Dominica Electricity Services Limited

Financial Statements

For the year ended 31 December 2023
(Expressed in Eastern Caribbean Dollars)

DOMINICA ELECTRICITY SERVICES LIMITED

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For the year ended 31 December 2023

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Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

DOMINICA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dominica Electricity Services Limited ('the Company') which comprise the statement of financial position as at 31 December, 2023, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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 determined that there are no key audit matters to communicate in our report.

Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

Report on the Audit of the Financial Statements (continued)

Other information included in the Company's 2023 Annual Report (continued)

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

Responsibilities of Management and The Audit Committee for the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

DOMINICA ELECTRICTY SERVCIES LIMITED

Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

GRENADA

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March 21, 2024

Accountants & Business Advisers

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Financial Position
As at 31 December 2023
(expressed in Eastern Caribbean dollars)

	Notes	2023	2022
Assets		$	$
Non-current assets			
Property, plant and equipment	5	180,559,198	183,513,179
Right of use asset	13	602,432	-
		181,161,630	183,513,179
Current assets			
Cash and cash equivalents	6	4,057,342	7,081,569
Trade and other receivables	7	19,463,506	17,159,695
Inventories	8	23,599,409	20,808,577
Corporation tax recoverable	14	1,177,549	1,177,549
		48,297,806	46,227,390
Total assets		229,459,436	229,740,569
Equity			
Share capital	9	10,417,328	10,417,328
Retained earnings		78,758,342	80,536,536
		89,175,670	90,953,864
Non-current liabilities			
Borrowings	10	63,718,771	66,243,238
Customers' deposits	11	3,724,039	3,680,627
Long-term lease liability	13	331,736	-
Deferred revenue	12	17,037,095	15,280,616
Deferred tax liability	14	21,134,220	20,764,829
		105,945,861	105,969,310
Current liabilities			
Trade and other payables	15	19,595,367	20,035,059
Short-term lease liability	13	7,216	-
Borrowings	10	14,735,322	12,782,336
		34,337,905	32,817,395
Total liabilities		140,283,766	138,786,705
Total equity and liabilities		229,459,436	229,740,569

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

Approved by the Board of Directors on April 3, 2024 and signed on its behalf by:

.....................................Director ....Director

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity
For the year ended 31 December 2023
(expressed in Eastern Caribbean dollars)

	Common shares $	Retained earnings $	Total $
Balance at 1 January 2022	10,417,328	81,321,202	91,738,530
Total comprehensive loss	-	(784,666)	(784,666)
Balance at 31 December 2022	10,417,328	80,536,536	90,953,864
Total comprehensive loss	-	(1,778,194)	(1,778,194)
Balance at 31 December 2023	10,417,328	78,758,342	89,175,670

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

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2023
(expressed in Eastern Caribbean dollars)

	Notes	2023	2022
		$	$
Operating revenue	19	112,096,958	112,231,136
Operating expenses			
Fuel		(54,922,654)	(59,023,007)
Generation		(8,991,095)	(8,307,792)
General		(13,678,203)	(13,848,501)
Engineering and Distribution		(7,514,505)	(8,713,821)
Insurance		(9,687,055)	(7,249,540)
Depreciation	5,13	(14,764,178)	(14,059,877)
	16	(109,557,690)	(111,202,538)
Operating income		2,539,268	1,028,598
Other (loss)/income	17	(618,312)	1,811,568
Finance and other costs	18	(3,329,759)	(2,898,681)
Loss before taxation		(1,408,803)	(58,515)
Taxation	14	(369,391)	(726,151)
Net loss for the year		(1,778,194)	(784,666)
Basic and diluted earnings per share (cents)	21	(17)	(8)

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

DOMINICA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows
For the year ended 31 December 2023
(expressed in Eastern Caribbean dollars)

