Dominica Electricity Services Limited

Financial Statements

For the year ended 31 December 2022
(Expressed in Eastern Caribbean Dollars)

DOMINICA ELECTRICITY SERVICES LIMITED

Index to the Financial Statements
For the year ended 31 December 2022

Pannell House | P.O. Box 1798 | Grand Anse | St. George
Grenada | West Indies
Tel: (473)-440-2562 | 3014 | 2127 | 0414
Fax: (473)-440-6750 | Email: pkf@pkfgrenada.com

PKF
Accountants & business advisers

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 Limited ('the Company') which comprise the statement of financial position as at 31 December, 2022, and the statement of comprehensive income, statement of changes in equity and the 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, 2022 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' *International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Other Matter

The financial statements for the year ended 31 December, 2021 were audited by another auditor who expressed an unqualified opinion on those financial statements on 21 March, 2022.

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.

Partners: Henry A. Joseph FCCA (Managing), Michelle A. Millet B.A., CPA, CGA (Mrs.), Michelle K. Bain FCCA (Miss),
Shane X. Peters FCCA (Mr.)

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

DOMINICA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements (continued)

Other information included in the Company's 2022 Annual Report

Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and The Audit Committee for the Financial Statements

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

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

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

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

DOMINICA ELECTRICTY SERVCIES LIMITED

Report on the Audit of the Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is Mrs. Michelle Millet.

GRENADA

PKF

April 20th, 2023 Accountants & Business Advisers

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Financial Position
As of 31 December 2022
(expressed in Eastern Caribbean dollars)

	Notes	2022	2021 As restated	1 January 2021 As restated
Assets		$	$	$
Non-current assets				
Property, plant and equipment	5, 26	183,513,179	178,966,052	179,382,363
Right of use asset	13	-	58,569	228,400
		183,513,179	179,024,621	179,610,763
Current assets				
Cash and cash equivalents	6	7,081,569	9,575,876	9,817,752
Trade and other receivables	7	17,159,695	15,672,034	12,969,781
Inventories	8	20,808,577	22,469,166	19,870,067
Corporation tax recoverable	14	1,177,549	1,177,549	1,233,057
		46,227,390	48,894,625	43,890,657
Total assets		229,740,569	227,919,246	223,501,420
Equity				
Share capital	9	10,417,328	10,417,328	10,417,328
Retained earnings		80,536,536	81,321,202	77,709,423
		90,953,864	91,738,530	88,126,751
Non-current liabilities				
Borrowings	10	66,243,238	64,795,772	68,775,881
Customers' deposits	11	3,680,627	3,584,946	3,761,442
Long-term lease liability	13	-	-	60,370
Deferred revenue	12	15,280,616	15,283,272	13,684,847
Deferred tax liability	14, 26	20,764,829	20,038,678	18,430,388
		105,969,310	103,702,668	104,712,928
Current liabilities				
Trade and other payables	15	20,035,059	15,437,198	13,524,066
Due to related party	20	-	5,728,906	5,394,204
Short-term lease liability	13	-	60,370	172,231
Borrowings	10	12,782,336	11,251,574	11,571,240
		32,817,395	32,478,048	30,661,741
Total liabilities		138,786,705	136,180,716	135,374,669
Total equity and liabilities		229,740,569	227,919,246	223,501,420

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

Approved by the Board of Directors on April 19th, 2023 and signed on its behalf by:

....Director ....Director

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity
For the year ended 31 December 2022
(expressed in Eastern Caribbean dollars)

	Note	Common shares $	Retained earnings $	Total $
Balance at 1 January 2021 previously reported		10,417,328	78,673,263	89,090,591
Prior year adjustments	26		(963,840)	(963,840)
Restated Balance as at January 1, 2021		10,417,328	77,709,423	88,126,751
Total comprehensive income restated		-	3,611,779	3,611,779
Balance at 31 December 2021 as restated		10,417,328	81,321,202	91,738,530
Total comprehensive loss			(784,666)	(784,666)
Balance at 31 December 2022		10,417,328	80,536,536	90,953,864

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 2022
(expressed in Eastern Caribbean dollars)

