

Schedule 1
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended 31st December 2018

Issuer Registration number

DOMLEC30041975DM

Dominica Electricity Services Limited

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

DOMINICA

(Territory of incorporation)

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

(Address of principal office)

REPORTING ISSUER'S:

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

Fax number: (767) 448 5397

Email address: domlec@domlec.dm

(Provide information stipulated in paragraphs 1 to 14 hereunder)

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

Yes

No

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

CLASS	NUMBER
Ordinary	10, 417, 328

SIGNATURES

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

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

Name of Chief Executive Officer:

Bertilia McKenzie

Name of Director:

Fredrick James

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

May 30, 2019
Date

May 30, 2019
Date

Name of Chief Financial Officer:

Clyde A. Edwards

SIGNED AND CERTIFIED

May 29, 2019
Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

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

2018 was a very challenging year with the Company striving to deliver on the expectations of its stakeholders, particularly its customers, shareholders and employees. The Company's sole focus was to safely restore the power supply to its customers following the passage of Hurricane Maria on September 18, 2017.

By the end of 2018, 28,353 customers or 77.7% of the pre-Maria count were safely connected to the grid. However, projected customer energy consumption has not kept pace with forecasts. A 12-month comparison reveals that 2018 sales were 56.4% of pre-Maria sales.

At the commencement of the restoration process, the Company set a 95% target to reconnect customers within 7 days of receipt of electrical certificates if the location had access to power. The Company is pleased to report that 97.25% of customers were connected within 7 days.

By year-end, 100% of our customers had access to the grid if they were willing and able to reconnect. However, it has been observed that a significant number of customers are not ready for reconnection and further, the consumption of connected customers is not comparable with pre-Maria levels. This has placed the Company in an unenviable position as \$64,131,208 has been expended on the restoration but the expected recovery in sales has not yet materialized.

The increase in line construction activities necessitated the importation of external resources to assist with this work. We are truly grateful for all the assistance received from regional utilities and CARILEC, the Governments of Dominica and Cuba, and Emera and its affiliates.

Implementation of the Generation Restoration Plan continued. Total Available Capacity at year-end was 21.82MW. This represents 79.84% of pre-Maria installed capacity. Table 3 shows the available capacity at year-end 2018. The adherence to safety principles, practices and procedures remained of paramount importance during restoration. This was demonstrated by the enhancement of safety oversight of the field work. Safety supervision by DOMLEC was augmented by a total of eight safety officers from TECO, Barbados Light and Power Co. and Emera Caribbean Inc. This resulted in a decrease in safety incidents during the year.

In its drive to continue to provide service excellence to its customers, the Company signalled its commitment by launching its Customer Service Charter in December 2018. The Charter communicates the framework for defining service delivery standards, the rights and responsibilities of customers and how customer issues and concerns are handled. It sets expectations for service and demonstrates the utility's transparency which aims to build trust between it and its customers.

During the year the Company explored several avenues aimed at moving towards its sustainable renewable energy goals. The negotiations targeted at the development of a Power Purchase Agreement (PPA) with the Dominica Geothermal Development Company was one such activity. The PPA for the purchase of geothermal energy is expected to be signed in 2019.

Another activity was DOMLEC's involvement in the preparation of a Strategic Renewable Energy Plan (S-REP) for the Country. The Plan is being developed by the Clinton Climate Initiative team. The goal is to assess multiple generation and T&D options to determine the path to the most cost-effective, reliable and resilient electricity system. The S-REP Final Report is due by May 2019.

2018 was a year in which restoration costs of \$64,131,208 had to be met by the utility, which faced adverse sales and cash flow positions. The previously arranged standby facility of EC\$30 million from the National Bank of Dominica (NBD) proved inadequate. Therefore, additional financing in the form of loan, i.e. EC\$43.5 million and

2. Properties.

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

See attached Exhibits.

3. Legal Proceedings.

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

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

BETWEEN:
Dominica Electricity Services Ltd.
Applicant

AND

The Independent Regulatory Commission
Respondent

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

The passage of Hurricane Maria on September 18th 2017, disrupted the parties' full compliance with the Order of the High Court of Justice made on June 27th 2017 in respect of the conduct of the matter. A request was made for the scheduling of the matter on the Court list. In February 2019, the Court fixed trial of the matter for three (3) days to be held on the 23rd, 24th and 25th October, 2019.

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

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

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

July 5th 2018 44TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

Election of Directors

On June 8th 2018 and June 21st 2018, Directors Martin Charles and Archibald Collins, respectively, tendered their resignations from the Board both being effective at the close of the annual general meeting on July 5th 2018. At the annual general meeting, Messieurs Cecil Joseph and Roger Blackman were elected as directors, unopposed, to fill the vacancy created by the resignation of Messieurs Martin Charles and Archibald Collins. Both directors will serve for a term of one year which is the unexpired term of their predecessors.

The Directors whose term of office continued after the meeting are:

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

Re-Appointment of Auditors

On a majority vote by a show of hands, Ernst & Young were re-appointed as auditors of the company for the year ending December 31st 2018 and the directors were authorised to fix their remuneration.

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

NA

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

NA

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

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

None

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

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

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

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

7. Disclosure about Risk Factors.

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

Financial Risk

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 risk, credit risk and underinsurance risk. The Group'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\$ 2.70=US\$ 1.00 since July 1976.

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

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

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

The Company's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. However, the company has had to secure funding at floating interest rates to support its hurricane restoration efforts.

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, 2018, all of the Company's borrowings are at fixed and floating rates.

(iv) 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 and secured borrowing facilities. The ability to

8. Changes in Securities and Use of Proceeds.

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

None

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

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

N/A

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

N/A

- Name and address of underwriter(s)

N/A

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

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

N/A

- Payments to associated persons and the purpose for such payments

N/A

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

N/A

9. Defaults upon Senior Securities.

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

None

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

N/A

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

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

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

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

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

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

General Discussion and Analysis of Financial Condition

Principal Activities:

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

Financial Results:

Total revenue dropped in 2018 by 21.8% to EC\$56.74 million, EC\$15.80 million lower than 2017. Total revenue from electricity sales for the year was EC\$38.76 million compared to EC\$52.18 million in 2017. Total operating expenses were EC\$61.85 million. Other income and finance cost were EC\$3.48 million and EC\$2.66 million respectively.

Net loss after the current year's tax was EC\$2.50 million. This compares to the previous year's loss of EC\$9.35 million. Earnings per share for the year was negative \$0.24 compared to earning per share of negative \$0.90 in 2017.

Dividends:

No dividend payment was made this year.

Liquidity and Capital Resources

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

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

Liquidity:

As at December 31, 2018, the company had a positive cash balance of EC\$4.39 million. Loan draw-downs amounted to EC\$41.36 million to finance restoration activities.

Capital Resources:

The company spent EC\$55.55 million to acquire additional Property, Plant and Equipment this financial year. In 2017, a loss on disposal of \$13,42 million was recognised on the Company's assets as a result of the passage of Hurricane Maria.

Funding:

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

Off Balance Sheet Arrangements

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

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

The company has not engaged in Off Balance Sheet Arrangements

Results of Operations

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

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

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

Overview of Results of Operations

SALES

Electricity sales for the financial year ended December 31st, 2018 totaled 56.89 GWh. This represented an overall decrease of 37.9% over unit sales in 2017. This decline was driven by the devastating impact of Hurricane Maria on the Company's operations in the last quarter of 2017. As at year-end 2018, 78.1% of the company's 36,499 pre-Hurricane Maria customers were reconnected. This year, the company recorded average negative sales growth of 27.5% when compared to 22.1% the previous year.