	Notes	2023	2022
		$	$
Cash flows from operating activities			
Loss before taxation		(1,408,803)	(58,515)
Adjustments for non-cash items:			
Depreciation	5,13	14,764,178	14,059,877
(Gain)/loss on foreign exchange		(23,372)	3,191
Loss/(gain) on disposal of property, plant and equipment	17	1,960,205	(394,812)
Provision for inventory obsolescence	8	658,565	787,785
Finance costs	18	3,329,759	2,898,681
Amortization of deferred revenue	17	(1,113,591)	(1,055,312)
CDB operating grants	17	(204,930)	(364,635)
Net change in provision for other liabilities and charges		(126,393)	(838,916)
Operating income before working capital changes		17,835,618	15,037,344
Increase in trade and other receivables		(2,303,811)	(1,487,661)
(Increase)/decrease in inventories		(3,449,397)	872,804
(Decrease)/ increase in trade and other payables		(704,833)	5,015,898
Decrease in due to related parties		-	(5,728,906)
Cash generated from operations		11,377,577	13,709,479
Interest and finance charges paid		(2,914,046)	(2,480,995)
Net cash from operating activities		8,463,531	11,228,484
Cash flows used in investing activities			
Additions to property, plant and equipment	5	(13,804,838)	(18,618,763)
Increase in operating lease		(267,817)	-
Proceeds on disposal of property, plant and equipment		40,522	465,138
Net cash used in investing activities		(14,032,133)	(18,153,625)
Cash flows from financing activities			
Proceeds from borrowings		2,476,414	5,442,390
Repayment of borrowings		(3,285,833)	(3,770,068)
Customers' contributions	12	2,869,264	1,052,656
Payment of principal portion of lease liability	13	(1,749)	(60,370)
CDB grant received	17	204,930	364,635
Customers' deposits (net)	11	43,412	95,681
Net cash generated from financing activities		2,306,438	3,124,924
Net decrease in cash and cash equivalents		(3,262,164)	(3,800,217)
Cash and cash equivalents - beginning of year		(1,420,362)	2,379,855
Cash and cash equivalents - end of year	6	(4,682,526)	(1,420,362)

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

1 General information

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

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

Dominica Power Holding Limited which was purchased by the Government of the Commonwealth of Dominica on April 1st, 2022, owns 52% of the ordinary share capital of the Company. The Dominica Social Security owns 20% of the ordinary share capital, while 28% is held by the general public.

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

2 Summary of material accounting policy information

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

2.1 Basis of preparation

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

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

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

2 Summary of material accounting policy information (continued)

2.1.1 Changes in accounting policies and disclosures

a) New Accounting Standards, Amendments and Interpretations adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December, 2022 except for the adoption of new standards and interpretations below.

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

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

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

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

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

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

2 Summary of material accounting policy information (continued)

2.1.1 Changes in accounting policies and disclosures

a) New Accounting Standards, Amendments and Interpretations adopted (continued)

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

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

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

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities.
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
  - The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

2 Summary of material accounting policy information (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

a) New Accounting Standards, Amendments and Interpretations adopted (continued)

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

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard has no impact on the company's financial statement.

2 Summary of material accounting policy information (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

a) New Accounting Standards, Amendments and Interpretations adopted (continued)

Amendments to IAS 12 - International Tax Reform—Pillar Two Model Rules (Effective 1 January, 2023)

The amendments clarifies that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Modell rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective. The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. This amendment has no impact on the company's financial statements.

b) Standards in issue but not yet effective

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

2 Summary of material accounting policy information (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

Amendments to IAS 1 - Classification of Liabilities as Current or Noncurrent and Non-current Liabilities with Covenants (effective 1 January, 2024)

In January 2020 and October 2022, the Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities as well as any facts and circumstances that indicate the entity may have difficulty complying with the covenants.

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

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback (effective 1 January, 2024)

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the 'seller-lessee' would not recognise any amount of the gain or loss that relates to the right of use retained by the seller- lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16.

2 Summary of material accounting policy information (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback (effective 1 January, 2024) (continued)

The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed.

Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements (effective 1 January, 2024)

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity’s suppliers.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

Amendments to IAS 21 - Lack of exchangeability (effective 1 January 2025)

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position, and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed.
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

2 Summary of material accounting policy information (continued)

2.2 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2.3 Property, plant, and equipment

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

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

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

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

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

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

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

2 Summary of material accounting policy information (continued)

2.3 Property, plant and equipment (continued)

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

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

2.4 Financial instruments

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

a) Financial assets

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

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

Classification of financial assets

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

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

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

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

3 Summary of material accounting policy information (continued)

2.4 Financial instruments (continued)

a) Financial assets (continued)

Classification of financial assets (continued)

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

b) Impairment of financial assets

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Expected credit losses are presented in general expenses in the statement of comprehensive income. Subsequent recoveries are credited against the same line item.