	Notes	2022 $	2021 As restated $
Operating revenue	19	112,231,136	92,049,593
Operating expenses			
Fuel		(59,023,007)	(38,352,369)
Generation		(8,307,792)	(7,069,692)
General		(13,848,501)	(12,843,679)
Engineering and distribution		(8,713,821)	(8,586,978)
Insurance		(7,249,540)	(4,983,335)
Depreciation	5,13,26	(14,059,877)	(13,055,036)
	16	(111,202,538)	(84,891,089)
Operating income		1,028,598	7,158,504
Other income	17	1,811,568	862,002
Finance and other costs	18	(2,898,681)	(2,800,437)
(Loss) profit before taxation		(58,515)	5,220,069
Taxation	14	(726,151)	(1,608,290)
Net (loss)/profit for the year		(784,666)	3,611,779
Basic and diluted earnings per share (cents)	21, 26	(8)	35

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 2022
(expressed in thousands of Eastern Caribbean dollars)

	Notes	2022 $	2021 As restated $
Cash flows from operating activities			
(Loss)/profit before taxation		(58,515)	5,220,069
Adjustments for non-cash items:			
Depreciation	5,13	14,059,877	13,055,036
Loss on foreign exchange		3,191	(16,175)
(Loss)/gain on disposal of property, plant and equipment	17	(394,812)	96,569
Provision for inventory obsolescence	8	787,785	564,004
Finance costs	18	2,898,681	2,800,437
Amortization of deferred revenue	17	(1,055,312)	(942,396)
CDB operating grants	17	(364,635)	-
Net change in provision for other liabilities and charges		(838,916)	(614,331)
Operating income before working capital changes		15,037,344	20,163,213
Increase in trade and other receivables		(1,487,661)	(2,702,253)
Decrease/(increase) in inventories		872,804	(3,163,103)
Increase in trade and other payables		5,015,898	2,281,602
(Decrease)/increase in due to related parties		(5,728,906)	334,702
Cash generated from operations		13,709,479	16,914,161
Interest and finance charges paid		(2,480,995)	(2,538,400)
Tax adjustment		-	55,508
Net cash from operating activities		11,228,484	14,431,269
Cash flows used in investing activities			
Additions to property, plant and equipment	5	(18,618,763)	(12,628,670)
Proceeds on disposal of property, plant and equipment		465,138	63,207
Net cash used in investing activities		(18,153,625)	(12,565,463)
Cash flows used in financing activities			
Proceeds from borrowings		5,442,390	-
Repayment of borrowings		(3,770,068)	(8,126,683)
Customers' contributions	12	1,052,656	2,540,821
Payment of principal portion of lease liability	13	(60,370)	(172,231)
CDB grant received	17	364,635	-
Customers' deposits (net)	11	95,681	(176,496)
Net cash generated from/(used in) financing activities		3,124,924	(5,934,589)
Net decrease in cash and cash equivalents		(3,800,217)	(4,068,783)
Cash and cash equivalents - beginning of year		2,379,855	6,448,638
Cash and cash equivalents - end of year	6	(1,420,362)	2,379,855

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 principal 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 which was purchased by the Government of the Commonwealth of Dominica on April 1st, 2022, owns 52% of the ordinary share capital of the Company. The Dominica Social Security owns 20% of the ordinary share capital, while 28% 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 Company's 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)

2.1.1 Changes in accounting policies and disclosures

a) New Accounting Standards, Amendments and Interpretations adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December, 2021 except for the adoption of new standards and interpretations below.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective 1 January, 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IFRS 3 – Reference to the Conceptual Framework (Effective 1 January, 2022)

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract (Effective 1 January, 2022)

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the Company.

2 Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

b) Standards in issue but not yet effective

The following is a list of standards and interpretations that were not yet effective up to the date of issuance of the Company's financial statements. These standards and interpretations may be applicable to the Company at a future date and will be adopted when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations.

Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current (Effective 1 January, 2023)

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (Effective 1 January, 2023)

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

2 Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

b) Standards in issue but not yet effective (continued)

Amendments to IAS 8 - Definition of Accounting Estimates (Effective 1st January, 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1st January, 2023)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  - Right-of-use assets and lease liabilities.
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

2 Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

b) Standards in issue but not yet effective (continued)

IFRS 17 - Insurance Contracts (Effective 1 January, 2023)

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IFRS 4 – Extension of the Temporary Exemption for applying IFRS 9 changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January, 2023.

