Dominica Electricity Services Limited

Financial Statements

For the year ended 31 December 2019
(Expressed in Eastern Caribbean Dollars)

DOMINICA ELECTRICITY SERVICES LIMITED

Index to the Financial Statements
For the year ended 31 December 2019

Building a better
working world

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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 statement of financial position as of 31 December 2019, 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 2019 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. We have determined that there are no key audit matters to communicate in our report.

Other information included in the Company's 2019 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.

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

Report on the Audit of the Financial Statements

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.

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.

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

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 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.

We also provide 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 Associate Partner in charge of the audit resulting in this independent auditor's report is Rishi Ramkissoon.

Ernst & Young.

CHARTERED ACCOUNTANTS
St. Lucia
9 March 2020

Dominica Electricity Services Limited

Statement of Financial Position

As of 31 December 2019

(expressed in Eastern Caribbean dollars)

Assets	Notes	2019 $	2018 $
Non-current assets			
Property, plant and equipment	5	178,903,445	175,397,740
Right of use asset	13	390,057	-
		179,293,502	175,397,740
Current assets			
Cash and cash equivalents	6	14,347,250	4,385,200
Trade and other receivables	7	15,653,504	18,470,607
Inventories	8	20,084,493	21,189,449
Corporation tax recoverable	14	1,233,057	1,233,057
		51,318,304	45,278,313
Total assets		230,611,806	220,676,053
Equity			
Share capital	9	10,417,328	10,417,328
Retained earnings		79,700,778	78,037,812
		90,118,106	88,455,140
Non-current liabilities			
Borrowings	10	76,908,882	67,367,786
Customers' deposits	11	3,662,094	3,748,577
Long-term lease liability	13	232,601	-
Deferred revenue	12	13,373,248	11,433,875
Deferred tax liability	14	16,021,974	15,444,289
		110,198,799	97,994,527
Current liabilities			
Trade and other payables	15	17,587,807	20,341,759
Due to related party	20	4,753,197	3,745,552
Short-term lease liability	13	158,057	-
Demand promissory note	20	-	2,716,900
Borrowings	10	7,795,840	7,422,175
		30,294,901	34,226,386
Total equity and liabilities		230,611,806	220,676,053

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

Approved by the Board of Directors on March 9, 2020 and signed on its behalf by:

Director

Director

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity
For the year ended 31 December 2019
(expressed in Eastern Caribbean dollars)

	Common shares $	Retained earnings $	Total $
Balance at 1 January 2018	10,417,328	80,542,803	90,960,131
Total comprehensive loss	-	(2,504,991)	(2,504,991)
Balance at 31 December 2018	10,417,328	78,037,812	88,455,140
Total comprehensive income	-	1,662,966	1,662,966
Balance at 31 December 2019	10,417,328	79,700,778	90,118,106

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

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2019
(expressed in Eastern Caribbean dollars)

	Notes	2019 $	2018 $
Operating revenue	19	85,333,639	56,736,668
Operating expenses			
Fuel		35,778,491	20,589,949
Generation		7,676,388	5,400,716
General		11,941,881	11,789,606
Engineering and distribution		7,895,047	8,059,089
Insurance		3,376,938	2,308,039
Depreciation	5,13	13,313,035	13,702,601
	16	79,981,780	61,850,000
Operating income/(loss)		5,351,859	(5,113,332)
Other income	17	783,117	3,479,170
Finance and other costs	18	(3,894,325)	(2,668,863)
Profit/(loss) before taxation		2,240,651	(4,303,025)
Taxation	14	(577,685)	1,798,034
Net profit/(loss) being comprehensive loss for the year		1,662,966	(2,504,991)
Basic and diluted earnings per share (cents)	21	16	(24)

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

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows
For the year ended 31 December 2019
(expressed in thousands of Eastern Caribbean dollars)