2 Summary of material accounting policy information (continued)

2.4 Financial instruments (continued)

c) De-recognition of financial assets

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

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

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

d) Impairment of non-financial assets

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

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

2 Summary of material accounting policy information (continued)

2.4 Financial instruments (continued)

e) Financial Liabilities

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

Financial Liabilities at FVTPL

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

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

Financial liabilities subsequently measured at amortised cost:

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

f) Derecognition of financial liabilities

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

2.5 Cash and cash equivalents

These consist of cash held in hand and at bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less. Cash allocated to a debt service reserve account is included in cash and cash equivalents as disclosed in Note 6.

2 Summary of material accounting policy information (continued)

2.6 Trade receivables

Trade receivables are amounts due from customers for electricity or other services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost less provision for expected credit losses and discounts. See Note 2.4(b) for the calculation of the expected credit losses for trade receivables.

In addition, a provision for discounts based on historical experience and adjusted for forward-looking factors, is created in anticipation of accounts that will be settled prior to the scheduled due date. The amount of the provision is recognised in the statement of comprehensive income.

2.7 Inventories

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

2.8 Share capital

Common shares are classified as equity.

2.9 Borrowings

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

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

2.10 Taxation

Current and deferred income tax

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

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

2 Summary of material accounting policy information (continued)

2.10 Taxation (continued)

Current and deferred income tax (continued)

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

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

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

2.11 Customers' deposits

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

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

2.12 Trade payables

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

2.13 Revenue recognition

Basic Revenue

Basic revenues are recognized when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the sale of electricity are recognized at rates approved by the respective regulator and recorded based on metered usage, which occur on a periodic, systematic basis. At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized.

2 Summary of material accounting policy information (continued)

2.13 Revenue recognition (continued)

Basic Revenue (continued)

The Company's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of megawatt hour ("MWh") delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, weather, line losses and inter-period changes to customer classes.

Fuel Revenue

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

Miscellaneous Revenue

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

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

Service fees are recognized as the various services are provided.

Other

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

2.14 Employee benefits

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

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

2 Summary of material accounting policy information (continued)

2.15 Related parties

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

2.16 Bonus plans

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

2.17 Leases

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

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

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

The lease liability is subsequently reduced for payments made and increased for interest on the lease liability, using the effective interest method. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or statement of comprehensive income if the right-of-use asset is already reduced to zero. There were no lease reassessments or modifications in 2023.

2 Summary of material accounting policy information (continued)

2.18 Government grants

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

3 Financial risk management

3.1 Financial instruments by category

At 31 December 2023

	Amortised Cost $	Total $
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	14,847,984	14,847,984
Cash and cash equivalents	4,057,342	4,057,342
Total	18,905,326	18,905,326

	Other financial liabilities at amortised cost $	Total $
Liabilities as per statement of financial position		
Borrowings	78,454,096	78,454,096
Trade and other payables (excluding statutory liabilities and accrued expenses)	13,141,668	13,141,668
Customers' deposits	3,724,039	3,724,039
Total	95,319,803	95,319,803

3 Financial risk management (continued)

3.1 Financial instruments by category (continued)

At 31 December 2022

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

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

3.2 Financial risk factors

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

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

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

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

a) Market risk

i) Foreign currency risk

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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising primarily from foreign currency borrowings and purchases of plant, equipment and spares from foreign suppliers. The exchange rate of the Eastern Caribbean dollar (EC$) and the United States dollar (US$) has been formally pegged at EC$ 2.70 = US$ 1.00 since July 1976. At 31 December 2023 borrowings of $40,892,850 (2022 - $42,670,800) are designated in United States dollars. Management has established a policy requiring the Company to manage its foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars.

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

ii) Cash flow and fair value interest rate risk

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

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

The Company's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. At 31 December 2023, 48.9% of the Company's borrowings were at fixed rates (2022 – 47.3%).