Sales units to all sectors recorded significant decreases when compared to 2017. The two largest sectors Domestic and Commercial recorded declines of 32.4% and 14.9% respectively. Sales to the other sectors declined by 75.8% for Street lighting, 50.3% for the Hotel Sector and 46.7% for the Industrial sector.

GROSS REVENUE

Total revenue dropped in 2018 by 21.8% to EC\$56.74 million, EC\$15.80 million lower than 2017. This was mainly due to a decline in electricity revenue of EC\$13.41 million or 25.7%. Total revenue from electricity sales for the year was EC\$38.76 million compared to EC\$52.18 million in 2017.

Fuel surcharge decreased by EC\$0.99 million or 5.3% to EC\$17.85 million for the year due to reduction in consumption. Last year, the company recorded fuel surcharge of EC\$18.84 million.

There was also a decrease in other revenue of EC\$1.39 million to EC\$0.12 million compared to EC\$1.51 million in 2017. In 2017, an adjustment of EC\$1.07 million was made to deferred credits as early recognition of revenue in respect of suspense jobs that were assessed as impaired at year-end. Deferred revenue is normally amortised in accordance with the depreciation rate of the asset when complete.

OPERATING EXPENSES

Operating expenses amounted to EC\$61.85 million and was lower than 2017 by 12.4% or EC\$8.76 million. The company recorded total operating expenses of EC\$70.61 million last year.

Fuel costs totaled EC\$20.59 million, EC\$4.21 million or 17.0% lower than 2017 and accounts for 33.3% of total operating expenses. The company recorded a 28.1% drop in fuel consumption over 2017. Production from diesel generation decreased by 35.77GWh or 46.5%. Hydro production also reduced by 11.33GWh or 31.9%. The Hydro Padu units suffered extensive damages Post Hurricane Maria and are still non-operational. Limited generation is being experienced at Trafalgar.

Generation expenses were EC\$5.40 million, representing a decrease of EC\$3.12 million or 36.6% over the prior year. Maintenance of plant was lower than 2017 by EC\$2.74 million as less maintenance was done due to lower running time of the units when compared to last year.

General expenses reduced by EC\$3.37 million or 22.2%, totaling EC\$11.79 million for 2018. Employment benefit expenses also decreased by EC\$1.30 million due to restoration work conducted and related cost capitalized. Bad debt expense decreased by EC\$0.54 million to EC\$0.63 million from EC\$1.18 million in 2017 given the improvement in collections. There were also reductions in public relations of EC\$0.25 million, bank and credit charges of EC\$0.22 million as well as legal and professional expenses of EC\$0.14 million.

Engineering and Distribution expenses were EC\$8.06 million down by EC\$1.02 million or 11.3% from EC\$9.08 million last year arising mainly from hurricane restoration costs. Operating cost related to hurricane restoration was less than last year by EC\$0.34 million given the winding up of the restoration process.

Insurance expense amounted to EC\$2.31 million, an increase of EC\$0.48 million or 26.5% over the previous year caused by increases in insurance premiums due to Hurricane Maria.

Depreciation expenses for 2018 was EC\$13.70 million. This reflects an increase of EC\$2.48 million or 22.1% over 2017 attributed to new additions to Property, Plant and Equipment during the year.

OTHER INCOME

Other Income for 2018 was EC\$3.48 million, an increase of EC\$2.31 million when compared with the previous year. The increase was mainly due to a gain on the disposal of fixed assets of EC\$2.73 million arising from insurance proceeds of EC\$4.81 million from insurance claims Post Hurricane Maria. Last year, the company recorded a gain on insurance claim of EC\$0.40 million and amortization of capital grants of EC\$0.12 million, collectively amounting to EC\$0.52 million. There were no such income recorded this year.

FINANCE & OTHER COST

Finance and Other Cost decreased by EC\$12.12 million down from EC\$14.79 million in 2017. Last year, the company recorded a loss on disposal of plant and equipment of EC\$13.42 million arising from the write-offs of fixed assets for damages sustained Post Hurricane Maria. Further, loan interest charges increased this year by EC\$1.34 million.

LOSS

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

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

None

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

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

13. Other Information.

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

None

14. List of Exhibits

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

- (i) Auditor's report;
- (ii) A balance sheet as of the end of each of the two most recent financial years.
- (iii) Consolidated statements of income, statements of cash flows, and statements of other stockholders' equity for each of the two financial years preceding the date of the most recent audited balance sheet being filed.
- (iv) Financial statements for the most recent financial year.
- (v) Notes to Financial Statements.
- (vi) Financial Statements, Statement of Revenue Reserves, and Changes in Financial Position for the year ended December 31, 2017 and December 2018
- (vii) List of Properties.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Fabierre Adler Hamlet Position: Director

Mailing Address: CASTLE COMFORT, P.O. Box 2397, Roseau, Dominica
CASTLE COMFORT, P.O. Box 2397, Roseau, Dominica

Telephone No.: 767 235 6890 (Mobile) 767 440 2723 (W)

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

REALCO COMPANY LTD
Owner/CEO 2008 – To Date
General Management: Specification, design, procurement, and installation of electrical power systems, plant and equipment.
AADAT ENGINEERING LTD
Owner/CEO 2008 – To Date
General Management: Contractor/Consultant in construction & building services; standby generator installation; energy audits; plant and equipment appraisal.

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

University of the West Indies	1976	Trinidad
B.Sc (Hons) Mechanical Engineering		
The Association of Certified Chartered Accounts	1983	United Kingdom
Diploma in Accounting and Finance		
University of The West Indies	1987	Barbados
• Certificate in Energy Management		
The University of Warwick	1998	United Kingdom
• Master of Business Administration		

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Carl Maynard Position: IT MANAGER

Mailing Address: P.O Box 1593 Castle Street, Roseau Dominica

Telephone No.: (767) 255 6147

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

March 2004 to Present: Information Technology Manager Dominica Electricity Services LTD
Direct and manage the entire IT operations for Dominica Electricity Services LTD. Partner with other members of the Senior Management team to forecast and plan information processing and communication network needs of the company. Translate strategic and tactical business/technological plans into IT strategic and operational plans. Provide senior level leadership on all IT security, disaster recovery and risk management concerns. Establish, document and administer all IT operational policies and procedures to control system and data integrity risks. Create and analyse annual IT Operating expenses and Capital Budget, evaluate and negotiate proposals for software and hardware services

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

Bachelors of Computer Science - Barry University Miami Florida, May 1991
Microsoft Certified Systems Engineer - Microsoft, December 2002
Information Technology Management for IT Managers, LearningTree, August 2009
Disaster Recovery /Business Continuity Certified Professional, Sentryx, August 2010
Vmware Certified Professional – Vmware, September 2013
CISSP (Certified Information Security Professional), INFOSEC Institute, July 2013
Excellent IT Leadership for IT Managers, Henly Business School, London, June 2015
ITIL (Information Technology Infrastructure Library), Purple Griffon, London, May 2017.

Also a Director of the company Yes No

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Dave Winston Stamp Position: Generation Manager

Mailing Address: c/o Dominica Electricity Services Ltd. 18 Castle Street, PO Box 1593, Roseau, Commonwealth of Domi

Telephone No.: (767) 235- 9965 – mobile(767) 255-6117 - Office

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

Distributed Generation Marketing Services Jamaica Limited (DGMS JAL) - 2009 - 2011
Mechanical Construction/Plant Manager – Caribbean Green Energy/Palmyra Resorts Tri-Generation Plant
Technical Manager/Consultant – 800kW, 2000PPH Co-Generation Power Plant @ a Kingston Feed Manufacturing Facility
Dominica Electricity Services Limited (DOMLEC) – November 2011 – present
Generation Manager
• Reporting to the General Manager
• Responsible for:
o Management of 27 MW of generating assets including:
6MW of hydro power plants
21MW of diesel power plants
Supporting personnel, property and auxiliary equipment and facilities
o Project Leader for DOMLEC’s technical integration of the Government of the Commonwealth of Dominica (GOCD) geothermal electrical power generation initiative

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

Bachelor of Science (Hons.)– Mechanical Engineering, UWI (1985)

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: CECIL JOSEPH **Position:** MANAGER, DBS RADIO

Age: _____
Mailing Address: BEAU BOIS, CASTLE COMFORT

Telephone No.: _____

List jobs held during past five years (include names of employers and dates of employment).

