Dominica Electricity Services Limited

Financial Statements

For the year ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

Dominica Electricity Services Limited

Financial Statements
For the year ended December 31, 2016

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 balance sheet as at 31 December 2016, 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 2016 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.

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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
Useful life of generation, transmission and distribution equipment Related disclosures in the financial statements are included in Note 2.3 (page 18) and Note 5 (page 31). At 31 December 2016, generation equipment, transmission and distribution equipment represent approximately 65% ($114,230,419) of the total assets of the Company. The key accounting consideration relating to these accounts is the assessment of useful lives. Change in the useful life of the asset can also impact on the taxable temporary difference. As per the Company's accounting policy a depreciation study is performed every 5 years to determine useful lives of these assets. The latest depreciation study was completed by an independent expert in 2013. On an annual basis Management assesses the appropriateness of the assumptions made in the depreciation study to determine if a change is required in an asset's useful life.	With the assistance of an EY internal specialist, we verified the objectivity and competency of management's expert. We also reviewed the assumptions and methodology used by management's expert to determine the useful lives applied to the assets. During the current period we assessed the reasonableness of the useful lives assessed by management by reviewing the assumptions used in the 2013 study to determine if the assumptions were still valid for the current period. The results of our independent analysis were consistent with management conclusion on the useful lives and we found no material differences in the calculation of the depreciation expense for the current period.

Other information included in the Company's 2016 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 (CONT'D)

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.

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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)

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

Ernst & Young

CHARTERED ACCOUNTANTS
St. Lucia
24 February 2017

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Dominica Electricity Services Limited

Balance Sheet
As of December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	2016 $	2015 $
Assets			
Non-current assets			
Property, plant and equipment	5	138,126,138	129,399,055
		138,126,138	129,399,055
Current assets			
Cash and cash equivalents	6	13,744,077	14,275,264
Trade and other receivables	7	12,815,195	16,725,947
Inventories	8	9,435,997	9,895,106
		35,995,269	40,896,317
Total assets		174,121,407	170,295,372
Equity			
Share capital	9	10,417,328	10,417,328
Retained earnings		93,022,706	84,313,836
		103,440,034	94,731,164
Non-current liabilities			
Borrowings	10	20,799,780	26,591,893
Customers' deposits	11	3,700,596	3,655,778
Deferred revenue	12	9,784,173	9,127,816
Deferred tax liability	14	19,585,413	18,866,726
Capital grants	13	120,299	254,100
		53,990,261	58,496,313
Current liabilities			
Trade and other payables	15	9,902,621	9,731,759
Due to related party	20	154,624	328,127
Corporation tax payable	14	1,046,149	1,921,552
Borrowings	10	5,587,718	5,086,457
		16,691,112	17,067,895
Total equity and liabilities		174,121,407	170,295,372

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

Approved by the Board of Directors on February 24, 2017 and signed on its behalf by:

Director   Director

Dominica Electricity Services Limited

Statement of Changes in Equity
For the year ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Common shares $	Retained earnings $	Total $
Balance at December 31, 2014	10,417,328	76,194,152	86,611,480
Total comprehensive income	–	12,286,615	12,286,615
Dividends paid (40¢ per share)	–	(4,166,931)	(4,166,931)
Balance at December 31, 2015	10,417,328	84,313,836	94,731,164
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

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, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	2016 $	2015 $
Operating revenue	19	88,908,559	93,536,745
Operating expenses			
Fuel		27,284,986	35,733,967
Generation		9,496,653	10,526,807
General		14,035,815	11,986,857
Engineering and distribution		7,663,662	7,391,540
Insurance		2,098,834	1,572,547
Depreciation	5	10,305,346	9,409,452
	16	70,885,296	76,621,170
Operating income		18,023,263	16,915,575
Other income	17	793,599	2,052,497
Finance and other costs	18	(1,560,197)	(2,127,482)
Income before taxation		17,256,665	16,840,590
Taxation	14	(4,380,864)	(4,553,975)
Net income being comprehensive income for the year		12,875,801	12,286,615
Basic and diluted earnings per share (cents)	21	124	118

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, 2016
(Expressed in Eastern Caribbean Dollars)