	Notes	2019 $	2018 $
Cash flows from operating activities			
Profit/(loss) before taxation		2,240,651	(4,303,025)
Adjustments for non-cash items:			
Depreciation	5,13	13,313,035	13,702,601
Gain on foreign exchange		(32,249)	(88,747)
Loss/(gain) on disposal of property, plant and equipment	18	55,100	(2,726,843)
Provision for inventory obsolescence	8	226,177	793,490
Finance costs	18	3,894,325	2,668,863
Amortization of deferred revenue	17	(805,971)	(663,580)
Net change in provision for other liabilities and charges		(769,295)	790,185
Operating income before working capital changes		18,121,773	10,172,944
Decrease/(increase) in trade and other receivables		2,817,103	(4,945,588)
Decrease/(increase) in inventories		878,779	(10,036,426)
(Decrease)/increase in trade and other payables		(2,418,787)	8,535,391
Increase in due to related parties		1,007,645	2,512,569
Cash generated from operations		20,406,513	6,238,890
Interest and finance charges paid		(3,427,944)	(2,385,244)
Net cash from operating activities		16,978,569	3,853,646
Cash flows used in investing activities			
Additions to property, plant and equipment	5	(16,830,481)	(55,549,113)
Proceeds on disposal of property, plant and equipment		110,573	4,821,744
Net cash used in investing activities		(16,719,908)	(50,727,369)
Cash flows used in financing activities			
Proceeds from borrowings		17,337,950	41,355,452
Repayment of borrowings		(10,140,090)	(2,374,636)
Customers' contributions	12	2,745,344	856,217
Payment of principal portion of lease liability	13	(153,332)	-
Customers' deposits (net)	11	(86,483)	47,303
Net cash from financing activities		9,703,389	39,884,336
Net increase/(decrease) in cash and cash equivalents		9,962,050	(6,989,387)
Cash and cash equivalents - beginning of year		4,385,200	11,374,587
Cash and cash equivalents - end of year	6	14,347,250	4,385,200

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 30 April 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.

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

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

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 1 January 2019. The nature and effect of changes as a result of the adoption of this new accounting standard are described below. Unless otherwise noted, the adoption of the revised standards did not have a significant change on the financial statements of the Company.

- **IAS 12 'Income Taxes'**, issued in December 2017. The amendments clarify that the requirements to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised apply to all income tax consequences of dividends and is not only applicable to situations where there are different tax rates for distributed and undistributed profits. The amendment is applicable for annual periods beginning on or after 1 January 2019. The amendment did not have an impact on the financial statements of the Company.

- **IAS 19 'Employee Benefits'**, issued February 2018. The amendments apply to plan amendments, curtailments or settlements. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment is applicable on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. The amendment did not have an impact on the financial statements of the Company.

- **IAS 23 'Borrowing Costs'**, issued December 2017. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment is applicable for annual periods beginning on or after 1 January 2019. The amendment did not have an impact on the financial statements of the Company.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

- **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. With IFRS 16's approach to lessor accounting, the accounting substantially remains unchanged from its predecessor, IAS 17. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17.

  The Company adopted IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognised on January 1, 2019 with no restatement of comparative information. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

  The Company also elected to use the exemptions provided by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

  Additional processes and controls were implemented to facilitate the identification, tracking and reporting of potential leases based on the requirements of the standard. Significant updates to systems were not required.

  All leases held by the Company were classified as operating leases before the adoption of IFRS 16. The adoption of the standard resulted in right of use assets and lease liabilities of $0.54 million as at 1 January 2019. There was no impact to opening retained earnings as at 1 January 2019 and no material impact on the Company's net income or cash flows on adoption of the new standard.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 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 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'**, amended October 2018. The amendment revises the definition of 'material'. The new definition states information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment is effective for annual statements beginning on or after 1 January 2020 and it is not expected to have an impact on the financial statements.

- **IFRS 3 'Business combinations'**, issued October 2018. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Here the amendments narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. The amendments also added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment will not have an impact on the financial statements of the Company.

2 Summary of significant accounting policies (continued)

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.

2.3 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. Included in subsequent costs are the costs of major spare parts and standby equipment. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Contributions received towards construction of electric plant shown as deferred revenue in the statement of financial position.

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.