2001 - 2013 Mayor - City of Roseau
2002 - 2010 Director of Dominica Air and Sea Ports Authority (DASPA)
2012 - 2013 Director of the Drug and Treatment City Partnership of EU-LAC/ EU-LAC (European Union of Latin America and the Caribbean)
2001 - 2014 Sales and Marketing Manager, Dominica Broadcasting Corporation
2014 to Present :- Manager, Dominica Broadcasting Corporation
2014 to Present:- Member, Drug Advisory Council, Ministry of Health, Government of Dominica

Give brief description of current responsibilities

1. Implement all policies and guidelines as directed by the Board of Directors of the Corporation
2. ensure that the Corporation functions within the parameters and under the conditions set out in the broadcasting Act No. 46 of the Commonwealth of Dominica
3. Be responsible and accountable for the overall day to day operations of the Corporation
4. Be responsible for the overall spending of the Corporation and direct the implementation of avenues for revenue generation

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

1996 Certificate course, UWI Open Campus, Mona Jamaica

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Ricaido Jennings
Position: Director

Age: _____
Mailing Address: c/o The Barbados Light & Power Company Limited
PO Box 142, Garrison Hill, St. Michael, BB11000, Barbados W.I.

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).

Director of Finance - The Barbados Light & Power Company Limited - Oct 2014 to Present
Senior Financial Officer - CIBC FirstCaribbean International Bank Limited - March 2013 to Sep 2014
Financial Controller - The Barbados Light & Power Company Limited - Aug 2009 to March 2013

Give brief description of current responsibilities

Responsible for leadership of the finance department of the company which includes - Financial planning and reporting, Financial management, Supply Chain Management and Customer Care.

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

Fellow of the Association of Certified Chartered Accountants - F.C.C.A. - Qualified 2001, Admitted to membership 2004, made fellow 2009.

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: ROGER BLACKMAN Position: MANAGING DIRECTOR

Age: _____

Mailing Address: BARBADOS LIGHT & POWER CO LTD
GARRISON HILL, ST MICHAEL
BARBADOS, BB11000

Telephone No.: _____

List jobs held during past five years (include names of employers and dates of employment).

July 2016 – Present	The Barbados Light & Power Co. Ltd. Managing Director
2014 – 2016	Emera Inc. Senior Business Development Director

Give brief description of **current** responsibilities

Managing Director at The Barbados Light & Power Co Ltd

Directing, administering and coordinating the internal operational activities of the organisation in accordance with policies, goals and objectives established by the President and Board of Directors.

Leading and directing the day to day operations of all areas of the business.

Promoting positive relations with internal and external stakeholders including customers, the financial community, regulators and government.

Working collaboratively with Emera Caribbean Ltd. and affiliate organisations in the region to the benefit of customers and the group.

Contributing to strategic development at local and group level through local and regional insights.

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

Durham University, UK (2008)

- *MBA*

University Of The West Indies - St. Augustine, Trinidad (1991)

- *B.Sc. (Eng.) Hons. Mechanical Engineering*

Use additional sheets if necessary.

B. DIRECTORS OF THE COMPANY

Name: David Keith McGregor

Title: President and COO, Grand Bahama Power Company

Mailing Address: Pioneers Way & East Mall Drive,
P.O. Box F-40888 Freeport, Grand Bahama,
The Bahamas

Telephone No.: (242) 727 6029

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

2006-2010

Station Manager - ATCO Power, Windsor Ontario - 600MW Power Station
Responsible for all aspects of management & operations.

2010-2013

Senior Director/General Manager- Technical & Construction Services
Nova Scotia Power – Halifax - Responsible for all aspects of generation, transmission and construction engineering (\$500 Million per annum)

2013- 2018

VP Asset Management, Emera - Asset management for all Emera Caribbean Assets (DOMLEC, Grand Bahama Power and Barbados Light and Power.

2018 – Current

President and Chief Operating Officer, Grand Bahama Power Company. Fully responsible for all aspects of the GB Power Company, with a customer count of 19,000, reporting to a Board of Directors. Responsible for the company's transition to clean energy resources.

Education (degrees, schools, and dates):

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

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Joseph Peltier

Position: Director

Age:

Mailing Address: Siboulie
Pointe Michel
Dominica

Telephone No.: 767-440-8892 (LL); 767-285-3173 (Mobile)

List jobs held during past five years (include names of employers and dates of employment).

1. Layou Park Nature Farms- LPNF (2013-Present)
Proprietor /Managing Director
2. Canadian International Development Agency (January-March 2013)

Give brief description of **current** responsibilities

1. SPECIFIC RESPONSIBILITY
 - Managing operations along the value chain
2. SPECIFIC RESPONSIBILITY
 - Consultant and team member to the *Caribbean Local Economic Development (CARILED) Project* in Dominica:
 - The range and status of existing economic activities and business enterprises in the catchment area of Woodfordhill

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

Dates	Name of University	Subjects Majored	Degree Received
9/1971 – 6/1973	Boston College	Development Economics	M. A.
9/1967 – 6/1971	University of Massachusetts	Economics, French	B. A.
9/1984 – 3/1995	Institute of Social Studies, The Hague, Netherlands	Development Planning Techniques (quantitative methods, econometrics and forecasting, project planning and appraisal, project implementation, money and banking, rural development)	Post Graduate Diploma
1995	INCAE-Nicaragua	Harvard University programme in management and development	Certificate

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ellise Darwton Position: Company Secretary/Legal Officer

Mailing Address: 91 Victoria Street Roseau Commonwealth of Dominica

Telephone No.: (767) 448-5833/ 255- 6019

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

1st April 2003 to Present- DOMLEC – Company Secretary/Legal Officer

Advises the board and management on all matters related to the company's operations, its legal and regulatory environment and on matters specific to the industry in which it operates. Drafts and reviews all company contracts and agreements. Ensures company's compliance with required statutory and regulatory filings with the Company Registry, Eastern Caribbean Securities Exchange, Eastern Caribbean Securities Regulatory Commission and Independent Regulatory Commission. Organizes board and shareholder meetings, records and keeps minutes of board and shareholder meetings.

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

June 2017 - LLM (EIL) Osgoode Hall Law School, York University, Canada

November 2008 – Acc. Dir. – Institute of Chartered Secretaries and Administrators of
Canada

November 2007– F.C.I.S - Institute of Chartered Secretaries and Administrators of
Canada

October 1997 – Legal Education Certificate –Sir Hugh Wooding Law School, Trinidad

October 1995 – LL.B. (Hons) UWI

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ronald Isidore Position: Human Resource & Admin Manager

Age: _____

Mailing Address: Mahaut, Dominica

Telephone No.: (767) 255 6149

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

2005 - 2007	Human Resource/Operations Manager O.D. Brisbane & Son/UDL
2007 - Present	Provide Services in Human Resource Management; Business & Institutional Development, Training Leader
September 2017	Human Resource and Administration Manager Dominica Electricity Services Limited
	Major Duties and Responsibilities
	1. General administrative services
	• Ensuring the maintenance of Company buildings
	• Providing accommodation where necessary e.g. new employees
	• Arranging janitorial and office attendant services

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

Bachelor of Arts, June 1991	IONA COLLEGE, New Rochelle, NY, (Society of Human Resource Management Affiliate)
Associate of Arts, May 1989	HOLY CROSS Jr. COLLEGE, Notre Dame, IN

Also a Director of the company Yes No

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

Use additional sheets if necessary.