	2016 $	2015 $
Cash flows from operating activities		
Income before taxation	17,256,665	16,840,590
Adjustments for non-cash items:		
Depreciation	10,305,346	9,409,452
(Gain)/ loss on foreign exchange	(3,804)	12,616
Loss on disposal of property, plant and equipment	(79,989)	74,702
Provision for inventory obsolescence	754,250	374,479
Finance and other costs	1,560,197	2,040,164
Amortization of deferred revenue	(536,061)	(495,649)
Amortization of capital grants	(133,801)	(133,801)
Net change in provision for other liabilities and charges	(133,018)	(114,809)
Operating income before working capital changes	28,989,785	28,007,744
Decrease in trade and other receivables	3,910,752	374,371
(Increase)/ decrease in inventories	(295,141)	302,110
Increase/ (decrease) in trade and other payables	307,685	(2,742,038)
(Decrease)/ increase in due from related party	(173,503)	289,238
Cash generated from operations	32,739,578	26,231,425
Interest and finance charges paid	(1,560,197)	(2,040,164)
Corporation tax paid	(4,537,580)	(2,824,505)
Net cash from operating activities	26,641,801	21,366,756
Cash flows used in investing activities		
Additions to property, plant and equipment	(19,058,502)	(11,818,757)
Proceeds on disposal of property, plant and equipment	106,062	5,000
Net cash used in investing activities	(18,952,440)	(11,813,757)
Cash flows used in financing activities		
Dividends paid	(4,166,931)	(4,166,931)
Repayment of borrowings	(5,290,852)	(4,807,669)
Customers’ contributions	1,192,417	669,211
Customers’ deposits	44,818	(38,756)
Net cash used in financing activities	(8,220,548)	(8,344,145)
Net increase in cash and cash equivalents	(531,187)	1,208,854
Cash and cash equivalents - beginning of year	14,275,264	13,066,410
Cash and cash equivalents - end of year (Note 6)	13,744,077	14,275,264

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

1. General information

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

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

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Dominica Electricity Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention.

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

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. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of January 1, 2016. Unless otherwise noted, the adoption of the revised standards did not have a significant change on the financial statements of the Company.

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

- **IAS 27, 'Separate Financial Statements'**, amended in August 2014. The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment was effective for annual periods beginning on or after January 1, 2016. The amendment did not have an impact on the Group's financial position, performance or disclosures.

- **IAS 28, 'Investments in Associates and Joint Ventures'**, amended in September 2014. The amendment addresses a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and 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.

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*

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

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

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2016 but not currently relevant to the Company

- **IAS 16, 'Property, Plant and Equipment'**, amended in May 2014. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. It also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. The amendment was effective for annual periods beginning on or after January 1, 2016. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IAS 16, 'Property, Plant and Equipment'**, amended in June 2014. The amendment bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of IAS 41 Agriculture. The amendment was effective for annual periods beginning on or after January 1, 2016. The amendment has no effect on the Company's financial position, performance or disclosures.

2. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2016 but not currently relevant to the Company*…continued*

- **IAS 19, 'Employee Benefits'**, amended in November 2013. The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment was effective for annual periods beginning on or after January 1, 2016. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IAS 34, 'Interim Financial Reporting'**, amended in September 2014. The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The amendment was effective for annual periods beginning on or after January 1, 2016. The amendment did not have an impact on the Company's financial position, performance or disclosures.

- **IAS 38, 'Intangible Assets'**, amended in May 2014. The amendment introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. It also specifies the limited circumstances in which the presumption can be overcome. The amendment was effective for annual periods beginning on or after January 1, 2016 and has no effect on the Company's financial position, performance or disclosures.

- **IAS 41, "Agriculture'**, amended in June 2014. The amendment brings bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of *IAS 41 Agriculture*.

  The amendment was effective for annual periods beginning on or after January 1, 2016 and has no effect on the Company's financial position, performance or disclosures.

2. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2016 but not currently relevant to the Company*…continued*

- **IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'**, amended in September 2014. The amendment adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendment was effective for annual periods beginning on or after January 1, 2016 and has no effect on the Company's financial position, performance or disclosures.

- **IFRS 7, 'Financial Instruments: Disclosures'**, amended in September 2014. The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. The amendment was effective for annual periods beginning on or after January 1, 2016. The amendment did not have an impact on the Company's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements'**, amended in May 2014. The amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in *IFRS 3*, is required to apply all of the principles on business combinations accounting in *IFRS 3* and other IFRSs with the exception of those principles that conflict with the guidance in the standard. It also requires the disclosure of information required by IFRS 3 and other IFRSs for business combinations. The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business. The amendment was effective for annual periods beginning on or after January 1, 2016 and has no effect on the Company financial position, performance or disclosures.

