Emera Caribbean

Annual Report 2014

Powering a sustainable energy future

Emera
Caribbean

In 2014, our Company's name changed from Light & Power Holdings Ltd. to Emera (Caribbean) Incorporated (EC). Our new name reflects that of our parent, Emera Inc., and embodies the essence of who we are.

E For energy
Mer French for the sea that borders and connects us
Era Our time is now

Cover Photo: View of the approach to University of The West Indies, Cave Hill Campus, Barbados.

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About Emera (Caribbean) Incorporated

Emera (Caribbean) Incorporated (EC) is an energy and services company based in Barbados, West Indies. The Company's holdings include The Barbados Light & Power Co. Ltd. (wholly owned); Emera Caribbean Renewables Limited (wholly owned); a 51.91% interest in Dominica Electricity Services Limited; and a 19.1% interest in St. Lucia Electricity Services Limited. Emera Inc. of Halifax, Nova Scotia holds 80% of the interest in EC. EC's shares are traded on the Barbados Stock Exchange.

Letter to Shareholders

The 2014 Annual Report marks our first year of reporting to our shareholders as Emera (Caribbean) Inc., or EC as we are becoming more commonly known. Our new name removes the confusion that existed between Light & Power Holdings and our subsidiary utility, The Barbados Light & Power Company, both commonly referred to as Light & Power, and aligns our brand with that of our parent, Emera Inc.

Sarah MacDonald, Executive Chairman
Peter Williams, Managing Director

In 2014, EC continued to focus on its two strategic imperatives: growth and operational excellence. The Company's efforts to structure the business for future growth were substantial. Steps toward operational excellence progressed along several paths, notably the regional implementation of a competency-based training program for our highly skilled trades, continued leveraging of expert resources across the EC Group, and centralized asset management.

Operations

The Barbados Light & Power Company (BLPC) underwent significant change in 2014 and progressed toward its strategic objectives. Change began at the top early in the year with the appointment of Mr. Roger Blackman as the Company's new Managing Director (Designate).

BLPC made strides towards introducing renewable energy to its generation mix with the issue of a request for proposals for an 8MW solar photovoltaic (PV) plant to be built in St. Lucy, Barbados. Construction is expected to begin during 2015. The growth of independent customer-based solar PV in Barbados has been remarkable, and BLPC has responded with an application to its regulator to approve an increase in intermittent energy allowable on the electricity grid. In a fourth consecutive year of declining sales, BLPC was challenged to manage its operating costs while maintaining high customer satisfaction. In response, the Company restructured its operations and launched a cost-saving initiative across the business.

During 2014, its second year of operations, Emera Caribbean Renewables Ltd. (ECRL) installed 42 solar PV systems totalling 465 kWp. In a 2014 survey, over 90% of ECRL's customers indicated that they would recommend the company to their family and friends. ECRL is indeed well poised for continued growth in 2015.

Dominica Electricity Services (DOMLEC) was another of our affiliates to undergo a change at the helm in 2014 with the appointment of Ms. Bertilia McKenzie to the post of General Manager. Under Ms. McKenzie's leadership, the Company achieved modest sales growth over the prior year. DOMLEC is readying its people and its operations for the integration of geothermal energy, which the government of Dominica is advancing with support from a French consortium.

St. Lucia Electricity Services (LUCELEC), in which EC holds a 19.1% interest, experienced a challenging economic climate and recorded a slight decline in sales over 2013.

St. Lucia is another Caribbean nation looking to capitalize on potential geothermal energy, and LUCELEC is in discussions with the government and prospective developers regarding this initiative.

Safety is Emera Caribbean's first priority. Mr. Frederick Adamson was appointed EC's Manager Health, Safety and Environment to provide leadership to the Group as we promote a proactive safety culture and strive to achieve world class safety performance within 5 years.

Opportunities

Along with its partners, Emera Caribbean is progressing with geothermal energy exploration on the island of St. Vincent. Further technical studies were concluded in late 2014 to guide the decision on a location for drilling of the first geothermal well, and ultimately the site of a new power plant. This is an exciting renewable energy project which provides the opportunity for base-load electricity that can help reduce and stabilize energy prices for residents of St. Vincent.