2 Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

b) Standards in issue but not yet effective (continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

This amendment is effective for annual periods beginning on or after 1 January, 2024.

c) Improvements to International Reporting Standards

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January, 2022.

Annual improvements to IFRS Standards 2018-2020 cycle

IFRSs – Subject of Amendment

IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
IFRS 9	Financial Instruments – Fees in the '10 per cent" test for derecognition of financial liabilities.
IFRS 16	Leases – Lease incentives
IAS 41	Agriculture – Taxation in fair value measurements

These amendments had no impact on 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 are 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.

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%.

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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 instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

a) Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held with the objective to achieve by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

b) 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 (ECL). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The ECL on trade receivables is estimated using a provision matrix that is based on 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 90 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)

c) De-recognition 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 de-recognition 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 de-recognition 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 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.

d) 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 Summary of significant accounting policies (continued)

2.4 Financial investments (continued)

e) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company are measured in accordance with the specific accounting set out below.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

- Contingent consideration of an acquirer in a business combination
- Held for trading, or
- Designated as at FVTPL

Financial liabilities subsequently measured at amortised cost:

Financial liabilities that are not classified as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

f) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payables, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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(b) 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.

2 Summary of significant accounting policies (continued)

2.13 Revenue recognition (continued)

Basic Revenue (continued)

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 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 recognizes 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 recognized when the Company provides the assets for use by the customer or when the various services are provided.

Service fees are recognized 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 makes monthly contributions to the plan and participation is voluntary for employees. Pension costs 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 re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is re-measured, 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 2022.

2 Summary of significant accounting policies (continued)

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

3 Financial risk management

3.1 Financial instruments by category

At 31 December 2022

	Amortised Cost $	Total $
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	13,890,416	13,890,416
Cash and cash equivalents	7,081,569	7,081,569
Total	20,971,985	20,971,985

	Other financial liabilities at amortised cost $	Total $
Liabilities as per statement of financial position		
Borrowings	79,025,574	79,025,574
Trade and other payables (excluding statutory liabilities and accrued expenses)	12,631,257	12,631,257
Customers’ deposits	3,680,627	3,680,627
Total	95,337,458	95,337,458

3 Financial risk management (continued)

3.1 Financial instruments by category (continued)

At 31 December 2021

	Amortised Cost $	Total $
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	13,152,337	13,152,337
Cash and cash equivalents	9,575,876	9,575,876
Total	22,728,213	22,728,213

	Other financial liabilities at amortised cost $	Total $
Liabilities as per statement of financial position		
Borrowings	76,047,346	76,047,346
Trade and other payables (excluding statutory liabilities and accrued expenses)	9,237,000	9,237,000
Customers' deposits	3,584,946	3,584,946
Total	88,869,292	88,869,292

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.

The Company's management under direction from the Board of Directors carries out risk management.

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 2022 borrowings of $42,670,800 (2021 - $42,670,800 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 transactions 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 2022, 47.3% of the Company's borrowings were at fixed rates (2021 – 45.1%).

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

***a) Market risk* (continued)**

ii) Cash flow and fair value interest rate 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 2022, the Company held borrowings at both fixed and floating 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 facilities 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 2022					
Assets					
Cash and cash equivalents	7,081,569	-	-	-	7,081,569
Trade and other receivables	17,159,695	-	-	-	17,159,695
Total assets	24,241,264	-	-	-	24,241,264
Liabilities					
Borrowings	16,118,295	8,350,622	24,061,675	54,517,080	103,047,672
Trade and other payables	20,035,059	-	-	-	20,035,059
Customers' deposits	-	-	-	3,680,627	3,680,627
Total liabilities	36,153,354	8,350,622	24,061,675	58,197,707	126,763,358
At 31 December 2021					
Assets					
Cash and cash equivalents	9,575,876	-	-	-	9,575,876
Trade and other receivables	15,672,034	-	-	-	15,672,034
Total assets	25,247,910	-	-	-	25,247,910
Liabilities					
Borrowings	13,521,964	6,692,275	22,239,213	49,544,342	91,997,794
Trade and other payables	15,437,198	-	-	-	15,437,198
Customers' deposits	-	-	-	3,584,946	3,584,946
Total liabilities	28,959,162	6,692,275	22,239,213	53,129,288	111,019,938

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 2022, or 2021. Further analysis of the Company's trade receivables is disclosed in Note 7.

d) Underinsurance risk

Prudent management requires that a Company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has arranged a catastrophe standby facility with a financial institution to cover the Transmission and Distribution assets. The Company has also secured a US$ 20.0 million parametric insurance to cover damages for wind storms of category 2 and above.