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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%

Generation equipment includes overhaul which is depreciated at 40% - 44.44%.

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 statement of financial position date.

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.

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 Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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 statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise cash resources and trade and other receivables.

2 Summary of significant accounting policies (continued)

2.4 Financial investments (continued)

b) Financial assets at amortized cost

Financial assets at amortized cost 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 reporting date. These are classified as non-current assets.

c) Impairment of financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company considers its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 61 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due and shared credit risk characteristics and reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators include failure of a debtor to make contractual payments and a failure of the debtor to engage in a repayment plan with the Company. Expected credit losses are presented in general expenses in the statement of comprehensive income. Subsequent recoveries are credited against the same line item.

2 Summary of significant accounting policies (continued)

2.4 Financial investments (continued)

d) 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 the statement of comprehensive income.

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

Impairment of non-financial assets

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. Cash allocated to a debt service reserve account is included in cash and cash equivalents as disclosed in Note 6.

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. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost less provision for expected credit losses and discounts. See Note 2.4 c) for the calculation of the expected credit losses for trade receivables.

In addition, a provision for discounts based on historical experience and adjusted for forward-looking factors, is created in anticipation of accounts that will be settled prior to the scheduled due date. The amount of the provision is recognised in 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. Generation spares are carried at cost less provision for obsolescence.

2.8 Share capital

Common shares are classified as equity.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has the unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve months of the statement of financial position 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. Trade payables 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

Basic Revenue

Basic revenues are recognized when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the sale of electricity are recognized at rates approved by the respective regulator and recorded based on metered usage, which occur on a periodic, systematic basis. At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. The Company's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of megawatt hour ("MWh") delivered to customers at the established rate expected to

2 Summary of significant accounting policies (continued)

2.13 Revenue recognition (continued)

Basic Revenue (continued)

prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, weather, line losses and inter-period changes to customer classes.

Fuel Revenue

Fuel costs are passed to customers through the fuel surcharge mechanism, which provides the opportunity to recover substantially all fuel costs required for the generation of electricity. The calculation of the fuel charge was approved by the Independent Regulatory Commission. The Company recognises fuel revenue on the basis of the amount recoverable for the accounting period.

Miscellaneous Revenue

Miscellaneous revenue is generated from the sale of goods and services, which do not form part of the principal activity of generating, distributing and supplying of electricity. This includes pole rentals, other rentals and service fees.

Revenue for the rental of poles, and other services is recognised when the Company provides the assets for use by the customer or when the various services are provided.

Service fees are recognised as the various services are provided.

Other

Value added taxes collected by the Company concurrent with revenue-producing activities are excluded from revenue.

2.14 Employee benefits

The Company operates a defined contribution scheme. The Company make monthly contributions to the plan and participation is voluntary for employees. Pension cost are accounted for on the basis of contributions payable in the year (Note 22).

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 Summary of significant accounting policies (continued)

2.15 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.

2.16 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.

2.17 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee except for short-term leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognises the lease payments as an expense on a straight-line basis in the statement of comprehensive income over the term of the lease.

For all other leases, at lease commencement date, the company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, and any lease payments made in advance of the lease commencement date. The Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments and payments arising from options reasonably certain to be exercised.

The Company depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is subsequently reduced for payments made and increased for interest on the lease liability, using the effective interest method. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or statement of comprehensive income if the right-of-use asset is already reduced to zero. There were no lease reassessments or modifications in 2019.

3 Financial risk management

3.1 Financial instruments by category

At 31 December 2019

	Loans and receivables $	Total $
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	13,047,473	13,047,473
Cash and cash equivalents	14,347,250	14,347,250
Total	27,394,723	27,394,723

	Other financial liabilities at amortised cost $	Total $
Liabilities as per statement of financial position		
Borrowings	84,704,722	84,704,722
Trade and other payables (excluding statutory liabilities and accrued expenses)	16,759,139	16,759,139
Customers' deposits	3,662,094	3,662,094
Total	105,125,955	105,125,955