EC continues to support the development of an electric vehicle (EV) market in Barbados, and we are working towards the installation of the country's first fast charging station in 2015. The number of EVs on the island has grown from virtually none in early 2013 to almost 100 at the end of 2014, and this advanced charging infrastructure will encourage continued growth.

Corporate performance

EC's net income attributable to equity holders of the Company was BB$47.8 million in 2014 compared with BB$55.8 million in 2013. The Company's earnings per share was 256.14 cents in 2014 compared to 279.25 cents in 2013. The dividend paid was increased to 56 cents per share from 52 cents in 2013. The company's dividend payout ratio is still conservative at 22% with the retained earnings being used to grow shareholder value through new investments.

The Company streamlined its business in 2014, amalgamating LPH Real Estate and progressing towards dissolution of dormant subsidiaries including LPH Telecom Ltd.

It takes a village

While each of our affiliates is unique, they all share similar goals of growth and the development of a cleaner energy future for the Caribbean. As sister companies, we continue to collaborate and share expertise, skills and knowledge to the betterment of each entity. From safety to regulatory to engineering, we're sharing best practices and building stronger leadership teams and organizations.

Our highly skilled employees are our most valued assets, and we want to recognize their contributions which are positioning us for continued growth and success in 2015 and beyond. In closing, we wish to recognize the invaluable contributions of long serving Directors Sir Henry Forde and Mr. E.L. 'Livy' Greaves who will retire from the Boards of EC and BLPC respectively at the 2015 Annual Meeting of Shareholders.

Emera (Caribbean) Incorporated
March 26, 2015

Sarah MacDonald
Executive Chairman

Peter Williams
Managing Director

SPOTLIGHT
EMERA CARIBBEAN PEOPLE

Englebert Stuart, Lineman C and **Norbert Didier,** Senior Technician, DOMLEC

Report on Operations

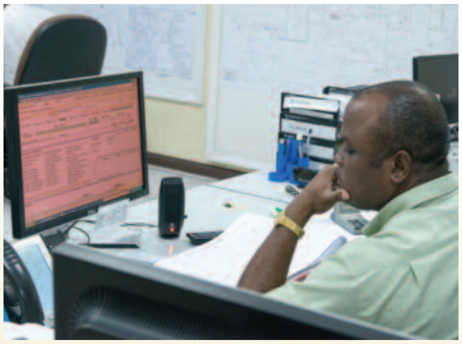
- The Barbados Light & Power Company Limited (BLPC)
- Emera Caribbean Renewables Ltd. (ECRL)
- Dominica Electricity Services Ltd. (DOMLEC)
- St. Lucia Electricity Services Limited (LUCELEC)

Report on Operations

The Barbados Light & Power Company Limited (BLPC)

Shawn Alleyne - Lineman

BLPC's fleet is prepared for dispatch



Wayne Gooding - Assistant SCADA Dispatcher

2014 was a year of change and progress at The Barbados Light & Power Company (BLPC). Throughout the year the Company stayed focused on its strategic objectives of reducing generating costs, progressing toward cleaner energy, operational excellence, employee engagement, stakeholder relationships and strong financial performance.

We were pleased to announce the appointment of Mr. Roger Blackman as Managing Director (Designate) in June following the retirement of Mr. Mark King after 37 years of service. While Roger assumed his new title immediately, he is spending the next one to two years in Halifax, Nova Scotia with our parent company, Emera Inc., where he is working with senior leaders and the executive team to shape Emera's strategy.

Despite a fourth consecutive year of declining sales, both system reliability and safety performance continued to improve in 2014. BLPC is proud to have surpassed its service reliability objectives for the year, delivering reliability performance that is among the very best in the region.

Safety is BLPC's first priority, and the Company met a very challenging All-injury Frequency (AIF) rate target in 2014. Safety goals will be even more challenging in 2015, and every employee will be engaged in proactive safety awareness as the Company works toward world-class safety performance.

In 2013 the Barbados government introduced a new Electric Light and Power Act (ELPA) which, once proclaimed, will replace the existing 100 year old legislation. Once the ELPA becomes law, it will facilitate the issuing of a new license for our business and pave the way for independent power producers to supply energy to the grid. Meanwhile, we continue to work toward a sustainable energy future for our customers and the country.

