affected and this represents 62.5% of installed capacity. This affected the provision of service to 100% of our customer base.

The Company's financial results were significant impacted with a number of non-recurring items being recorded. At December 31, 2017, hurricane related asset impairment amounted to $13,421,632 and impairment of trade receivable was $845,820 higher than the average for the previous three years. Also included in net loss is a total of $1,765,462, which relates to non-capital expenditures.

Rebuilding of the transmission and distribution network is estimated at over $31 million and at year end capital expenditure of $5,991,872 has been spent in this regard.

The company increased its borrowing by $13,850,000 as a direct result of commitments related to reconstruction efforts.