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:

	2022 $	2021 $
Shareholders' equity	90,953,864	91,738,530
Total borrowings	79,025,574	76,047,346
Debt/equity ratio	1:1.15	1:1.21

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 Significant accounting judgements, estimates and assumptions (continued)

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 an impairment should be recognized in the statement of comprehensive income.

Property, plant and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

Impairment of inventory

Provision is made for slow-moving and obsolete stock on an annual basis.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be a true representative of customer's actual default in the future.

Unbilled Sales

The Company estimates unbilled sales at the yearend using usage from the previous billing cycles which is then multiplied by the average rates billed for the month.

5 Property, plant and equipment

	Generation $	Transmission and Distribution $	Other $	Work in progress $	Total $
At December 31, 2022					
Cost or valuation	146,381,364	193,239,628	48,884,032	8,585,446	397,090,470
Accumulated depreciation	(104,198,370)	(82,545,814)	(26,833,107)	-	(213,577,291)
Net book amount	42,182,994	110,693,814	22,050,925	8,585,446	183,513,179
For the year ended December 31, 2022					
Opening net book value	37,119,505	111,740,605	21,843,517	8,262,425	178,966,052
Additions and transfers	8,814,969	6,630,278	2,850,495	323,021	18,618,763
Retirals	-	-	(70,328)	-	(70,328)
Depreciation charge	(3,751,480)	(7,677,069)	(2,572,759)	-	(14,001,308)
Closing net book amount	42,182,994	110,693,814	22,050,925	8,585,446	183,513,179
At December 31, 2021 – Restated (Note 26)					
Cost or valuation restated	138,765,129	187,803,034	46,439,196	8,262,425	381,269,784
Accumulated depreciation	(101,645,624)	(76,062,429)	(24,595,679)	-	(202,303,732)
Net book amount	37,119,505	111,740,605	21,843,517	8,262,425	178,966,052
For the year ended December 31, 2021					
Opening Net book amount - restated	37,898,747	112,417,994	22,056,305	7,009,317	179,382,363
Additions and transfers	2,400,218	6,750,449	2,224,895	1,253,108	12,628,670
Retirals	(60,728)	-	(99,048)	-	(159,776)
Depreciation charge	(3,118,732)	(7,427,838)	(2,338,635)	-	(12,885,205)
Closing net book amount	37,119,505	111,740,605	21,843,517	8,262,425	178,966,052

No borrowing cost were capitalised during the years 2021 and 2022. 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 $58,569 (2021: $169,831) (Note 13).

6 Cash and cash equivalents

	2022 $	2021 $
Cash in hand and at bank	7,081,569	9,575,876

As at 31 December 2022, the Company has within cash and cash equivalents, restricted cash amounting to $2,135,700 (2021 - $2,142,593) which represents at minimum two quarterly payments of principal and interest on the Caribbean Development Bank loan facility as a debt service reserve account.

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	2022 $	2021 $
Cash in hand and in bank	7,081,569	9,575,876
Bank overdraft (Note 10)	(8,501,931)	(7,196,021)
	(1,420,362)	2,379,855

7 Trade and other receivables

	2022 $	2021 $
Trade receivables	10,207,900	10,186,202
Less provision for expected credit losses	(693,378)	(603,079)
Trade receivables, net	9,514,522	9,583,123
Other receivables	4,391,613	3,585,421
Less provision for expected credit losses	(15,719)	(16,207)
Other receivables, net	4,375,894	3,569,214
Prepayments	3,269,279	2,519,697
	17,159,695	15,672,034

Within trade receivables is unbilled revenue of $351,567 (2021 - $241,573).