3 Financial risk management (continued)

3.1 Financial instruments by category (continued)

At 31 December 2018

	Loans and receivables $	Total $
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	15,205,018	15,205,018
Cash and cash equivalents	4,385,200	4,385,200
Total	19,590,218	19,590,218

	Other financial liabilities at amortised cost $	Total $
Liabilities as per statement of financial position		
Borrowings	74,789,961	74,789,961
Trade and other payables (excluding statutory liabilities and accrued expenses)	13,868,278	13,868,278
Customers' deposits	3,748,577	3,748,577
Total	92,406,816	92,406,816

3.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange, 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 is exposed to foreign exchange risk arising primarily from foreign currency borrowings and purchases of plant, equipment and spares from foreign suppliers. The exchange rate of the Eastern Caribbean dollar (EC$) and the United States dollar (US$) has been formally pegged at EC$ 2.70=US$ 1.00 since July 1976. At 31 December 2019 borrowings of $42,670,800 million (2018 - $25,332,850 million) are designated in United States dollars.

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) 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. At 31 December 2019 50.3% of the Company's borrowings were at fixed rates (2018 – 66.6%).

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 31 December 2019 the Company held borrowings at both fixed and floating interest rates. At 31 December 2019 all borrowings were at fixed interest 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 operating and capital requirements.

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

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Balances due within twelve (12) months equal their carrying balances. The amounts disclosed in the below table for borrowings will not reconcile to the statement of financial position 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 31 December 2019					
Assets					
Cash and cash equivalents	13,047,473	-	-	-	13,047,473
Trade and other receivables	15,653,504	-	-	-	15,653,504
Total assets	28,700,977	-	-	-	28,700,977
Liabilities					
Borrowings	11,381,261	13,666,617	19,842,400	66,785,357	111,675,635
Trade and other payables	16,759,139	-	-	-	16,759,139
Customers' deposits	-	-	-	3,662,094	3,662,094
Total liabilities	28,140,400	13,666,617	19,842,400	70,447,451	132,096,868
At 31 December 2018					
Assets					
Cash and cash equivalents	4,385,200	-	-	-	4,385,200
Trade and other receivables	15,205,018	-	-	-	15,205,018
Total assets	19,590,218	-	-	-	19,590,218
Liabilities					
Borrowings	11,199,793	11,476,341	24,905,654	76,411,181	123,992,969
Trade and other payables	13,868,278	-	-	-	13,868,278
Customers' deposits	-	-	-	3,748,577	3,748,577
Total liabilities	25,068,071	11,476,341	24,905,654	80,159,758	141,609,824

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 31 December 2019, or 2018. Further analysis of the Company's trade receivables is disclosed in Note 7.

d) Underinsurance risk

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

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 borrowings divided by total equity.

3 Financial risk management (continued))

3.3 Capital risk management (continued)

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

	2019 $	2018 $
Shareholders' equity	90,118,106	88,455,140
Total borrowings	84,704,772	74,789,961
Debt/equity ratio	1:1.06	1:1.18

3.4 Fair value estimation

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

Fair value measurements are required to reflect the assumptions that market participants would use in pricing an asset or liability, based on the best available information including the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

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 non-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 the statement of comprehensive income.

5 Property, plant and equipment

	Generation $	Transmission and distribution $	Other $	Work in progress $	Total $
At 31 December 2019					
Cost	129,627,523	176,813,555	43,471,413	10,426,233	360,338,724
Accumulated depreciation	(95,988,899)	(64,252,328)	(21,194,052)	-	(181,435,279)
Net book amount	33,638,624	112,561,227	22,277,361	10,426,233	178,903,445
For the year ended 31 December 2019					
Opening net book amount	36,175,938	107,731,781	21,189,593	10,300,428	175,397,740
Additions and transfers	1,181,721	11,750,707	3,675,004	223,049	16,830,481
Retirals	-	-	(68,430)	(97,244)	(165,674)
Depreciation charge	(3,719,034)	(6,921,260)	(2,518,808)	-	(13,159,102)
Closing net book amount	33,638,625	112,561,228	22,277,359	10,426,233	178,903,445
At 31 December 2018					
Cost	130,551,067	165,310,047	40,500,526	10,300,428	346,662,068
Accumulated depreciation	(94,375,129)	(57,578,266)	(19,310,933)	-	(171,264,328)
Net book amount	36,175,938	107,731,781	21,189,593	10,300,428	175,397,740
For the year ended 31 December 2018					
Opening net book amount	42,456,433	64,788,499	20,960,311	7,440,885	135,646,128
Additions and transfers	136,558	49,332,712	3,196,010	2,883,833	55,549,113
Retirals	(1,597,132)	-	(473,478)	(24,290)	(2,094,900)
Depreciation charge	(4,819,921)	(6,389,430)	(2,493,250)	-	(13,702,601)
Closing net book amount	36,175,938	107,731,781	21,189,593	10,300,428	175,397,740