- **IFRS 12, 'Disclosure of Interests in Other Entities'**, amended in December 2014.The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They were effective for annual periods beginning on or after January 1, 2016. The amendments have no effect on the Company's financial position, performance or disclosures.

2. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2016 but not currently relevant to the Company…*continued*

- **IFRS 14, 'Regulatory Deferral Accounts'**, issued in January 2014. The new standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The new standard was effective for annual periods beginning on or after January 1, 2016 and has no effect on the Company's financial position, performance or disclosures.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 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 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, with earlier application being permitted. The amendment is not expected to have an 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, with earlier application being permitted. The amendments are not expected to have an effect on the Company's financial position, performance or disclosures.

2. Summary of significant accounting policies …*continued*

2.1 Basis of preparation …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted…*continued*

- **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 Company's 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 Company's 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. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IFRS 7, 'Financial Instruments: Disclosures'**, amended in November 2013. The amendment implements additional disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements as a result of the introduction of a hedge accounting chapter in IFRS 9.

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, 2016 and not early adopted.****..continued*

The amendment becomes effective for annual periods beginning on or after January 1, 2018. It is not anticipated that the amendment to the standard will have an impact on the Company's financial statements.

- **IFRS 9, 'Financial instruments'**, issued in July 2014. This 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 Company's financial statements.

- **IFRS 10, 'Consolidated Financial Statements'**, issued in September 2014. The amendment address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. It requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and partial recognition of gains and losses where the assets do not constitute a business. These requirements apply regardless of the legal form of the transaction. The amendment 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, 2016 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 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.

- **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, IFRS 12 and IAS 28. The short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. 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, 2016 and not early adopted.*…continued*

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, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017. It is not anticipated that the amendments to the standards will have an impact on the Company's financial statements.

2.2 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the acquisition of the items and includes cost of materials, direct labour, supervision and engineering charges and interest incurred during construction which is directly attributable to the acquisition or construction of a qualifying asset. In certain specific circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are recorded as deferred revenue and the actual cost incurred is capitalised in property, plant and equipment.

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

2. Summary of significant accounting policies …*continued*

2.3 Property, plant and equipment …*continued*

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

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

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

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

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

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

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

2.4 Financial assets

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

a) Loans and receivables

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

2. Summary of significant accounting policies …*continued*

2.4 Financial assets …*continued*

b) Impairment of financial assets

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

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

c) Derecognition of financial assets

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

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

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

2. Summary of significant accounting policies …*continued*

2.4 Financial assets …*continued*

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.

2.6 Trade receivables

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

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

2.7 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. Summary of significant accounting policies …*continued*

2.9 Borrowings

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

2.10 Taxation

Current and deferred income tax

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

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

Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

2. Summary of significant accounting policies …*continued*

2.11 Customers' deposits… *continued*

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.

2.14 Employee benefits

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

2.15 Dividend distribution

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

2.16 Related parties

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

2. Summary of significant accounting policies *…continued*

2.17 Provisions

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

3. Financial risk management

3.1 Financial instruments by category

At December 31, 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

At December 31, 2016

	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. Financial risk management *…continued*

3.1 Financial instruments by category *…continued*

At December 31, 2015

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

At December 31, 2015

	Other financial liabilities at amortised cost $	Total $
Liabilities as per balance sheet		
Borrowings	31,678,350	31,678,350
Trade and other payables excluding statutory liabilities	8,864,486	8,864,486
Customer's deposits	3,655,778	3,655,778
Total	44,198,614	44,198,614

3. Financial risk management *…continued*

3.2 Financial risk factors

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

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

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

a) Market risk

i) Foreign currency risk

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

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

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

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

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.

3. Financial risk management *…continued*

3.2 Financial risk factors *…continued*

a) Market risk *…continued*

iii) Cash flow and fair value interest rate risk

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

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

The Company's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates. At December 31, 2016 and December 31, 2015 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.

3. Financial risk management *…continued*

3.2 Financial risk factors *…continued*

b) Liquidity risk *…continued*

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

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 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*

b) Liquidity risk *…continued*

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 2015					
Assets					
Cash and cash equivalents	14,275,264	–	–	–	14,275,264
Trade and other receivables	16,725,947	–	–	–	16,725,947
Total assets	31,001,211	–	–	–	31,001,211
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	3,086,756	36,986,756
Trade and other payables	9,731,759	–	–	–	9,731,759
Customers' deposits	–	–	–	3,655,778	3,655,778
Total liabilities	16,511,759	6,780,000	20,340,000	6,742,534	50,374,293

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, 2016. Further analysis of the Company's trade receivables is disclosed in Note 7.