7 Trade and other receivables (continued)

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:

	2022 $	2021 $
Balance - beginning of year	619,286	1,018,205
Increase/(decrease) in provision	89,811	(398,919)
Balance - end of year	709,097	619,286

Direct write-offs for impaired receivables during the year to the statement of comprehensive income was $0.00 (2021 - $204,934). Recovery for bad debt written off was $19,392 (2021- $18,241).

The ageing of trade and other receivables is as follows:

	2022			2021		
	Trade receivables $	Other receivables $	Expected credit losses $	Trade receivables $	Other receivables $	Expected credit losses $
Less than 30 days	6,305,731	4,008,560	311,070	7,224,370	3,197,449	364,023
31 - 60 days	2,972,996	24,950	127,083	2,313,740	19,702	95,083
61 - 90 days	329,179	12,204	13,895	221,341	-	27,707
Over 90 days	599,994	345,899	257,049	426,751	368,270	132,473
	10,207,900	4,391,613	709,097	10,186,202	3,585,421	619,286

8 Inventories

	2022 $	2021 $
Networks spares	17,222,900	16,750,506
Generation spares	7,600,725	9,031,852
Fuel	604,599	541,454
Other	860,446	837,662
	26,288,670	27,161,474
Provision for impairment of inventories	(5,480,093)	(4,692,308)
Balance – end of year	20,808,577	22,469,166

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $787,785 (2021 - $564,004).

9 Share capital

	2022 $	2021 $
Authorised:		
15,000,000 Ordinary shares of no-par value	15,000,000	15,000,000
Issued		
10,417,328 Ordinary shares	10,417,328	10,417,328

10 Borrowings

	2022 $	2021 $
National Bank of Dominica Repayable by 2022 in monthly instalments of blended principal at an interest rate of 5% (2021 – 5%)	-	2,260,639
National Bank of Dominica Repayable by 2026 in monthly instalments of blended principal at an interest rate of 5% (2021 – 5%)	28,715,553	24,853,905
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate of 3.01% (1.56% at 31 December 2021)	21,027,600	21,027,600
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate of 4.75% (3.3% at 31 December 2021)	21,643,200	21,643,200
National Bank of Dominica $9,000,000 overdraft facilities expiring on October 31, 2026 with interest rate of 5%	8,501,931	7,196,021
Less: Caribbean Development Bank Loan Appraisal Fees and Other Charges	(862,710)	(934,019)
Less: Current portion	(12,782,336)	(11,251,574)
Non-current portion	66,243,238	64,795,772

The current portion of the borrowings on the statement of financial position includes a bank overdraft of $8,501,931 (See Note 6 and Note 23) (2021 - $7,196,021) and the current portion of the loans from the National Bank of Dominica of $1,596,789 (2021 - $4,055,553) and Caribbean Development Bank $2,683,618 (2021 - $0).

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

10 Borrowings (continued)

As at 31 December 2022, 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:

	2022 $	2021 $
Less than 1 year	4,280,408	4,055,551
Between 1 and 2 years	5,234,685	4,557,232
Between 2 and 5 years	16,249,241	16,935,660
Over 5 years	45,622,019	44,236,901
Total	71,386,353	69,785,344

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

	Carrying amount		Fair value	
	2022 $	2021 $	2022 $	2021 $
Borrowings	71,386,353	69,785,344	67,679,609	66,382,174

The fair values are based on cash flows discounted using a rate based on the Company's average borrowing rate of 4.75% (2021 – 3.29%).

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% (2021- 2%) per annum.

	2022 $	2021 $
Balance - beginning of year	3,584,946	3,761,442
New deposits	136,816	28,512
Deposits refunded	(41,135)	(205,008)
Balance - end of year	3,680,627	3,584,946

12 Deferred revenue

	2022 $	2021 $
Balance – beginning of year	15,283,272	13,684,847
Additions	1,052,656	2,540,821
Amortization	(1,055,312)	(942,396)
Balance – end of year	15,280,616	15,283,272

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 ended its lease agreements on April 30, 2022. At that date Lease liability was extinguished and corresponding Right-of-use assets was de-recognised. 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 carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period are as follows:

	Commercial Building 2022 $	Lease Liability 2022 $	Commercial Building 2021 $	Lease liability 2021 $
Balance – beginning of year	58,569	60,370	228,400	232,601
Additions	-	-	-	-
Depreciation expense (Note 5)	(58,569)	-	(169,831)	-
Interest expense	-	630	-	7,769
Payments	-	(61,000)	-	(180,000)
Balance – end of year	-	-	58,569	60,370

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 2022.