In 2014, BLPC took its first steps toward renewable energy with the issue of a Request for Proposals for an 8MW utility-scale solar PV installation to be built in the north in the parish of St. Lucy. Response to the opportunity was excellent, and we have met with several potential partners on the project. A decision on the selected vendor, who must meet BLPC's stringent requirement for strong local ties, is expected during the first quarter of 2015 and ground-breaking is anticipated to be in mid-2015, providing all government approvals are achieved.

On the topic of solar energy, the reduction in the cost of panels brought significant growth in the solar photovoltaic (PV) market in 2014.

QUICK FACTS - BLPC:

Number of customers
125,991

Total installed generating capacity
239.1 MW

Energy Sales
900.3 GWh

Number of employees
451

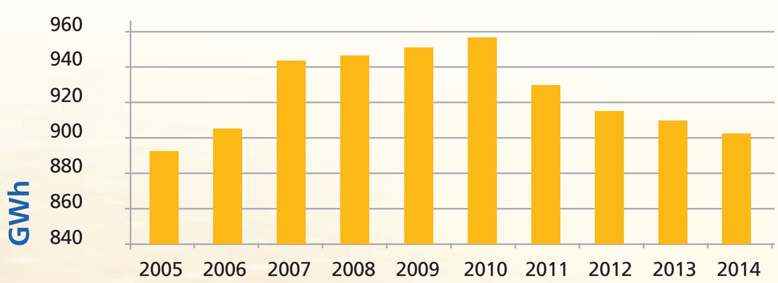
With growing interest in grid-tied PV systems, the Company undertook an Intermittent Energy Study to better understand the impacts of intermittent renewable energy sources such as wind and solar PV on the stability, efficiency and operability of the grid. Initial findings in October indicated that our system could handle at least twice the amount of energy from intermittent resources than was first understood.

In response, the Company made an application to its regulator, the Fair Trading Commission (FTC), to increase the Renewable Energy Rider (RER) from the current maximum allowable intermittent energy of 9MW to up to 20MW of small scale solar PV. Once the final results of the Study are formally published in the first few months of 2015, the FTC will render its decision on the matter.

After more than two years of progressive discussions, the Company and the Barbados Workers' Union (BWU) concluded a 4-year collective agreement. Agreed changes, which impact employees of the Administrative Support Group and Hourly and Weekly Paid Employees, Technicians, Technical Assistants and Meter Readers bargaining units, include moving to a flexible work week and changes to crew complement, resulting in significant labour cost savings and aligning us with industry standard practices.

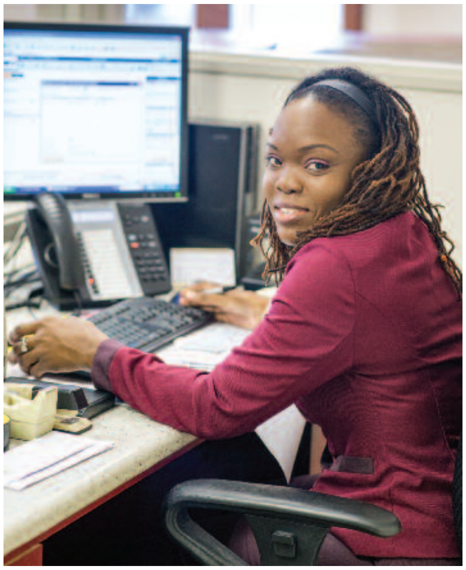
Further cost-saving efforts were undertaken in September with a restructuring of many areas of our business, particularly in generation. A Company-wide cost savings initiative was announced, and employees rolled up their sleeves, gathered into departmental teams, and together developed over 250 cost saving ideas. Every idea has been allocated to senior leaders for consideration and potential action, and communication efforts will be critical throughout 2015 to keep the momentum going on this important work.