EXECUTIVE OFFICERS

(1)

Position: General Manager

Name: Solange Bertilia LeBlanc-McKenzie

Age: 52

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

Telephone No.: Home: 767 448-7727; Work: 767 448 2681; Mobile: 767 235 2902

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

EMPLOYER

Dominica Electricity Services Limited

POSITION

◆ **Human Resources and Administration Manager** 2002 – July 2014

Job Responsibilities Included:

- Developing policies and procedures on all Human Resource Functions
- Co-ordinating Staff Training
- Co-ordinating Performance Appraisal System
- Co-ordinating the Recruitment Process
- Developing and implementing Personnel Policies and Procedures
- Maintaining the Personnel Filing System
- Administering the Employee Benefits Program
- Assisting Line Managers in handling Employee Related issues
- Supervising the Human Resources & Administration Department Staff
- Providing Counselling to Management on Human Resource issues
- Co-ordinating the Occupational Health and Safety Function
- Managing the Employee Relations Function
- Providing general administrative services
- Preparing annual budgets
- Monitoring adherence to Health & Safety policies and practices
- Managing the Stores/Purchasing & Fleet sections

◆ **General Manager**

August 2014 to Present

Job Responsibilities Include:

- To recommend strategies, business plans, budgets, policies and courses of action to the Board and to implement those approved
- To manage financial strategy and controls
By
Deciding on budgeted expenditure through the expenditure approval processes
- To direct and lead the senior management team
By
Identifying actions required and issuing instructions for the achievement of same
- To monitor performance of senior management
By
Comparing the objectives set with outcomes and by making recommendations for improvement where required
- To cultivate stable relationships with government and other agencies
- To create an effective public image of the company by assuring that the organization is consistently presented in a strong and positive manner to its shareholders
- Report on the organisation's operations to the Board.
- Any other related duties

EDUCATION (DEGREES, SCHOOLS, AND DATES):

- ◆ Brooklyn College of the City University of New York, Brooklyn, N.Y., June 1988
Bachelor of Arts (Hons.)
Major: Economics
Minor: Psychology
 - ◆ University of the West Indies, 1998
MBA Distinction
Major: Operations
 - ◆ University of the West Indies, 2000
MBA HRM
 - ◆ Human Resource Certification Institute (HRCI), Alexandria Virginia, June 2012
Senior Professional in Human Resource (SPHR)
-
-

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time: _____

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Frederica James Position: Chairman – HR and Compensation Committ

Mailing Address: C/o Dominica State College Faculty of Arts and Sciences Stock Farm Campus Stock Farm

C/o Dominica State College Faculty of Arts and Sciences Stock Farm Campus Sto

Telephone No.: (767) 275 5190

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

Dominica State College	Lecturer/Counsellor 1990 to present	Lecturer – psychology I and II Educational Psychology Health Psychology Introduction to Counselling
------------------------	--	--

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

Associate of Arts	Office administration – Executive Secretary Concentration – University of the Virgin Islands	1985
Bachelors of Science	Business Administration – Accounting Concentration – University of the Virgin islands	1989
Masters of Science	Counselling Psychology - University of Kansas	2004

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Lemuel Lavinier Position: Engineering, Transmission & Distribution

Mailing Address: P O Box 1695 Roseau Dominica

Telephone No.: (767) 255 6138

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

DOMLEC – Engineering, Transmission & Distribution Manager, September 2009 – present. He is responsible for the engineering functions relating to the transmission and distribution of electricity. Additionally, he is responsible for managing the organisation's vehicle fleet and designing and implementing sustainable energy (renewable energy and energy efficiency) services both internal and external to the company.

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

University of Bradford - November 2016 - Master of Business Administration
University of Manchester (UMIST) – June 2001 – BEng (Hons) Electrical & Electronics Engineering

Also a Director of the company Yes No

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Marvelin Etienne Position: Financial Controller

Mailing Address: PO Box 1593 18 Castle Street Roseau, Dominica

Telephone No.: (767) 255-6151

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

Financial Controller - DOMLEC - 1 Feb 2002 to August 2018

Responsible for:

- Company's internal controls mechanisms
- Accounting policies and practices
- Internal and external financial reporting
- Taxation
- Regulatory
- Budgeting and strategic planning
- Insurance
- Treasury/cash management
- Auditor relations
- Purchasing and stores

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

Certified General Accountant – Certified General Accountants Association of Canada-March 2002

Associate Degree – Accounting –Tri-County Technical College, South Carolina, USA – August 1990

Certificate in Micro-computer Applications – Tri-County Technical College, South Carolina, USA – August 1990

Also a Director of the company Yes No

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: PAUL MOSES Position: COMMERCIAL MANAGER

Mailing Address: P.O. BOX 2244 ROSEAU

Telephone No.: 1-767-275-7062

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

DEPUTY MANAGER
PDV CARIBE (DOMINICA) LTD.
JUNE 2008 - JUNE 2016

COMMERCIAL MANAGER
DOMINICA ELECTRICITY SERVICES LIMITED
OCTOBER 2016 -PRESENT

CURRENT RESPONSIBILITIES:

MANAGE DAY-TO-DAY OPERATIONS OF THE COMMERCIAL DEPARTMENT;
MANAGE STAFF OF COMMERCIAL DEPARTMENT
BUDGET PREPARATION AND CONTROL
MONITOR AND REPORT ON PERFORMANCE ON CORPORATE AND DEPARTMENTAL GOALS AND OBJECTIVES
MANAGE CUSTOMER RELATIONSHIP

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

BACHELOR OF COMMERCE (1st Hon.), PANJAB UNIVERSITY, INDIA, 1985
MASTER OF BUSINESS ADMINISTRATION, LOUGHBOROUGH UNIVERSITY OF TECHNOLOGY, ENGLAND, 1996

Also a Director of the company Yes No

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

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Peter W. B. Williams Position: Deputy Chairman

Mailing Address: Chelsea House, Chelsea Road, St. Michael, Barbados
Chelsea House, Chelsea Road, St. Michael, Barbados

Telephone No.: 246 626 5000

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

<p>Light & Power Holdings Ltd., Barbados Managing Director Nov 2011 - Present Responsible to the Board of Directors for overall management of the Company with a focus on Caribbean energy & electric utility growth opportunities. Establish policy and responsible for compliance</p> <p>The Barbados Light & Power Co. Ltd., Barbados Managing Director July 2006- Nov 2011 Responsible to the Board of Directors for overall management of the Company Set overall strategic direction of the Company. Work with the management and senior staff team to achieve desired objectives.</p>
--

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

<p>MBA, The University of the Western Ontario (Ivey School of Business), 1990 MSc (Electrical Power Systems), The University of the West Indies, 1982 BSc (Mechanical Engineering), Manchester University (U.K.), 1977</p>
--

Use additional sheets if necessary.