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

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

ii) Cash flow and fair value interest rate risk (continued)

Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates. At 31 December 2023, the Company held borrowings at both fixed and floating interest rates. The Company's exposure to interest rates and the terms of borrowings are disclosed in Note 10.

b) Liquidity risk

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

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

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

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

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

b) Liquidity risk (continued)

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At 31 December 2023					
Assets					
Cash and cash equivalents	4,057,342	-	-	-	4,057,342
Trade and other receivables	19,463,506	-	-	-	19,463,506
Total assets	23,520,848	-	-	-	23,520,848
Liabilities					
Borrowings	18,160,570	7,974,903	23,062,530	51,143,211	100,341,214
Trade and other payables	19,595,367	-	-	-	19,595,367
Customers' deposits	-	-	-	3,724,039	3,724,039
Total liabilities	37,755,937	7,974,903	23,062,530	54,867,250	123,660,620
At 31 December 2022					
Assets					
Cash and cash equivalents	7,081,569	-	-	-	7,0861,569
Trade and other receivables	17,159,695	-	-	-	17,159,695
Total assets	24,241,264	-	-	-	24,241,264
Liabilities					
Borrowings	16,118,295	8,350,622	24,061,675	54,517,080	103,047,672
Trade and other payables	20,035,059	-	-	-	20,035,059
Customers' deposits	-	-	-	3,680,627	3,680,627
Total liabilities	36,153,354	8,350,622	24,061,675	58,197,707	126,763,358

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

c) Credit risk

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

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers, including outstanding receivables and committed transactions. The Company's bank deposits and financial instruments are placed with reputable financial institutions to limit its exposure. Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from commercial customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition. Management does not believe significant credit risk exists at 31 December 2023, or 2022. Further analysis of the Company's trade receivables is disclosed in Note 7.

d) Underinsurance risk

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

3.3 Capital risk management

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

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

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

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

3 Financial risk management (continued)

3.3 Capital risk management (continued)

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

	2023 $	2022 $
Shareholders' equity	89,175,670	90,953,864
Total borrowings	78,454,093	79,025,574
Debt/equity ratio	1:1.14	1:1.15

3.4 Fair value estimation

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

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

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

4 Significant accounting judgements, estimates and assumptions

4.1 Critical accounting estimates and assumptions

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

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

4 Significant accounting judgements, estimates and assumptions (continued)

4.2 Critical judgements in applying the entity's accounting principles

Impairment of non-financial assets

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

Property, plant and equipment

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

Impairment of inventory

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

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Unbilled Sales

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

5 Property, plant and equipment

	Generation	Transmission and Distribution	Other	Work in progress	Total
	$	$	$	$	$
At December 31, 2023					
Cost	150,776,342	197,845,116	53,876,183	4,918,373	407,416,014
Accumulated depreciation	(108,539,065)	(89,664,058)	(28,653,693)	-	(226,856,816)
Net book amount	42,237,277	108,181,058	25,222,490	4,918,373	180,559,198
For the year ended December 31, 2023					
Opening net book value	42,182,994	110,693,814	22,050,925	8,585,446	183,513,179
Additions and transfers	4,401,624	5,374,564	5,798,986	(1,770,336)	13,804,838
Retirals	-		(103,990)	(1,896,737)	(2,000,727)
Depreciation charge	(4,347,341)	(7,887,320)	(2,523,431)	-	(14,758,092)
Closing net book amount	42,237,277	108,181,058	25,222,490	4,918,373	180,559,198
At December 31, 2022					
Cost	146,381,364	193,239,628	48,884,032	8,585,446	397,090,470
Accumulated depreciation	(104,198,370)	(82,545,814)	(26,833,107)	-	(213,577,291)
Net book amount	42,182,994	110,693,814	22,050,925	8,585,446	183,513,179
For the year ended December 31, 2022					
Opening net book amount	37,119,505	111,740,605	21,843,517	8,262,425	178,966,052
Additions and transfers	8,814,969	6,630,278	2,850,495	323,021	18,618,763
Retirals		-	(70,328)	-	(70,328)
Depreciation charge	(3,751,480)	(7,677,069)	(2,572,759)	-	(14,001,308)
Closing net book amount	42,182,994	110,693,814	22,050,925	8,585,446	183,513,179

No borrowing cost were capitalized during the years 2022 and 2023. For property, plant and equipment ("PPE") pledged as security, see Note 10. Included in the depreciation expense in the statement of comprehensive income is the depreciation for the right of use asset of $6,086 (2022 - $58,569) (Note 13).