BLPC ELECTRICITY SALES



Report on Operations

The Barbados Light & Power Company Limited (BLPC)
(continued)



Charlene Garnes - Customer Collection Clerk

Samuel Blades - Lineman

Danny Brathwaite - Distribution Engineer

BLPC continued to collaborate with its sister utility in the region, Dominica Electricity Services (DOMLEC), to draw on each other's expertise and lend support. Collaboration between the Company and Grand Bahama Power (GBPC) also continued in 2014 with employee secondment opportunities between both utilities. While on the topic of cooperation in our region, BLPC line crews joined other members of CARILEC in responding to recovery efforts in Bermuda following the damage sustained by Hurricane Gonzalo in October.

Efforts to strengthen BLPC's relationships with its key stakeholders continued with two new communication tactics: 'Watt's New' radio and print, and 'Let's Talk'. Watt's New radio delivered helpful Company and industry information to the public via its monthly show, and Barbadians benefitted from the stories shared in Watt's New print bi-monthly throughout the year. Let's Talk, a conversational event which provides opportunities for interactive discussions between employees and BLPC's senior leaders, was extended to our key account customers in 2014.

Report on Operations

Emera Caribbean Renewables Ltd. (ECRL)

Emera Caribbean Renewables Ltd. (ECRL), installed 42 solar photovoltaic (PV) systems ranging in size from 2kWp to 182 kWp, for a total of 465.48 kWp installed.

The largest system installed by ECRL to date has been a 182 kWp hybrid PV system at BICO's cold storage facility at the Bridgetown port, a first of its kind in the Caribbean and the Americas. This leading edge technology integrates 699 roof-mounted solar PV panels into BICO's existing diesel system with the SMA Fuel Save Solution, enabling the client to reduce fuel costs while guaranteeing an efficient and stable electrical supply. ECRL is proud of this flagship installation and has received many accolades on the overall quality of their work.

In the first quarter of 2014, ECRL relocated their offices and warehouse to a leased facility at Lower Estate. This new, central location allows ECRL to better manage its various processes and serve its customers in a more efficient manner.

The Company is exceptionally proud of its 2014 safety performance, finishing the year without a single staff or contractor injury. It is equally proud of its customer satisfaction; the 2014 survey indicated that 90.6% of its customers would recommend ECRL to friends and family. ECRL has established itself as a safe, credible and reliable provider, and its customers continue to be satisfied with the performance of their installed systems.

During 2014, ECRL commenced its outreach into the Caribbean market, and at year-end was in the process of finalizing proposals for solar PV systems and energy audits which are expected to be implemented in 2015.

Report on Operations

Dominica Electricity Services Ltd. (DOMLEC)

Ollison Vidal – Assistant Operator

Terry Victor – Senior Fitter Mechanic

Alina Mark – Customer Service Clerk

Dominica Electricity Services' (DOMLEC's) 219 skilled employees serve over 35,000 customers in the Commonwealth of Dominica. The island's sole electricity provider, DOMLEC produces a peak of about 17MW of both hydro and diesel fired generation which is distributed to customers across challenging mountainous and heavily forested terrain.

2014 brought about change and evolution at DOMLEC, including the appointment of a new General Manager. Ms. Bertilia McKenzie, the Company's former Manager Human Resources and Administration and DOMLEC's first female in the role, was appointed to the post in September following the resignation of Mr. Collin Cover.

DOMLEC's safety performance was strong in 2014 with an All-Injury Frequency Rate (AIF) of 1.71, a result of improved safety programs. Environmental impacts are increasingly a focus for DOMLEC, and the company is seeing continued improvement in this area as well.

Last year presented the skilled DOMLEC team with operational challenges. Despite two island-wide service interruptions, reliability measures improved over the prior year, with SAIDI (System Average Interruption Duration Index) 21% lower than 2013 and SAIFI (System Average Interruption Frequency Index) decreased by 3.3%. Continued improvements in maintenance and operation of the network involving more remote switching is making a difference to DOMLEC's customers.

The Company's Advanced Metering Infrastructure (AMI), which provides customers with flexibility and service options, continues to set the metering standard for the region and beyond. DOMLEC's sister utilities – The Barbados Light & Power Company Limited and Grand Bahama Power Company – are making investments in AMI, learning from the experience gained from DOMLEC's system.