**Dominica Electricity Services Limited
Fixed Assets Schedule**

Summary Year end: December 31, 2018

Description	Cost				Depreciation				Net book Value
	B/F	Additions	Disposals	C/F	B/F	W. B on Disposals	Charge	C/F	
LAND	4,399,680.27	-	-	4,399,680.27	-	-	-	-	4,399,680.27
BUILDING AND CONSTRUCTION	61,423,428.80	202,178.18	874,819.80	60,750,787.18	38,694,506.64	536,849.77	1,247,349.44	39,405,006.30	21,345,780.87
EQUIPMENT AND MACHINERY	85,064,454.90	210,840.68	1,865,436.00	83,409,859.58	56,551,465.60	293,806.00	4,086,237.47	60,343,897.07	23,065,962.51
ROADWORK	115,977,334.93	49,332,711.77	-	165,310,046.70	51,178,881.28	-	6,389,429.84	57,568,311.12	107,741,735.58
TRUCKS AND MOTOR VEHICLE	6,818,654.23	2,585,674.88	296,908.04	9,107,421.07	4,015,241.11	233,074.54	952,301.08	4,734,467.65	4,372,953.42
RESIDENTIAL FURNITURE	93,559.20	-	91,386.65	2,172.55	91,486.59	91,287.74	217.00	415.85	1,756.70
INTANGIBLE ASSETS	5,791,551.67	60,413.97	-	5,851,965.64	4,511,985.95	-	279,240.23	4,791,226.18	1,060,739.46
OFFICE APPLIANCES	5,668,026.37	39,206.57	102,517.73	5,604,715.21	2,599,271.07	28,673.69	636,404.93	3,207,002.31	2,397,712.90
OFFICE FURNITURE	1,715,106.77	234,256.27	24,371.35	1,924,991.70	1,103,716.24	11,089.96	111,421.75	1,204,048.03	720,943.67
TOTAL	286,951,797.14	52,665,282.32	3,255,439.57	336,361,639.90	158,746,554.47	1,194,781.70	13,702,601.74	171,254,374.51	165,107,265.38
INITIAL WORK IN PROGRESS	7,440,884.77	3,863,275.71	1,003,732.50	10,300,427.98	-	-	-	-	10,300,427.98
TOTAL	294,392,681.92	56,528,558.03	4,259,172.07	346,662,067.88	158,746,554.47	1,194,781.70	13,702,601.74	171,254,374.51	175,407,693.37

Dominica Electricity Services Limited

Financial Statements

**For the year ended December 31, 2018
(Expressed in Eastern Caribbean Dollars)**

Dominica Electricity Services Limited
Index to the Financial Statements
For the year ended December 31, 2018

(expressed in thousands of Barbados dollars)

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Gros Islet,
St. Lucia, W.I.

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 2018, 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 2018 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.



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
Expected Credit Loss Allowance	
<p>The Group adopted IFRS 9, Financial Instruments effective 1 January 2018. The standard changes the evaluation of credit losses from an incurred approach to an expected credit loss ("ECL") model which requires significantly greater management judgment and incorporation of forward-looking information. IFRS 9 requires the Company to record an allowance for ECLs for all receivables to customers and other financial assets not held at fair value through profit and loss.</p> <p>The estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Certain inputs used are not fully observable.</p>	<p>We evaluated the methodologies developed by the Company to estimate ECLs, and assessed their compliance with the requirements of IFRS 9.</p> <ul style="list-style-type: none"> ▸ We tested the completeness and accuracy of input data to the model used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining the default loss ratios. ▸ We assessed the adequacy of disclosures in the financial statements.

Other information included in the Company's 2018 Annual Report

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

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

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

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

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



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

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

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

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



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

Report on the Audit of the Financial Statements

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

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Chartered Accountants

St. Lucia

18 April 2019

Dominica Electricity Services Limited

Balance Sheet

As of December 31, 2018

(expressed in Eastern Caribbean dollars)

Assets	Notes	2018 \$	2017 \$
Non-current assets			
Property, plant and equipment	5	175,397,740	135,646,128
		<u>175,397,740</u>	<u>135,646,128</u>
Current assets			
Cash and cash equivalents	6	4,385,200	11,374,587
Trade and other receivables	7	18,470,607	13,525,019
Inventories	8	21,189,449	11,946,513
Corporation tax recoverable	14	1,233,057	1,233,057
		<u>45,278,313</u>	<u>38,079,176</u>
Total assets		<u>220,676,053</u>	<u>173,725,304</u>
Equity			
Share capital	9	10,417,328	10,417,328
Retained earnings		<u>78,037,812</u>	<u>80,542,803</u>
		<u>88,455,140</u>	<u>90,960,131</u>
Non-current liabilities			
Borrowings	10	67,367,786	30,151,149
Customers' deposits	11	3,748,577	3,701,273
Promissory note	20	-	2,716,900
Deferred revenue	12	11,433,875	11,241,237
Deferred tax liability	14	15,444,289	17,242,323
		<u>97,994,527</u>	<u>65,052,882</u>
Current liabilities			
Trade and other payables	15	20,341,759	10,821,311
Due to related party	20	3,745,552	1,232,983
Demand promissory note	20	2,716,900	-
Borrowings	10	7,422,175	5,657,997
		<u>34,226,386</u>	<u>17,712,291</u>
Total equity and liabilities		<u>220,676,053</u>	<u>173,725,304</u>

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

Approved by the Board of Directors on April 18, 2019 and signed on its behalf by:



.....Director



.....Director

Dominica Electricity Services Limited
Statement of Changes in Equity
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

	Common shares \$	Retained earnings \$	Total \$
Balance at December 31, 2016	10,417,328	93,022,706	103,440,034
Total comprehensive loss	-	(9,354,705)	(9,354,705)
Dividends paid (30¢ per share)	-	(3,125,198)	(3,125,198)
Balance at December 31, 2017	10,417,328	80,542,803	90,960,131
Total comprehensive loss	-	(2,504,991)	(2,504,991)
Balance at December 31, 2018	10,417,328	78,037,812	88,455,140

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, 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Operating revenue	19	<u>56,736,668</u>	<u>72,532,565</u>
Operating expenses			
Fuel		20,589,949	24,797,980
Generation		5,400,716	8,520,317
General		11,789,606	15,158,079
Engineering and distribution		8,059,089	9,081,525
Insurance		2,308,039	1,825,031
Depreciation	5	<u>13,702,601</u>	<u>11,225,930</u>
	16	<u>61,850,000</u>	<u>70,608,862</u>
Operating (loss)/income		(5,113,332)	1,923,703
Other income	17	3,479,170	1,171,717
Finance and other costs	18	<u>(2,668,863)</u>	<u>(14,793,215)</u>
Loss before taxation		(4,303,025)	(11,697,795)
Taxation	14	<u>1,798,034</u>	<u>2,343,090</u>
Net loss being comprehensive loss for the year		<u>(2,504,991)</u>	<u>(9,354,705)</u>
Basic and diluted earnings per share (cents)	21	<u>(24)</u>	<u>(90)</u>