13 Leases (continued)

The maturity of lease liabilities is as follows:

	2022 $	2021 $
Less than 1 year	-	60,370
Between 1 and 2 years	-	-
Total	-	60,370

14 Taxation

Corporation tax expense

	2022 $	2021 Restated $
Current taxation	-	-
Deferred tax	726,151	1,608,290
Taxation charge	726,151	1,608,290

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% (2021 - 25%) for the following reasons:

	2022 $	2021 $
(Loss)/profit before taxation	(58,515)	5,220,069
Corporation tax at 25% (2021 - 25%)	(14,629)	1,305,017
Expenses not subject to tax	31,269	21,654
Tax loss not recognised	709,511	333,345
Other	-	(51,727)
Tax charge for the year	726,151	1,608,290

Corporation tax refundable

	2022 $	2021 $
Opening balance	(1,177,549)	(1,233,057)
Adjustment to prior year	-	55,508
Corporation tax refundable	(1,177,549)	(1,177,549)

14 Taxation (continued)

Deferred tax liability

Subject to agreement with the Inland Revenue Division, the Company has tax losses as at 31 December 2022 of $7,140,440 (2021 - $5,340,893) 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 2025 ($2,520,067), and 31 March 2027 ($6,310,483). The Company has impaired the deferred tax asset by $2,838,046 ($333,345 in 2021) on the taxable losses.

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

	2022 $	2021 As restated $
Balance - beginning of year	20,038,678	18,430,388
Current year charge	726,151	1,608,290
Balance - end of year	20,764,829	20,038,678

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

	2022 $	2021 $
Accelerated tax depreciation	91,480,217	85,495,601
Tax losses	(8,420,903)	(5,340,893)
	83,059,313	80,154,708

15 Trade and other payables

	2022 $	2021 $
Trade payables	12,631,257	9,237,000
Accrued expenses	7,142,444	5,952,666
Social security and other taxes	261,358	247,532
	20,035,059	15,437,198

16 Expenses by nature

	2022 $	2021 Restated $
Fuel	59,023,007	38,352,369
Maintenance of plant	6,055,815	4,482,785
Employee benefits (excluding amounts charged to capital projects)	16,269,404	16,426,561
Depreciation (Note 5 and 13)	14,059,877	13,055,036
Insurance	7,249,540	4,983,335
Other expenses	8,544,895	7,591,003
Total operating expenses	111,202,538	84,891,089

Employee benefits comprise:	2022 $	2021 $
Wages and salaries	12,582,397	12,898,665
Social security costs	831,719	800,331
Pension (Note 22)	275,049	261,671
Other benefits	2,919,983	2,647,245
	16,609,148	16,607,912
Allocated as follows:		
Operating expenses	16,269,404	16,426,561
Capitalised	339,744	181,351
	16,609,148	16,607,912

17 Other income

	2022 $	2021 $
CDB operating grant	364,635	-
Amortization of deferred revenue	1,055,312	942,396
Currency exchange (loss) gain	(3,191)	16,175
Gain(loss) on disposal of plant and equipment	394,812	(96,569)
	1,811,568	862,002

The Company received during the year a grant from the Caribbean Development Bank (CDB) in the amount of $364,635. The grant was received to aid the Company in the financing of consultant services towards a project. The grant amount was taken to other income in full during the year as with the related expenses.

18 Finance and other cost

	2022 $	2021 $
Finance cost is comprised as follows:		
Loan interest charges	2,763,838	2,659,349
Customer deposit interest	63,530	64,841
	2,827,368	2,724,190
Deferred expense amortization	71,313	76,247
	2,898,681	2,800,437

19 Operating revenue

	2022 $	2021 $
Domestic	26,795,186	27,135,073
Commercial	28,286,017	27,893,995
Industrial	2,133,244	2,258,500
Hotel	2,072,904	2,186,286
Street lighting	1,519,922	1,498,202
	60,807,273	60,972,056
Fuel Surcharge	51,022,533	30,777,276
	111,829,806	91,749,332
Other revenue	401,330	300,261
	112,231,136	92,049,593

20 Related party transactions

Key management compensation

	2022 $	2021 $
Salaries and other short-term benefits	2,320,784	1,756,740
Directors' fees	103,648	67,320
Post-employment benefit	51,128	54,786
	2,475,560	1,878,846

Other related party transactions

Until March 31, 2022, the Company engaged in transactions with its then indirect parent Emera (Caribbean) Incorporated (ECI). These are expenses paid on behalf of the Company. These include insurance, consultancies, professional fees and corporate support. Total transactions with ECI for the year are $610,010 (2021 - $1,204,576).