Geothermal energy is a potentially transformational opportunity for Dominica, and DOMLEC is supportive of the Government's initiative to explore this renewable energy source. Wells have been drilled and tested, and DOMLEC has begun technical discussions with a French consortium leading the project. Introducing geothermal energy to DOMLEC's electrical grid will require significant investment in new transmission, which the Company is now considering.

QUICK FACTS - DOMLEC:

Number of customers
35,418

Total installed generating capacity
26.7 MW

Energy Sales 2014
91.1 GWh

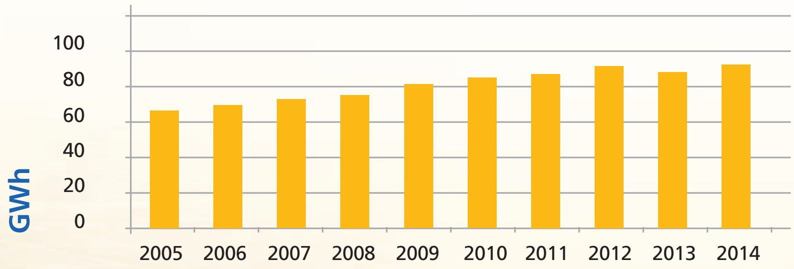
Number of employees
219

Daryl Isles - Assistant Operator

Also on the topic of renewable energy, interest in individual energy systems continues to grow in Dominica, and 2014 saw 145KW of privately-generated renewable energy interconnected to the grid.

Looking forward, DOMLEC is preparing for a tariff review, a condition of the 25-year licenses granted to the Company in 2013. Filing with the Regulator, the Independent Regulatory Commission (IRC), is expected during the second quarter of 2015.

DOMLEC ELECTRICITY SALES



Report on Operations

St. Lucia Electricity Services Limited (LUCELEC)

Kirk Aroudel – Lineman

(Left to right): Timothy James – Fitter Mechanic, Abigail Pascal – Trainee Mechanical Engineer & Gerald Sidoine – Mechanical Engineering Technician

In 2014 St. Lucia Electricity Services Limited (LUCELEC) continued its strategic thrust in five key areas: system enhancement, preparation for regulatory reform, customer care, strategic people development, and corporate diversification. The overall objectives remained improving operational excellence and establishing the framework for diversifying revenue streams for improved shareholder value.

Operationally, generation performance was marked by an increase in overall reliability and plant availability. Fuel efficiency was marginally less than the target. Service reliability improved, a significant achievement given the unavailability of two substations for nearly the entire year. Targets were also achieved for customer satisfaction, environmental performance at zero incidents, and safety. Energy sales showed a slight decline of 0.75% over 2013.

Major projects executed in 2014 included the replacement of the interbus transformers at two of the Company's substations. One was commissioned toward the end of the year and the other is expected to be commissioned early in 2015. Work on the replacement of switchgear at another substation was started and is expected to be completed by the end of February. 7,100 smart meters were deployed in 2014, bringing the total Advanced Metering Infrastructure (AMI) meter population to 75% of customers.

On the renewable energy front, LUCELEC has been working with the Carbon War Room and DNV-GL in developing the Request for Proposals (RFP) for a 3 MW utility scale solar photovoltaic (PV) farm. The first phase of the grid integration study was completed and the plan is to commission the first megawatt by the end of 2015. Further, LUCELEC and a US-based partner signed an agreement to jointly undertake feasibility studies towards the development of a 12 MW wind farm. A biomass study was commissioned as part of efforts to identify the least cost fuel for the next phase of generation expansion. The Company also worked with geothermal developer ORMAT, the GOSL supported by the Clinton Climate Initiative (CCI), and the World Bank to advance work on the search for geothermal energy.

In preparation for changes in the regulatory environment, LUCELEC undertook several studies to inform and develop a white paper for submission to the Government of Saint Lucia. The company was also involved in reviewing and commenting on proposed changes to the Electricity Supply Act and a bill to introduce a new regulatory agency, the National Utilities Regulatory Commission.