6 Cash and cash equivalents

	2023 $	2022 $
Cash in hand and at bank	4,057,342	7,081,569

The Company is contracted to retain a Debt Service Reserve Account with the Caribbean Development Bank (CDB), representing a minimum of two quarterly installments of principal and interest for the loan facility with the bank. The purpose of this account is to service the loan facility where the Company is experiencing temporary liquidity constraints. During 2023, CDB approved the utilization of the account to settle two loan installments. As at 31 December 2023, the account balance was $280,941 (2022 - $2,135,700). The account is to be reinstated to the value of $2,135,700 by June 30, 2024.

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

	2023 $	2022 $
Cash in hand and in bank	4,057,342	7,081,569
Bank overdraft (Note 10)	(8,739,868)	(8,501,931)
	(4,682,526)	(1,420,362)

7 Trade and other receivables

	2023 $	2022 $
Trade receivables	11,137,611	10,207,900
Less provision for expected credit losses	(665,338)	(693,378)
Trade receivables, net	10,472,273	9,514,522
Other receivables	4,376,000	4,391,613
Less provision for expected credit losses	(290)	(15,719)
Other receivables, net	4,375,710	4,375,894
Prepayments	4,615,523	3,269,279
	19,463,506	17,159,695

Within trade receivables is unbilled revenue of $510,637 (2022 - $351,567).

7 Trade and other receivables (continued)

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

The movement in the provision for expected credit loss was as follows:

	2023 $	2022 $
Balance - beginning of year	709,097	619,286
(Decrease)/increase in provision	(43,469)	89,811
Balance - end of year	665,628	709,097

Direct write-offs for impaired receivables during the year to the statement of comprehensive income was $15,429.00 (2022 - Nil). Recovery for bad debt written off was $12,066 (2022 - $19,392).

The ageing of trade and other receivables is as follows:

	2023			2022		
	Trade receivables $	Other receivables $	Expected credit losses $	Trade receivables $	Other receivables $	Expected credit losses $
Less than 30 days	7,050,894	4,238,556	301,954	6,305,731	4,008,560	311,070
31 - 60 days	3,081,846	16,893	88,930	2,972,996	24,950	127,083
61 - 90 days	314,863	14,446	17,835	329,179	12,204	13,895
Over 90 days	690,008	106,105	256,909	599,994	345,899	257,049
	11,137,611	4,376,000	665,628	10,207,900	4,391,613	709,097

8 Inventories

	2023 $	2022 $
Networks spares	18,636,786	17,222,900
Generation spares	9,587,454	7,600,725
Fuel	656,975	604,599
Other	817,552	860,446
	29,698,767	26,288,670
Provision for impairment of inventories	(6,099,358)	(5,480,093)
Balance – end of year	23,599,409	20,808,577

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $658,565 (2022 - $787,785).

9 Share capital

	2023 $	2022 $
Authorised: 15,000,000 Ordinary shares of no-par value	15,000,000	15,000,000
Issued 10,417,328 Ordinary shares	10,417,328	10,417,328

10 Borrowings

	2023 $	2022 $
National Bank of Dominica Repayable by 2026 in monthly instalments of blended principal at an interest rate of 5% (2022 – 5%)	29,612,772	28,715,553
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate of 3.16% (3.01% at 31 December 2022)	20,151,449	21,027,600
Caribbean Development Bank Repayable by 2035 in quarterly instalments of blended principal with a floating interest rate of 4.90% (4.75% at 31 December 2022)	20,741,399	21,643,200
National Bank of Dominica $9,000,000 overdraft facilities expiring on October 31, 2026 with interest rate of 5%	8,739,868	8,501,931
Less: Caribbean Development Bank Loan Appraisal Fees and Other charges	(791,395)	(862,710)
Less: Current portion	(14,735,322)	(12,782,336)
Non-current portion	63,718,771	66,243,238

The current portion of the borrowings on the statement of financial position includes a bank overdraft of $8,739,868 (See Note 6 and Note 23) (2022 - $8,501,931) and the current portion of the loans from the National Bank of Dominica of $1,550,582 (2022 - $1,596,789) and Caribbean Development Bank of $4,444,872 (2022 - $2,683,618).