There were no borrowing costs capitalised during 2019 and 2018. For property, plant and equipment ("PPE") pledged as security, see Note 10. Included in the depreciation expense in the statement of comprehensive income is the depreciation for the right of use asset of $153,933 (Note 13).

6 Cash and cash equivalents

	2019 $	2018 $
Cash in hand and at bank	14,347,250	4,385,200

As at 31 December 2019, the Company has within cash and cash equivalents, restricted cash amounting to $2,135,700 (2018 - $2,135,700) which represents two quarterly payments of principal and interest on the Caribbean Development Bank loan facility as a debt service reserve account.

7 Trade and other receivables

	2019 $	2018 $
Trade receivables	9,973,886	9,148,549
Less provision for expected credit losses	(672,308)	(633,909)
Trade receivables, net	9,301,578	8,514,640
Other receivables	3,938,185	6,690,378
Less provision for expected credit losses	(192,290)	-
Other receivables, net	3,745,895	6,690,378
Prepayments	2,606,031	3,265,589
	15,653,504	18,470,607

Within trade receivables is unbilled revenue of $477,449 (2018 - $409,017).

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 expected credit loss was as follows:

	2019 $	2018 $
Balance - beginning of year	633,909	1,178,355
Increase/(decrease) in provision	230,689	(544,446)
Balance - end of year	864,598	633,909

7 Trade and other receivables (continued)

Direct write-offs for impaired receivables during the year to the statement of comprehensive income was $265,710 (2018 - $87,978). Recovery for bad debt written off was $8,866.

The ageing of trade and other receivables is as follows:

	2019			2018		
	Trade receivables $	Other receivables $	Expected credit losses $	Trade receivables $	Other receivables $	Expected credit losses $
Less than 30 days	6,215,290	2,554,897	545,044	5,349,842	3,988,883	370,694
31 - 60 days	2,989,800	453,398	213,986	2,746,463	(327,497)	190,304
61 - 90 days	251,089	6,928	16,035	186,207	360,454	12,902
Over 90 days	517,707	922,962	89,533	866,037	2,668,538	60,008
	9,973,886	3,938,185	864,598	9,148,549	6,690,378	633,909

8 Inventories

	2019 $	2018 $
Networks spares	17,179,513	17,828,343
Generation spares	5,496,570	5,530,127
Fuel	395,871	475,485
Other	693,392	810,170
	23,765,346	24,644,125
Provision for impairment of inventories	(3,680,853)	(3,454,676)
	20,084,493	21,189,449

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $226,177 (2018 - $793,490).

9 Share capital

	2019 $	2018 $
Authorised:		
15,000,000 Ordinary shares of no-par value	15,000,000	15,000,000
Issued		
(2018 – 10,417,328) Ordinary shares	10,417,328	10,417,328

10 Borrowings

	2019 $	2018 $
National Bank of Dominica Repayable by 2022 in monthly instalments of blended principal at an interest rate of 5% (2018 - 5%)	14,925,038	20,798,842
National Bank of Dominica Repayable by 2023 in monthly instalments of blended principal at an interest rate of 5% (2018 - 5%)	28,190,598	29,738,969
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate of 3.06% (3.06% at 31 December 2018)	21,027,600	12,666,425
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate of 4.8% (4.8% at 31 December 2018)	21,643,200	12,666,425
Less: Caribbean Development Bank Loan Appraisal Fees and Other Charges	(1,081,714)	(1,080,700)
Less: Current portion	(7,795,840)	(7,422,175)
Non-current portion	76,908,882	67,367,786

Borrowings are secured by hypothecary obligations (Note 6) and mortgage debentures creating fixed charges over certain specific immovable properties

As at 31 December 2019, the Company was not in breach of any of its covenants with the National Bank of Dominica or Caribbean Development Bank under the existing credit facilities.