LUCELEC engaged in a major campaign to update customer information to facilitate the introduction of online services,

QUICK FACTS – LUCELEC:

Number of customers
67,100

Total installed generating capacity
86.2 MW

Energy Sales 2014
331.9 GWh

Number of employees
252

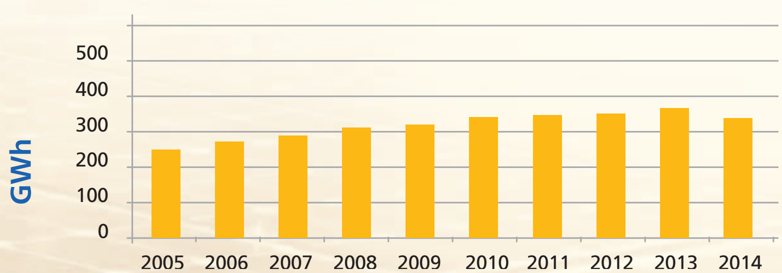
completed leadership training for senior management, and began a similar programme for the next level of management and supervisors.

The Company also observed its 50th anniversary during the year with a programme of activities that included a Thanksgiving Service and Reception, an Open Day during which students from schools across the island visited the Company's Cul De Sac facility to get an understanding of the scale of operations, and a Christmas Luncheon to celebrate the efforts of current and retired staff.

For 2015, the emphasis on operational excellence and efficiency will continue. Projects that will take centre stage include the upgrading of the company's fibre optic terminal equipment and the replacement of the existing SCADA system with a smart grid platform to improve the efficiency, reliability and economics of the production and distribution of electricity.

Desmond Sampson – Fitter Mechanic, with Student Intern Clayton Morgan

LUCELEC ELECTRICITY SALES



SPOTLIGHT
EMERA CARIBBEAN PEOPLE

David Haynes, Substation Technician, BLPC

Community Report

Emera Caribbean companies are committed to supporting the communities in which they live and work.

Fervanus William – Lineman, LUCELEC

Gifts collected through Operation School Box for distribution to needy primary school students

DOMLEC is proud to support the country's annual Carnival

2014 provided countless examples of the generosity of EC companies, and that of their employees, focused on sports and wellness, education, health, communities and culture. EC is pleased to highlight some of their many contributions.

Sports

DOMLEC provided generous sponsorship of the Women's Football League, while LUCELEC supported national swimming championships and the national school sports programs. In Barbados, school athletic programs, national sports teams and Barbados' National Sports Council benefitted from BLPC's contributions.

Health and Safety

Several Barbados health organizations, including the Heart and Stroke Foundation, the Cancer Society and the Society of the Blind received support from BLPC in 2014. Additionally, BLPC provided generously to the Queen Elizabeth Hospital's children's ward. In Dominica, the Private Sector Foundation for Health benefitted from DOMLEC's significant support. Emera Caribbbean was pleased to support the provision of supplies to the St. Vincent hospital following the devastating floods in December 2013.

As our number one priority, safety organizations also received BLPC contributions through kite safety programs, safety in our communities and generous support for crime prevention.

Education

BLPC lent considerable support to schools across the Island, providing donations for fairs and fundraisers, and supporting summer camps and back-to-school programs. In Dominica, DOMLEC provided support for the country's Education Trust Fund. St. Lucian children benefitted from LUCELEC's support of early childhood education, remedial reading programs and school supplies to needy families.

Community and Culture

Celebrating our rich cultures is exceptionally important to our companies and employees, as evidenced by their involvement in, and support of, many events and organizations. Throughout 2014, BLPC was a regular supporter of school, police band and community concerts while LUCELEC donated to the National Arts Festival and the St. Lucia Jazz and Arts Festival. As they do each year, DOMLEC generously supported Dominica's annual Carnival and Independence celebrations. The less fortunate in our communities received support from EC companies in 2014. DOMLEC provided donations to its country's 26 centenarians towards electricity bills, and to Grotto Home for homeless citizens. In St. Lucia, needy families benefitted from LUCELEC's support of soup kitchens and its school feeding program.

SPOTLIGHT
EMERA CARIBBEAN PEOPLE

Jislyn Charles, Customer Service Clerk, DOMLEC

Management's Discussion & Analysis

This discussion and analysis should be read in conjunction with the Group's annual audited consolidated financial statements included in this Annual Report.