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

10 Borrowings (continued)

As at 31 December 2023, the Company was not in breach of any of its covenants with the National Bank of Dominica or Caribbean Development Bank under the existing credit facilities.

The maturity of borrowings is as follows:

	2023 $	2022 $
Less than 1 year	5,995,454	4,280,408
Between 1 and 2 years	5,189,989	5,234,685
Between 2 and 5 years	16,085,697	16,249,241
Over 5 years	43,234,480	45,622,019
Total	70,505,620	71,386,353

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

	Carrying amount		Fair value	
	2023 $	2022 $	2023 $	2022 $
Borrowings	70,505,622	71,386,353	67,623,010	67,679,609

The fair values are based on cash flows discounted using a rate based on the Company's average borrowing rate of 4.35% (2022 – 4.75%).

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% (2022 - 2%) per annum.

	2023 $	2022 $
Balance - beginning of year	3,680,627	3,584,946
New deposits	95,979	136,816
Deposits refunded	(52,567)	(41,135)
Balance - end of year	3,724,039	3,680,627

12 Deferred revenue

	2023 $	2022 $
Balance – beginning of year	15,280,616	15,283,272
Adjustment	806	
Additions	2,869,264	1,052,656
Amortization	(1,113,591)	(1,055,312)
Balance – end of year	17,037,095	15,280,616

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

13 Leases

The Company has leases for a commercial generator. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The current lease has a remaining lease term of 24 years and nine (9) months.

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

	Commercial Generator 2023 $	Lease Liability 2023 $	Commercial Building 2022 $	Lease Liability 2022 $
Balance – beginning of year	-	-	58,569	60,370
Additions	608,517	340,701	-	-
Depreciation expense (Note 5)	(6,085)	-	(58,569)	-
Interest expense	-	4,251	-	630
Accrued payment		(6,000)		
Payments	-	-	-	(61,000)
Balance – end of year	602,432	338,952	-	-

No right-of-use assets were subleased and there were no variable lease payments or sale-and-lease-back transactions for the year ended 31 December 2023.

13 Leases (continued)

The maturity of lease liabilities is as follows:

	2023 $	2022 $
Less than 1 year	7,216	-
More than 1 year	331,736	-
	338,952	-

14 Taxation

Corporation tax expense

	2023 $	2022 $
Current taxation	**-**	-
Deferred tax	**369,391**	726,151
Taxation charge	**369,391**	726,151

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% (2022 - 25%) for the following reasons:

	2023 $	2022 $
Loss before taxation	**(1,408,803)**	(58,515)
Corporation tax at 25%	**(352,201)**	(14,629)
Expenses not subject to tax	**23,184**	31,269
Other	**698,408**	709,511
Tax charge for the year	**369,391**	726,151

Corporation tax refundable

	2023 $	2022 $
Opening payable	**(1,177,549)**	(1,177,549)
Corporation tax refundable	**(1,177,549)**	(1,177,549)

14 Taxation (continued)

Deferred tax liability

Subject to agreement with the Inland Revenue Division, the Company has tax losses as at 31 December 2023 of $5,186,249 (2022 - $8,420,903) which may be carried forward and used to reduce taxable income in future years and for which a benefit has been recognized in these financial statements net of the deferred tax liability. The expiry dates for claiming these losses are 31 March 2028 ($5,186,249). The Company has impaired the deferred tax asset by $808,664 ($2,838,046 in 2022) on the taxable losses.