The maturity of borrowings is as follows:

	2019 $	2018 $
Less than 1 year	7,795,840	7,422,175
Between 1 and 2 years	10,463,041	7,795,868
Between 2 and 5 years	11,894,403	14,150,778
Over 5 years	55,633,152	46,501,840
Total	85,786,436	75,870,661

10 Borrowings (continued)

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

	Carrying amount		Fair value	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Borrowings	85,786,436	75,870,661	84,244,045	91,541,814

The fair values are based on cash flows discounted using a rate based on the company's average borrowing rate of 4.29% (2018 - 5%).

11 Customers' deposits

Commercial and non-resident customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. Interest accrued at a rate of 2% (2018 - 2%) per annum.

	2019 **$**	**2018** **$**
Balance - beginning of year	3,748,577	3,701,273
New deposits	95,683	102,140
Deposits refunded	(182,166)	(54,836)
Balance - end of year	3,662,094	3,748,577

12 Deferred revenue

	2019 **$**	**2018** **$**
Balance – beginning of year	11,433,875	11,241,237
Additions	2,745,344	856,218
Amortization	(805,971)	(663,580)
Customer contributions	13,373,248	11,433,875

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 Leases

The Company has leases for commercial space. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The current lease has remaining lease terms of two (2) years.

The carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period are as follows:

	Right-of-use Assets	
	Commercial Building $	**Lease liability $**
As at 1 January 2019	543,990	543,990
Additions	-	-
Depreciation expense (Note 5)	(153,933)	-
Interest expense	-	23,668
Payments	-	(177,000)
As at 31 December 2019	390,057	390,658

No right-of-use assets were subleased and there were no variable lease payments or sale-and-lease-back transactions for the year ended 31 December 2019. The following amounts were recognised within general expenses in the statement of comprehensive income:

	2019 $
Expense relating to leases of low-value assets	-
Expense relating to short-term leases	30,600

The maturity of lease liabilities is as follows:

Less than 1 year	158,057
Between 1 and 2 years	232,601
Total	390,658

14 Taxation

Corporation tax expense

	2019 $	2018 $
Current taxation	-	-
Deferred tax	577,685	(1,798,034)
Taxation charge/(credit)	577,685	(1,798,034)

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% (2018 - 25%) for the following reasons:

	2019 $	2018 $
Income/(loss) before taxation	2,240,651	(4,303,025)
Corporation tax at 25% (2018 - 25%)	560,163	(1,075,756)
Expenses not subject to tax	-	(124,087)
Tax losses (recognized) not recognized	-	(541,048)
Under-provision of prior year tax credit	-	(57,143)
Other	17,522	-
Tax charge/(credit) for the year	577,685	(1,798,034)

Corporation tax payable

	2019 $	2018 $
Opening (refundable) payable	(1,233,057)	(1,233,057)
Taxes received	-	-
Corporation tax refundable	(1,233,057)	(1,233,057)

Subject to agreement with the Inland Revenue Division, the Company has tax losses as at 31 December 2019 of $11,541,479 (2018 - $9,704,925) 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 dates for claiming these losses are 31 March 2022 ($2,164,193) and 31 March 2023 ($7,540,732), and 31 March 2024 ($1,836,554).

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%.