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, 2018

(Expressed in thousands of Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Loss before taxation		(4,303,025)	(11,697,795)
Adjustments for non-cash items:			
Depreciation	5	13,702,601	11,225,930
Gain on foreign exchange		(88,747)	(22,159)
(Gain) loss on disposal of property, plant and equipment	17,18	(2,726,843)	13,421,632
Provision for inventory obsolescence	8	793,490	739,042
Finance costs	18	2,668,863	1,371,583
Amortization of deferred revenue	17	(663,580)	(629,342)
Amortization of capital grants	17	-	(120,299)
Net change in provision for other liabilities and charges		790,185	1,382,364
Operating income before working capital changes		10,172,944	15,670,956
Increase in trade and other receivables		(4,945,588)	(709,824)
Increase in inventories		(10,036,426)	(3,249,558)
Increase (decrease) in trade and other payables		8,535,391	(441,514)
Increase in due to related parties		2,512,569	3,795,259
Cash generated from operations		6,238,890	15,065,319
Interest and finance charges paid		(2,385,244)	(1,371,583)
Corporation tax paid	14	-	(2,279,206)
Net cash from operating activities		3,853,646	11,414,530
Cash flows used in investing activities			
Additions to property, plant and equipment	5	(55,549,113)	(22,167,552)
Proceeds on disposal of property, plant and equipment		4,821,744	-
Net cash used in investing activities		(50,727,369)	(22,167,552)
Cash flows used in financing activities			
Proceeds from borrowings	10	41,355,452	13,585,500
Dividends paid		-	(3,125,198)
Repayment of borrowings	10	(2,374,636)	(4,163,852)
Customers' contributions		856,217	2,086,406
Customers' deposits (net)	11	47,303	677
Net cash from financing activities		39,884,336	8,383,533
Net decrease in cash and cash equivalents		(6,989,387)	(2,369,490)
Cash and cash equivalents - beginning of year		11,374,587	13,744,077
Cash and cash equivalents - end of year	6	4,385,200	11,374,587

Dominica Electricity Services Limited

Notes to Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

1 General information

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

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

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.1 Basis of preparation ...continued

2.1.1 Changes in accounting policy and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendment to IFRS effective as of January 1, 2018. Unless otherwise noted, the adoption of the revised standards did not have a significant change on the financial statements of the Company.

- **IFRS 9, 'Financial instruments'**, issued in July 2014. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. No material adjustments were required for comparative information.

The assessment of the Company's business model was made as of January 1, 2018, and then applied retrospectively to the financial assets that were not derecognised before that date. Financial assets held by the Company include trade and other receivables, quoted debt securities and quoted equity securities. Trade and other receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These continue to be measured as at amortised cost.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Company to recognise an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss and contract assets. Impairment losses do not reduce the carrying amount of debt instruments at fair value through other comprehensive income in the balance sheet, which remains at fair value.

- **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.

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.1 Basis of preparation ...continued

2.1.1 Changes in accounting policy and disclosures ...continued

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

- **IFRS 15, 'Revenue from Contracts with Customers'...continued**

The standard provides a single, principles based five-step model to be applied to all contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company adopted IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at January 1, 2018. The adoption of IFRS 15 resulted in no adjustments to the Company's opening retained earnings as of the adoption date or the Company's statement of comprehensive income. The impact of the adoption of the new standard was immaterial to the Company's net income and is expected to be immaterial on an ongoing basis.

b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2018 but not currently relevant to the Company*

- **IAS 28, 'Investments in Associates and Joint Ventures'**, issued December 2016. The standard was amended to clarify 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 amendment is applicable for annual periods beginning on or after January 1, 2018. The amendment is not applicable to the Company.
- **IAS 40, 'Investment Property'**, amended in December 2003. The amendment states 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 applicable for annual periods beginning on or after January 1, 2018. The amendment is not applicable to the Company.
- **IFRS 2, 'Share-based Payment'**, issued June 2016. The amendment clarifies 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. The amendment is not applicable to the Company.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

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, 2018 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 12 'Income Taxes'**, issued in December 2017. The amendments clarify that the requirements to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised apply to all income tax consequences of dividends and is not only applicable to situations where there are different tax rates for distributed and undistributed profits. The amendment is applicable for annual periods beginning on or after January 1, 2019. The amendment is not expected to have an impact on the financial statements of the Company.
- **IAS 19 'Employee Benefits'**, issued February 2018. The amendments apply to plan amendments, curtailments or settlements. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment is applicable on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted but must be disclosed. The amendment is not expected to have an impact on the financial statements of the Company.
- **IAS 23 'Borrowing Costs'**, issued December 2017. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment is applicable for annual periods beginning on or after January 1, 2019. The amendment is not expected to have an impact on the financial statements of the Company.

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

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, 2018 and not early adopted...continued*

- **IFRS 16, 'Leases'**, issued January 2016. The new standard specifies how an IFRS reporter will recognise, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. With IFRS 16's approach to lessor accounting, the accounting substantially remains unchanged from its predecessor, IAS 17. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The new standard is effective for annual periods beginning on or after January 1, 2019.

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

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

The standard will affect the Company's financial position by increasing the assets and liabilities recorded relating to its operating leases. However, with the expected increase in right of use assets as at January 1, 2019 of \$6.3 million, the impact of the new standard on the Company's financial statements and disclosures is not expected to be material. In 2017, the Company developed and began execution of a project plan, which included holding training sessions with key stakeholders throughout the organization and gathering detailed information on existing lease arrangements. The Company will implement additional processes and controls to facilitate the identification, tracking and reporting of potential leases based on the requirements of the standard. Significant updates to systems are not expected.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

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, 2018 and not early adopted...continued*

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

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

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

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

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

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

2.4 Financial investments

The Company has classified its financial investments as loans and receivables. Management determines the classification at initial recognition and reviews the designation at every reporting date. The classification depends the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Loans and receivables

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

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.4 Financial investments ...continued

b) Financial assets at amortized cost

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

c) Impairment of financial assets

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

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

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

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

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.5 Financial investments ...continued

d) Derecognition of financial assets

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

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

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

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

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

2.6 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 the Self Insurance Fund is excluded from cash and cash equivalents as disclosed in the cash flow statement.

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.7 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. See Note 2.5c for the calculation of the impairment provision for trade 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.

2.8 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.

2.9 Share capital

Common shares are classified as equity.

2.10 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.

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

2.11 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.

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.11 Taxation ...continued

Current and deferred income tax ...continued

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

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

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

2.12 Customers' deposits

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

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

2.13 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.

2.14 Revenue recognition

Basic Revenue

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

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...continued

2.14 Revenue recognition...continued

Basic Revenue...continued

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

Fuel Revenue

Fuel costs are passed to customers through the fuel clause adjustment 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 respective regulator in each subsidiary country. The Company recognises fuel revenue on the basis of the amount recoverable for the accounting period.

Miscellaneous Revenue

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

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

Service fees are recognised as the various services are provided.

Other

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

2.15 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.

2.16 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.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management

3.1 Financial instruments by category

At December 31, 2018

	Loans and receivables \$	Total \$
Assets as per balance sheet		
Trade and other receivables excluding pre-payments	15,205,018	15,205,018
Cash and cash equivalents	4,385,200	4,385,200
Total	19,590,218	19,590,218
	Other financial liabilities at amortised cost \$	Total \$
Liabilities as per balance sheet		
Borrowings	74,789,961	74,789,961
Trade and other payables excluding statutory liabilities	20,140,010	20,140,010
Customers' deposits	3,748,577	3,748,577
Total	98,678,548	98,678,548

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

3.1 Financial instruments by category ...continued

At December 31, 2017

	Loans and receivables \$	Total \$
Assets as per balance sheet		
Trade and other receivables excluding pre-payments	12,732,188	12,732,188
Cash and cash equivalents	11,374,587	11,374,587
Total	24,106,775	24,106,775
	Other financial liabilities at amortised cost \$	Total \$
Liabilities as per balance sheet		
Borrowings	35,809,146	35,809,146
Trade and other payables excluding statutory liabilities	10,518,867	10,518,867
Customers' deposits	3,701,273	3,701,273
Total	50,029,286	50,029,286

3.2 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 Group'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.

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Financial risk factors ...continued

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

a) Market risk

i) Foreign currency risk

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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Euros and the Great Britain Pound (GBP). The exchange rate of the Eastern Caribbean dollar (EC\$) and the United States dollar (US\$) has been formally pegged at EC\$ 2.70=US\$ 1.00 since July 1976.