3. Financial risk management …*continued*

3.2 Financial risk factors …*continued*

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.

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

	2016 **$**	**2015** **$**
Shareholder's equity	103,440,034	94,731,164
Total borrowing	26,387,498	31,678,350
Debt/equity ratio	1:3.92	1:2.99

3.4 Fair value estimation

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

3. Financial risk management …*continued*

3.4 Fair value estimation …*continued*

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

4. Significant accounting judgements, estimates and assumptions

4.1 Critical accounting estimates and assumptions

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

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

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

No borrowing costs were capitalised during the years 2015 and 2016.

6. Cash and cash equivalents

	2016 $	2015 $
Cash at bank	13,744,077	14,275,264

7. Trade and other receivables

	2016 $	2015 $
Trade receivables	9,694,046	11,701,794
Less: provision for impairment	(104,414)	(269,497)
Trade receivables, net	9,589,632	11,432,297
Other receivables	2,546,966	4,317,251
Less: provision for impairment	(148,880)	(305,674)
Trade and other receivables, net	11,987,718	15,443,874
Prepayments	827,477	1,282,073
	12,815,195	16,725,947

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:

	2016 $	2015 $
Balance - beginning of year	575,171	969,552
Decrease in provision	(321,877)	(394,381)
Balance - end of year	253,294	575,171

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

Direct write offs for impaired receivables during the year to the statement of comprehensive income were $22,650 (2015 - $49,650).

7. Trade and other receivables …*continued*

The ageing of trade and other receivables is as follows:

	2016		2015	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
Less than 30 days	6,765,640	1,831,563	7,035,938	3,658,106
31 - 60 days	2,375,066	88,550	2,633,365	11,254
61 - 90 days	201,187	7,001	1,112,645	940
Over 90 days	352,153	619,852	919,846	646,951
	9,694,046	2,546,966	11,701,794	4,317,251

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, 2016, trade receivables of $9,139,134 (2015 - $9,655,269) were fully performing.

As of December 31, 2016, trade receivables of $408,060 (2015 - $1,745,470) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

	2016		2015	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
61 - 90 days	199,318	917	1,108,478	940
Over 90 days	208,742	388,809	636,992	305,200
	408,060	389,726	1,745,470	306,140

8. Inventories

	2016 $	2015 $
Networks spares	5,490,232	5,509,129
Generation spares	4,935,153	4,478,645
Fuel	284,665	331,714
Other	649,601	745,022
	11,359,651	11,064,510
Provision for impairment of inventories	(1,923,654)	(1,169,404)
	9,435,997	9,895,106

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $754,250 (2015 - $374,479).

9. Share capital

	2016 $	2015 $
Authorised:		
Ordinary shares of no par value	15,000,000	15,000,000
Issued		
10,417,328 (2015 – 10,417,328) Ordinary shares	10,417,328	10,417,328

10. Borrowings

	2016 $	2015 $
National Bank of Dominica Repayable by 2021 in monthly instalments of blended principal at an interest rate of 5% (2015 - 5.75%)	26,387,498	31,678,350
Less: Current portion	(5,587,718)	(5,086,457)
Non-current portion	20,799,780	26,591,893

10. Borrowings *…continued*

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

The maturity of borrowings is as follows:

	2016 $	2015 $
Less than 1 year	5,587,718	5,086,457
Between 1 and 2 years	5,733,844	5,391,835
Between 2 and 5 years	15,065,936	18,160,405
Over 5 years	-	3,039,653
Total	26,387,498	31,678,350

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

	Carrying amount		Fair value	
	2016 $	2015 $	2016 $	2015 $
Borrowings	26,387,498	31,678,350	24,752,394	29,048,675

The fair values are based on cash flows discounted using a rate based on the Government bond rate of 7% (2015 - 7%).

11. Customers' deposits

Commercial and all other customers, except prepaid customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. Interest accrued on these deposits at a rate of 2% (2015 - 2%) per annum. Interest of $71,049 (2015 - $67,833) was charged against income.