As at March 26, 2015

This Management's Discussion & Analysis (MD&A) provides a review of the results of the operations of Emera (Caribbean) Incorporated ("EC"), formerly Light & Power Holdings Ltd. ("LPH"), and its primary subsidiaries during the year ended December 31, 2014 and its financial position as at December 31, 2014 relative to December 31, 2013. Certain multi-year historical financial and statistical information is also presented. Throughout this discussion, "Emera (Caribbean) Incorporated ("EC")" and "Group" refers to Emera (Caribbean) Incorporated ("EC") and all of its consolidated subsidiaries and investments. The name change from LPH to EC was effective November 24, 2014.

This MD&A has been prepared in accordance with the International Financial Reporting Standards (IFRS) Practice Statement 'Management Commentary', which provides a broad non-binding framework for the presentation of management commentary that relates to financial statements that have been prepared in accordance with IFRS.

The consolidated financial statements have been prepared in accordance with IFRS, and all amounts are expressed in Barbados dollars.

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Forward Looking Information

This MD&A contains forward-looking information. The words anticipates, believes, could, estimates, expects, intends, may, plans, projects, schedule, should, will, would and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes statements which reflect the current view with respect to the Group's objectives, plans, financial and operating performance, business prospects and opportunities. The forward-looking information reflects management's current beliefs and is based on information currently available to EC's management and should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved.

The forward-looking information is based on reasonable assumptions and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations include regulatory risk; operating and maintenance risks; catastrophe risk; economic conditions; availability and price of fuel; capital resources and liquidity risk; commodity price risk; competitive pressures; interest rate risk; counterparty risk; changes in foreign exchange rates; regulatory and government decisions, including changes to environmental, financial reporting and tax legislation; loss of market share; labour relations; and availability of labour and management resources.

Readers are cautioned not to place undue reliance on forward-looking information as actual results could differ materially from the plans, expectations, estimates or intentions and statements expressed in the forward-looking information. All forward-looking information in this MD&A is qualified in its entirety by the above cautionary statements and, except as required by law, EC undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

Overview – Emera (Caribbean) Incorporated (EC)

Emera (Caribbean) Incorporated (EC) was founded in 1997 and is publicly traded on the Barbados Stock Exchange.

EC is majority owned by Emera Inc. ("Emera") of Nova Scotia, Canada, an energy and services company with CAD 9.84 billion in assets and 2014 revenues of CAD 2.97 billion. Emera invests in electricity generation, transmission and ▸

distribution, as well as gas transmission and utility energy services. Emera's strategy is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market. Emera's common and preferred shares are listed on the Toronto Stock Exchange and trade respectively under the symbol EMA, EMA.PR.A, EMA.PR.C, EMA.PR.E, and EMA.PR.F.

Nature of the business

The core business of the Group is energy. It conducts its business principally through The Barbados Light & Power Co. Ltd. ("BLPC"), its wholly owned subsidiary which serves approximately 126,000 customers on the island of Barbados and Dominica Electricity Services Limited (DOMLEC), a 51.91% subsidiary, which serves approximately 35,000 customers in Dominica. The Group also holds a 19.1% investment in St. Lucia Electricity Services Ltd. (LUCELEC) which serves approximately 67,000 customers in St. Lucia. Subsidiary Emera Caribbean Renewables Limited ("ECRL") designs, sells and installs renewable energy products in addition to providing energy efficiency services.

The Group is also comprised of another subsidiary, LPH Caribbean Holdings Ltd. ("LPH Caribbean"), and a special purpose entity, The Barbados Light & Power Company Limited Self Insurance Fund ("SIF").

Emera (Caribbean) Incorporated Group

The Barbados Light & Power Company Limited

The Barbados Light & Power Company Limited (BLPC) is a vertically integrated regulated electric utility with a total installed capacity of 239 megawatts ("MW") of oil fired generating capacity and transmission and distribution lines connecting substations located throughout the island.

The government of Barbados has granted BLPC a franchise to generate, transmit and distribute electricity on the island until 2028. BLPC operates under the Electric Light & Power Act Cap. 278 and is regulated under the Fair Trading Commission ("FTC") Act Cap. 2000-31 and the Utilities Regulation Act Cap. 2000-30.