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

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

ii) Price risk

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

iii) Cash flow and fair value interest rate risk

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

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

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

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Financial risk factors ...continued

a) Market risk ...continued

Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates. At December 31, 2018 the Company held borrowings at both fixed and floating interest rates. At December 31, 2017 all borrowings were at fixed interest rates.

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

b) Liquidity risk

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

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

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

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

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, 2018					
Assets					
Cash and cash equivalents	4,385,200	-	-	-	4,385,200
Trade and other receivables	18,470,607	-	-	-	18,470,607
Total assets	22,855,807	-	-	-	22,855,807
Liabilities					
Borrowings	11,199,793	11,476,341	24,905,654	76,411,181	123,992,969
Trade and other payables	20,341,759	-	-	-	20,341,759
Customers' deposits	-	-	-	3,748,577	3,748,577
Total liabilities	31,541,552	11,476,341	24,905,654	80,159,758	148,083,305
At December 31, 2017					
Assets					
Cash and cash equivalents	11,374,587	-	-	-	11,374,587
Trade and other receivables	13,525,019	-	-	-	13,525,019
Total assets	24,899,606	-	-	-	24,899,606
Liabilities					
Borrowings	6,520,000	9,780,000	19,560,000	5,086,447	40,946,447
Trade and other payables	10,821,311	-	-	-	10,821,311
Customers' deposits	-	-	-	3,701,273	3,701,273
Total liabilities	17,341,311	9,780,000	19,560,000	8,787,720	55,469,031

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Financial risk factors ...continued

c) Credit risk

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

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers, including outstanding receivables and committed transactions. The Company's bank deposits and financial instruments are placed with reputable financial institutions to limit its exposure. Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from commercial customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition. Management does not believe significant credit risk exists at December 31, 2018, or 2017. Further analysis of the Company's trade receivables is disclosed in Note 7.

d) Underinsurance risk

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

3.3 Capital risk management

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

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

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

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

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.3 Capital risk management ...continued

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

	2018 \$	2017 \$
Shareholders' equity	<u>88,455,140</u>	90,960,131
Total borrowings	<u>74,789,961</u>	35,809,146
Debt/equity ratio	<u>1:1.18</u>	1:2.54

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 Group 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.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

4 Significant accounting judgements, estimates and assumptions ...continued

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.

Dominica Electricity Services Limited

Notes to the Financial Statements

For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

5 Property, plant and equipment

	Generation \$	Transmission and distribution \$	Other \$	Work in progress \$	Total \$
At December 31, 2018					
Cost	130,551,067	165,310,047	40,500,526	10,300,428	346,662,068
Accumulated depreciation	(94,375,129)	(57,578,266)	(19,310,933)	-	(171,264,328)
Net book amount	36,175,938	107,731,781	21,189,593	10,300,428	175,397,740
For the year ended December 31, 2018					
Opening net book amount	42,456,433	64,788,499	20,960,311	7,440,885	135,646,128
Additions and transfers	136,558	49,332,712	3,196,010	2,883,833	55,549,113
Retirals	(1,597,132)	-	(473,478)	(24,290)	(2,094,900)
Depreciation charge	(4,819,921)	(6,389,430)	(2,493,250)	-	(13,702,601)
Closing net book amount	36,175,938	107,731,781	21,189,593	10,300,428	175,397,740
At December 31, 2017					
Cost	132,654,552	115,977,335	38,319,910	7,440,885	294,392,682
Accumulated depreciation	(90,198,119)	(51,188,836)	(17,359,599)	-	(158,746,554)
Net book amount	42,456,433	64,788,499	20,960,311	7,440,885	135,646,128
For the year ended December 31, 2017					
Opening net book amount	45,538,108	68,692,311	19,950,355	3,945,364	138,126,138
Additions and transfers	2,870,212	12,319,007	3,226,756	3,751,578	22,167,552
Retirals	(957,618)	(12,090,953)	(117,005)	(256,057)	(13,421,632)
Depreciation charge	(4,994,269)	(4,131,866)	(2,099,795)	-	(11,225,930)
Closing net book amount	42,456,433	64,788,499	20,960,311	7,440,885	135,646,128

There were no borrowing costs capitalised during 2018 and 2017. For property, plant and equipment (“PPE”) pledged as security, see Note 10. In 2017, a loss on disposal of \$13,421,632 was recognised on the Company’s assets as a result of the passage of Hurricane Maria. The insurance recovery on the assets retired of \$4.81 million was recognized in 2018.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

6 Cash and cash equivalents

	2018	2017
	\$	\$
Cash in hand and at bank	4,385,200	11,374,587

7 Trade and other receivables

	2018	2017
	\$	\$
Trade receivables	9,148,549	10,339,073
Less provision for expected credit losses	(633,909)	(1,096,433)
Trade receivables, net	8,514,640	9,242,640
Other receivables	6,690,378	3,489,548
Less provision for expected credit losses	-	(81,922)
Other receivables, net	6,690,378	3,407,626
Prepayments	3,265,589	792,831
	18,470,607	13,525,019

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

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. Impairment losses are presented in general expenses in the Statement of Comprehensive Income. Subsequent recoveries are credited against the same line item.

The movement in the provision for impairment was as follows:

	2018	2017
	\$	\$
Balance - beginning of year	1,178,355	253,294
(Decrease) increase in provision	(544,446)	925,061
Balance - end of year	633,909	1,178,355

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.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

7 Trade and other receivables ...continued

Direct write-offs for impaired receivables during the year to the statement of comprehensive income was \$87,978 (2017 – a recovery of \$15,883).

The ageing of trade and other receivables is as follows:

	2018			2017		
	Trade receivables \$	Other receivables \$	Expected credit losses \$	Trade receivables \$	Other receivables \$	Expected credit losses \$
Less than 30 days	5,349,842	3,988,883	370,694	2,537,839	2,531,813	289,240
31 - 60 days	2,746,463	(327,497)	190,304	2,426,981	268,685	276,606
61 - 90 days	186,207	360,454	12,902	162,703	262,756	18,543
Over 90 days	866,037	2,668,538	60,008	5,211,551	508,216	593,966
	9,148,549	6,690,378	633,909	10,339,074	3,571,470	1,178,355

8 Inventories

	2018 \$	2017 \$
Networks spares	17,828,343	7,095,570
Generation spares	5,530,127	5,509,684
Fuel	475,485	446,524
Other	810,170	1,555,921
	24,644,125	14,607,699
Provision for impairment of inventories	(3,454,676)	(2,661,186)
	21,189,449	11,946,513

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of \$793,490 (2017 - \$739,042).

9 Share capital

	2018 \$	2017 \$
Authorised:		
15,000,000 Ordinary shares of no par value	15,000,000	15,000,000
Issued (2017 – 10,417,328) Ordinary shares	10,417,328	10,417,328

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

10 Borrowings

	2018	2017
	\$	\$
National Bank of Dominica Repayable by 2022 in monthly instalments of blended principal at an interest rate of 5% (2017 - 5%)	20,798,842	22,223,646
National Bank of Dominica Repayable by 2023 in monthly instalments of blended principal at an interest rate of 5%. (2017 - 5%)	29,738,969	13,585,500
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate (3.06% at December 31, 2018)	12,666,425	-
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with A floating interest rate (4.8% at December 31, 2018)	12,666,425	-
Less: Caribbean Development Bank Loan Appraisal Fees and Other Charges	(1,080,700)	-
Less: Current portion	(7,422,175)	(5,657,997)
Non-current portion	67,367,786	30,151,149

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

As at December 31, 2018, the Company was in breach of one of its covenants with the National Bank of Dominica under the existing credit facilities. The Bank issued a waiver to suspend its rights and powers relating to the breach of the debt service coverage covenant until January 1, 2020.