	2016 $	2015 $
Balance - beginning of year	3,655,778	3,694,534
New deposits	51,268	18,607
Deposits refunded	(6,450)	(57,363)
Balance - end of year	3,700,596	3,655,778

12. Deferred revenue

	2016 $	2015 $
Customer contributions	9,784,173	9,127,816

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

	2016 $	2015 $
Balance - beginning of year	254,100	387,901
Amortization	(133,801)	(133,801)
Balance - end of year	120,299	254,100

14. Taxation

Corporation tax expense

	2016 $	2015 $
Current taxation	3,662,177	3,081,825
Deferred tax	718,687	1,472,150
Taxation charge	4,380,864	4,553,975

14. Taxation *…continued*

Corporation tax expense *...continued*

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% (2015 - 28%) for the following reasons:

	2016 $	2015 $
Income before taxation	17,256,665	16,840,589
Corporation tax at 25% (2015 - 28%)	4,314,166	4,715,365
Expenses not subject to tax	67,648	70,774
Income not subject to tax	(34,401)	(37,464)
Adjustment for deferred income tax	33,451	(194,700)
Tax charge for the year	4,380,864	4,553,975

Corporation tax payable

	2016 $	2015 $
Opening payable	1,921,552	1,664,232
Current tax charge	3,662,177	3,081,825
Taxes paid	(4,537,580)	(2,824,505)
Corporation tax payable	1,046,149	1,921,552

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%.

	2016 $	2015 $
Balance - beginning of year	18,866,726	17,394,576
Transfer to the income statement - current year charge	718,687	1,472,150
Adjustment	(127,031)	–
Balance - end of year	19,458,382	18,866,726

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

	2016 $	2015 $
Accelerated tax depreciation	77,953,827	75,212,881
Taxed provisions	(120,299)	(254,100)
	77,833,528	74,958,781

Accelerated tax depreciation and taxed provisions have no expiry dates.

15. Trade and other payables

	2016 $	2015 $
Trade payables	6,496,894	6,017,458
Accrued expenses	2,667,855	2,842,091
Social security and other taxes	732,935	867,273
Retirement benefit plan	4,937	4,937
	9,902,621	9,731,759

16. Expenses by nature

	2016 $	2015 $
Fuel	27,284,986	35,733,967
Maintenance of plant	6,238,948	6,836,063
Employee benefits (excluding amounts charged to capital projects)	17,299,857	15,953,693
Depreciation	10,305,346	9,409,452
Insurance	2,098,834	1,572,547
Other expenses	7,657,325	7,115,448
Total operating expenses	70,885,296	76,621,170

Employee benefits comprise:	2016 $	2015 $
Wages and salaries	12,848,600	11,905,328
Social security costs	763,292	728,702
Pension	251,067	242,253
Other benefits	4,029,087	3,531,629
	17,892,046	16,407,912
Allocated as follows:		
Operating expenses	17,299,857	15,953,693
Capitalised	592,189	454,219
	17,892,046	16,407,912

17. Other income

	2016 $	2015 $
Amortization of capital grants	133,801	133,801
Amortization of deferred revenue	536,061	495,649
Currency exchange gain	14,729	–
Gain on insurance claim	29,019	1,423,047
Gain on disposal of Plant and Equipment	79,989	–
Other income	793,599	2,052,497

18. Finance and other cost

	2016 $	2015 $
Finance cost is comprised as follows:		
Loan interest charges	1,489,148	1,972,331
Customer deposit interest	71,049	67,833
Currency exchange loss	–	12,616
	1,560,197	2,052,780
Other cost:		
Loss on disposal of plant and equipment	–	74,702
Finance and other cost	1,560,197	2,127,482

19. Operating revenue

	2016 $	2015 $
Energy sales	67,674,186	64,697,547
Fuel Surcharge	20,608,682	28,244,888
Other revenue	625,691	594,310
	88,908,559	93,536,745

20. Related party transactions

Key management compensation

	2016 $	2015 $
Salaries and other short term benefits	1,704,699	1,584,550
Directors’ fees	108,901	97,500
Post-employment benefit	8,317	8,317
	1,821,917	1,690,367

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 insurances, consultancies, professional fees, corporate support. Total transactions with Emera (Caribbean) Incorporated for the year is $1,376,948 (2015 - $1,153,731).

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

	2016 $	2015 $
Due to Emera (Caribbean) Incorporated	154,624	328,127

21. Earnings per share

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

	2016 $	2015 $
Net income for the year	12,875,801	12,286,615
Weighted average number of common shares	10,417,328	10,417,328
Basic and diluted earnings per share (cents)	124	118

22. Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was $233,231 (2015 - $225,298)

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 $45,051,009 (2015 - $24,817,120) for the 2016 income year of which 21,574,505 (2015 - 14,405,103) was contracted for at December 31, 2016.

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.