	2022 $	2021 $
Due to Emera (Caribbean) Incorporated (ECI)	-	5,728,906

The amounts advanced by ECI have no fixed date of repayment and are interest-free. The Company repaid all amounts outstanding, $6,339,054 (2021 – 869,874) to ECI in March 2022 prior to divestment of its entire controlling interest on March 31, 2022.

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.

	2022 $	2021 $
Net (Loss) /profit for the year	(784,666)	3,611,779
Weighted average number of common shares	10,417,328	10,417,328
Basic and diluted earnings per share (cents)	(8)	35

22 Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was $275,049 (2021 - $261,671).

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 $83.6 million. Included under the facility is an overdraft facility with a limit of $3.0 million. In an effort to improve short-term liquidity, the Board of Directors approved an extension to the limit to $9.0 million up to 31 October 2026. The board also approved a short-term increase in the overdraft limit to $12 million for the period January 1 to December 31, 2022 in an effort to improve immediate liquidity. As at 31 December 2022, the Company had utilized $8,501,931 (See Note 10) (2021 - $7,196,021) of the facility.

24 Capital commitments

The Company budgeted capital expenditure of $21,494,623 (2021 - $20,119,658) for the 2022 income year. A total of $7,748,200 of incomplete 2021 approved budget was included in 2022 to facilitate the completion of a number of ongoing projects. A total of $18,434,315 (2021 - $16,196,255) was contracted for at 31 December 2022.

25 Contingent liabilities

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

26 Prior year adjustment

During the year 2022, it was discovered that the Company’s network assets were under-impaired in the financial year 2017. This resulted in an overstatement of property, plant and equipment and the related depreciation up to and including the year 2021. The error has been corrected by restating the opening retained earnings at January 1, 2021 for the effects of the adjusted impairment and depreciation for the years 2017 to 2020 and restating property, plant and equipment and depreciation in 2021. The following table summarize the impacts on the Financial Statements.

26 Prior year adjustment (continued)

Statement of Financial position

Assets	2021 As previously reported $	Adjustments	2021 As restated $
Non-current assets			
Property, plant and equipment	179,794,030	(827,978)	178,966,052
Right of use asset	58,569	-	58,569
	179,852,599	(827,978)	179,024,621
Current Assets	48,894,625	-	48,894,625
Total assets	228,747,224	(827,978)	227,919,246
Equity			
Share capital	10,417,328	-	10,417,328
Retained earnings	82,183,146	(861,944)	81,321,202
	92,600,474	(861,944)	91,738,530
Deferred tax liability	20,004,712	33,966	20,038,678
Other non-current liabilities	83,663,990	-	83,663,990
Non-current liabilities	103,668,702	33,966	103,702,668
Current Liabilities	32,478,048	-	32,478,048
Total equity and liabilities	228,747,224	(827,978)	227,919,246

Statement of Comprehensive Income

	2021 As previously reported $	Adjustment	2021 as restated $
Operating revenue	92,049,593	-	92,049,593
Operating expenses			
Other expenses	(71,836,053)	-	(71,836,053)
Depreciation	(13,190,898)	135,862	(13,055,036)
	(85,026,951)	135,862	(84,891,089)
Operating income	7,022,642	135,862	7,158,504

26 Prior year adjustment (continued)

Statement of Comprehensive Income (continued)

Other income	862,002	-	862,002
Finance and other costs	(2,800,437)	-	(2,800,437)
Profit before taxation	5,084,207	135,862	5,220,069
Taxation	(1,574,324)	(33,966)	(1,608,290)
Net profit for the year	3,509,883	101,896	3,611,779
Basic and diluted earnings per share (cents)	34	1	35