The maturity of borrowings is as follows:

	2018	2017
	\$	\$
Less than 1 year	7,422,175	5,657,997
Between 1 and 2 years	7,795,868	8,193,779
Between 2 and 5 years	14,150,778	20,537,596
Over 5 years	46,501,840	1,419,774
Total	75,870,661	35,809,146

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

10 Borrowings ...continued

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

	<u>Carrying amount</u>		<u>Fair value</u>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Borrowings	75,870,661	35,809,146	91,541,814	33,374,394

The fair values are based on cash flows discounted using a rate based on the Government bond rate of 7% (2017 - 7%).

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% (2017 - 2%) per annum.

	2018	2017
	\$	\$
Balance - beginning of year	3,701,273	3,700,596
New deposits	102,140	46,486
Deposits refunded	(54,836)	(45,809)
Balance - end of year	3,748,577	3,701,273

12 Deferred revenue

	2018	2017
	\$	\$
Customer contributions	11,433,875	11,241,237

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.

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

13 Capital grants

	2018	2017
	\$	\$
Balance - beginning of year	-	120,299
Amortization	-	(120,299)
	<hr/>	<hr/>
Balance - end of year	-	-

14 Taxation

Corporation tax expense

	2018	2017
	\$	\$
Current taxation	-	-
Deferred tax	(1,798,034)	(2,343,090)
	<hr/>	<hr/>
Taxation credit	(1,798,034)	(2,343,090)

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% (2017 - 25%) for the following reasons:

	2018	2017
	\$	\$
Loss before taxation	(4,303,025)	(11,697,795)
	<hr/>	<hr/>
Corporation tax at 25% (2017 - 25%)	(1,075,756)	(2,738,716)
Expenses not subject to tax	(124,087)	46,638
Income not subject to tax	-	(36,402)
Tax losses (recognized) not recognized	(541,048)	571,123
Under-provision of prior year tax credit	(57,143)	-
	<hr/>	<hr/>
Tax credit for the year	(1,798,034)	(2,343,090)

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

14 Taxation ...continued

Corporation tax payable

	2018	2017
	\$	\$
Opening (refundable) payable	(1,233,057)	1,046,149
Taxes paid	-	(2,279,206)
	<hr/>	<hr/>
Corporation tax refundable	(1,233,057)	(1,233,057)

Subject to agreement with the Inland Revenue Division, the Company has tax losses as at December 31, 2018 of \$9,704,925 (2017 - \$2,164,193) which may be carried forward and used to reduce taxable income in future years and for which no benefit has been recognized in these financial statements. The expiry date for claiming these losses is March 31, 2022 (\$2,164,193) and March 31, 2023 (\$7,540,732).

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%.

	2018	2017
	\$	\$
Balance - beginning of year	17,242,323	19,585,413
Current year credit	(1,798,034)	(2,343,090)
	<hr/>	<hr/>
Balance - end of year	15,444,289	17,242,323

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

	2018	2017
	\$	\$
Accelerated tax depreciation	71,482,081	63,953,043
Tax losses	(9,704,925)	-
	<hr/>	<hr/>
	61,777,156	68,969,291

Dominica Electricity Services Limited
Notes to the Financial Statements
For the year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

15 Trade and other payables

	2018	2017
	\$	\$
Trade payables	13,868,278	5,985,633
Accrued expenses	6,266,795	4,528,297
Social security and other taxes	201,749	302,444
Retirement benefit plan	4,937	4,937
	20,341,759	10,821,311

16 Expenses by nature

	2018	2017
	\$	\$
Fuel	20,589,949	24,797,980
Maintenance of plant	1,781,483	4,525,815
Employee benefits (excluding amounts charged to capital projects)	15,256,698	18,353,773
Depreciation (Note 5)	13,702,601	11,225,930
Insurance	2,308,039	1,825,031
Other expenses	8,211,230	9,880,333
Total operating expenses	61,850,000	70,608,862

Employee benefits comprise:

	2018	2017
	\$	\$
Wages and salaries	11,390,977	14,080,440
Social security costs	848,067	798,102
Pension (Note 22)	260,401	261,722
Other benefits	2,851,014	3,654,184
	15,350,459	18,794,448

Allocated as follows:

Operating expenses	15,256,698	18,353,773
Capitalised	93,761	440,675
	15,350,459	18,794,448

Dominica Electricity Services Limited
Notes to the Financial Statements
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17 Other income

	2018	2017
	\$	\$
Amortization of capital grants	-	120,299
Amortization of deferred revenue	663,580	629,342
Currency exchange gain	88,747	22,159
Gain on insurance claim	-	399,916
Gain on disposal of plant and equipment	2,726,843	-
	<hr/>	<hr/>
Other income	3,479,170	1,171,717

18 Finance and other cost

	2018	2017
	\$	\$
Finance cost is comprised as follows:		
Loan interest charges	2,622,948	1,286,164
Customer deposit interest	37,495	85,419
	<hr/>	<hr/>
	2,660,443	1,371,583
Other cost:		
Deferred expense amortization	8,420	-
Loss on disposal of plant and equipment (Note 5)	-	13,421,632
	<hr/>	<hr/>
Finance and other cost	2,668,863	14,793,215

19 Operating revenue

	2018	2017
	\$	\$
Energy sales	38,764,359	52,179,348
Fuel Surcharge	17,850,016	18,839,974
Other revenue	122,293	1,513,243
	<hr/>	<hr/>
	56,736,668	72,532,556

Dominica Electricity Services Limited
Notes to the Financial Statements
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20 Related party transactions

Key management compensation

	2018	2017
	\$	\$
Salaries and other short-term benefits	1,815,470	1,791,075
Directors' fees	66,117	122,840
Post-employment benefit	54,786	48,264
	<u>1,936,373</u>	<u>1,962,179</u>

Other related party transactions

During the year, the Company engaged in transactions with its indirect parent Emera (Caribbean) Incorporated. These are expenses paid on behalf of the Company. These include insurance, consultancies, professional fees, corporate support and hurricane materials and support. Total transactions with Emera (Caribbean) Incorporated for the year is \$5,024,597 (2017 - \$1,889,047).

The Company also received a loan of US\$1,000,000 in the form of a promissory note to assist in restoration following Hurricane Maria from Emera Inc., the ultimate parent company. This loan is unsecured and interest free, and matures in 2019.

	2018	2017
	\$	\$
Due to Emera Inc. – Loan	<u>2,716,900</u>	<u>2,716,900</u>
Due to Emera (Caribbean) Incorporated (ECI)	<u>3,745,552</u>	<u>1,232,983</u>

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

21 Earnings per share

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

	2018	2017
	\$	\$
Net loss for the year	<u>(2,504,991)</u>	<u>(9,354,705)</u>
Weighted average number of common shares	<u>10,417,328</u>	<u>10,417,328</u>
Basic and diluted earnings per share (cents)	<u>(24)</u>	<u>(90)</u>

Dominica Electricity Services Limited
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22 Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was \$241,195. (2017 - \$241,237)

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 EC\$83.6 million. Included under the facility is an overdraft facility with a limit of EC\$3.0 million. During the year, DOMLEC's overdraft facility was increased to EC\$9.0 million to facilitate restoration activities after the passage of Hurricane Maria in 2017. As at December 31, 2018, DOMLEC had no advances (2017 – Nil) on the facility.

24 Capital commitments

The Company budgeted capital expenditure of \$41,403,480 (2017 - \$63,536,033) for the 2018 income year. This amount was revised to \$62,899,605 due to the increase in Hurricane Maria restoration cost. A total of \$55,875,052 (2017 - \$25,409,219) was contracted for at December 31, 2018.

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.