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

	2023	2022
	$	$
Balance - beginning of year	20,764,829	20,038,678
Current year charge	369,391	726,151
Balance - end of year	21,134,220	20,764,829

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

	2023	2022
	$	$
Accelerated tax depreciation	89,723,129	91,480,217
Tax losses	(5,186,249)	(8,420,903)
	84,536,880	83,059,314

15 Trade and other payables

	2023	2022
	$	$
Trade payables	13,141,668	12,631,257
Accrued expenses	6,145,393	7,142,444
Social security and other taxes	308,306	261,358
	19,595,367	20,035,059

16 Expenses by nature

	2023 $	2022 $
Fuel	54,922,654	59,023,007
Maintenance of plant	5,968,891	6,055,815
Employee benefits (excluding amounts charged to capital projects)	15,878,629	16,269,404
Depreciation (Note 5 and 13)	14,764,178	14,059,877
Insurance	9,687,055	7,249,540
Other expenses	8,336,283	8,544,895
Total operating expenses	109,557,690	111,202,538

Employee benefits comprise:	2023 $	2022 $
Wages and salaries	12,374,707	12,582,397
Social security costs	812,924	831,719
Pension (Note 22)	278,535	275,049
Other benefits	2,695,697	2,919,983
	16,161,863	16,609,148
Allocated as follows:		
Operating expenses	15,878,628	16,269,404
Capitalised	283,235	339,744
	16,161,863	16,609,148

17 Other income

	2023 $	2022 $
CDB operating grant	204,930	364,635
Amortization of deferred revenue	1,113,591	1,055,312
Currency exchange gain/ (loss)	23,372	(3,191)
(Loss)/gain on disposal of plant and equipment	(1,960,205)	394,812
	(618,312)	1,811,568

The Company received during the year a grant from the Caribbean Development Bank (CDB) in the amount of $204,930. The grant was received to aid the Company in the financing of consultant services towards a project. The grant amount was taken to other income in full during the year as with the related expenses.

18 Finance and other cost

	2023 $	2022 $
Finance cost is comprised as follows:		
Loan interest charges	3,193,252	2,763,838
Customer deposit interest	65,194	63,530
	3,258,446	2,827,368
Deferred expense amortization	71,313	71,313
	3,329,759	2,898,681

19 Operating revenue

	2023 $	2022 $
Domestic	28,491,825	26,795,186
Commercial	30,281,379	28,286,017
Industrial	2,174,415	2,133,244
Hotel	2,573,477	2,072,904
Street lighting	1,480,095	1,519,922
	65,001,191	60,807,273
Fuel Surcharge	46,537,759	51,022,533
	111,538,950	111,829,806
Other revenue	558,008	401,330
	112,096,958	112,231,136

20 Related party transactions

Key management compensation

	2023 $	2022 $
Salaries and other short-term benefits	1,913,517	2,320,784
Directors' fees	121,330	103,648
Post-employment benefit	7,797	51,128
	2,042,644	2,475,560

Other related party transactions

Until March 31, 2022, the Company engaged in transactions with its then indirect parent Emera (Caribbean) Incorporated (ECI). These are expenses paid on behalf of the Company. These include insurance, consultancies, professional fees and corporate support. Total transactions with ECI for 2022 are $610,010. The amounts advanced by ECI have no fixed date of repayment and are interest-free. The Company repaid all amounts outstanding, $6,339,054 to ECI in March 2022 prior to divestment of its entire controlling interest on March 31, 2022.

21 Earnings per share

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

	2023 $	2022 $
Net loss for the year	(1,778,194)	(784,666)
Weighted average number of common shares	10,417,328	10,417,328
Basic and diluted earnings per share (cents)	(17)	(8)

22 Retirement benefits

The Company operates a defined contribution plan. Pension cost for the year was $278,535 (2022 - $275,049).

23 Bank overdraft facilities

The Company entered into a credit agreement with National Bank of Dominica on 24 October 2011 to create a loan facility in the maximum aggregate principal amount of $83.6 million. Included under the facility is an overdraft facility with a limit of $3.0 million. In an effort to improve short-term liquidity, the Board of Directors approved an extension to the limit to $12.0 million up to 31 December 2023. As at 31 December 2023, the Company had utilized $8,739,868 (See Note 10) (2022 - $8,501,931) of the facility.

24 Capital commitments

The Company budgeted capital expenditure of $16,731,273 (2022 - $21,494,623) for the 2023 income year. A total of $2,043,210 of incomplete 2022 approved budget was included in 2023 to facilitate the completion of a number of ongoing projects. A total of $13,804,840 (2022 - $18,434,315) was contracted for at 31 December 2023.

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.