	2019 $	2018 $
Balance - beginning of year	15,444,289	17,242,323
Current year credit	577,685	(1,798,034)
Balance - end of year	16,021,974	15,444,289

The deferred tax liability on the statement of financial position consists of the following components:

	2019 $	2018 $
Accelerated tax depreciation	75,629,375	71,482,081
Tax losses	(11,541,479)	(9,704,925)
	64,087,896	61,777,156

15 Trade and other payables

	2019 $	2018 $
Trade payables	11,291,089	13,868,278
Accrued expenses	6,075,612	6,266,795
Social security and other taxes	221,106	201,749
Retirement benefit plan	-	4,937
	17,587,807	20,341,759

16 Expenses by nature

	2019 $	2018 $
Fuel	35,778,491	20,589,949
Maintenance of plant	4,573,074	1,781,483
Employee benefits (excluding amounts charged to capital projects)	15,564,108	15,256,698
Depreciation (Note 5 and 13)	13,313,035	13,702,601
Insurance	3,376,938	2,308,039
Other expenses	7,376,134	8,211,230
Total operating expenses	79,981,780	61,850,000

Employee benefits comprise:	2019 $	2018 $
Wages and salaries	11,837,518	11,390,977
Social security costs	731,257	848,067
Pension (Note 22)	255,622	260,401
Other benefits	3,041,448	2,851,014
	15,865,845	15,350,459
Allocated as follows:		
Operating expenses	15,564,108	15,256,698
Capitalised	301,737	93,761
	15,865,845	15,350,459

17 Other income

	2019 $	2018 $
Amortization of deferred revenue	805,971	663,580
Currency exchange gain	32,246	88,747
(Loss)/Gain on disposal of plant and equipment	(55,100)	2,726,843
Other income	783,117	3,479,170

18 Finance and other cost

	2019 $	2018 $
Finance cost is comprised as follows:		
Loan interest charges	3,760,406	2,622,948
Customer deposit interest	62,650	37,495
	3,823,056	2,660,443
Deferred expense amortization	71,269	8,420
Finance and other cost	3,894,325	2,668,863

19 Operating revenue

	2019 $	2018 $
Domestic	24,127,818	14,685,043
Commercial	27,016,348	20,800,027
Industrial	2,394,162	2,622,517
Hotel	1,204,505	392,206
Street lighting	594,688	264,566
	55,337,521	38,764,359
Fuel Surcharge	29,332,264	17,850,016
	84,669,785	56,614,375
Other revenue	663,854	122,293
	85,333,639	56,736,668

20 Related party transactions

Key management compensation

	2019 $	2018 $
Salaries and other short-term benefits	1,840,277	1,815,470
Directors' fees	53,526	66,117
Post-employment benefit	54,786	54,786
	1,948,589	1,936,373

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 and corporate support. Total transactions with Emera (Caribbean) Incorporated for the year is $1,007,646 (2018 - $5,024,597).

In 2017, the Company received a loan of US$1,000,000 in the form of a promissory note to assist in restoration following Hurricane Maria from Emera Inc., the ultimate parent company. This loan was unsecured and interest free and was repaid in full in September 2019.

	2019 $	2018 $
Due to Emera Inc. – Loan	-	2,716,900
Due to Emera (Caribbean) Incorporated (ECI)	4,753,197	3,745,552

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

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.

	2019 $	2018 $
Net profit/(loss) for the year	1,662,966	(2,504,991)
Weighted average number of common shares	10,417,328	10,417,328
Basic and diluted earnings per share (cents)	16	(24)

22 Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was $255,622 (2018 - $260,401).

23 Bank overdraft facilities

The Company entered into a credit agreement with National Bank of Dominica on 24 October 2011 to create a loan facility in the maximum aggregate principal amount of EC$83.6 million. Included under the facility is an overdraft facility with a limit of EC$3.0 million. As at 31 December 2019, the Company had no advances (2018 - Nil) on the facility.

24 Capital commitments

The Company budgeted capital expenditure of $17,360,024 (2018 - $41,403,480) for the 2019 income year. Additionally, total of $7,528,868 of incomplete 2018 approved budget was included in 2019 to facilitate the completion of a number of restoration projects. A total of $18,633,954 (2018 - $55,875,052) was contracted for at 31 December 2019.

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.