The FTC sets the electricity rates and service standards for electricity customers. BLPC is presently regulated under a cost-of-service model, with rates set to recover prudently incurred costs of providing electricity service to customers, and to provide an appropriate return to investors. The last increase in basic rates for electricity was granted by the FTC in January 2010 and came into effect on March 1, 2010. This increase was the first since 1983. The FTC has approved a fuel clause adjustment ("FCA") mechanism, which allows BLPC to recover fuel expenses from customers through monthly fuel rate adjustments.   The regulated return on rate base approved by the FTC in January 2010 is 10.0 %.

LPH Caribbean Holdings Ltd.

In 2011, EC established a subsidiary, LPH Caribbean Holdings, an international business company ("IBC") registered in Barbados with the aim of facilitating the tax efficient structure of investments in regional utilities and energy businesses. LPH Caribbean Holdings now has a 51.9% and a 19.1% investment respectively in Dominica Electricity Services Ltd. (DOMLEC) and St. Lucia Electricity Services Limited (LUCELEC).

Dominica Electricity Services Ltd. (DOMLEC)

On April 10, 2013, Dominica Power Holdings Limited, a wholly owned subsidiary of the Emera (Caribbean) Incorporated Group, acquired 51.9% of the ordinary share capital of DOMLEC from Dominica Private Power Ltd. The Dominica Social Security owns 21% of the ordinary share capital while 27% is held by the general public.

DOMLEC is a vertically integrated electric utility with a total installed capacity of 20MW of oil fired and 7MW of hydro generating capacity with transmission and distribution lines island-wide. Approximately 70% of power generated by the company comes from 2 diesel plants while the remaining 30% comes from 3 hydroelectric power plants.

DOMLEC operates under the Electricity Supply Act of 2006. It is regulated by the Independent Regulatory Commission (IRC). On October 7, 2013 DOMLEC was presented with two new licenses, a non-exclusive license to generate electricity and an exclusive license to transmit, distribute and supply electricity. Each license is for 25 years commencing January 1, 2014.

These new licenses replace the previous license, which was due to expire on December 31, 2015. Under its previous license, DOMLEC's target return was 15%. Under the current licenses, which took effect on January 1, 2014, DOMLEc's rate of return is now subject to review by the regulator. This will be addressed as part of the tariff review application to the IRC.

Under the existing tariff structure, DOMLEC is required to absorb 2.5% of total fuel costs.

St. Lucia Electricity Services Ltd. (LUCELEC)

LUCELEC is a vertically integrated electric utility serving more than 67,000 customers, with an exclusive license to generate, transmit and distribute electricity on the island of St. Lucia until 2045. The utility has 86.2 MW of oil fired generating capacity and 1,000 km of electricity transmission and distribution lines. LUCELEC is accounted for as an associated company.

The Barbados Light & Power Company Limited Self-Insurance Fund

The Self Insurance Fund (SIF) was established in 1993 when BLPC faced the situation where only a limited amount of commercial insurance was available to cover the T&D assets against natural disasters. Commercial insurance to cover the loss resulting from storm and hurricane events is still largely unavailable and, where limited coverage can be obtained, this is prohibitively expensive. The SIF operates under the Insurance Act (Act 1996-32) and the Insurance Regulations, 1998 ("the Regulations"). The SIF covers the risk to BLPC of catastrophe perils including hurricane, tropical storm, tornado, volcanic eruption, earthquake, flood, overflow of sea and rain accompanying these perils, fire, explosion, riot, strike, malicious damage, machinery breakdown and financial loss (business interruption). The SIF is administered by trustees and is regulated by the Financial Services Commission. The legislation does not allow assets of the SIF to be mortgaged or assigned by the company. The SIF only invests in securities rated AA or higher.

Emera Caribbean Renewables Ltd.

Emera Caribbean Renewables Limited was established in 2012 to invest in renewable energy technology installation and supply. It currently installs solar photovoltaic ("PV") systems for residential and commercial customers in Barbados.

RESULTS OF OPERATIONS

EC Group Financial Results

	2014	2013	VARIANCE	
	$000	$000	$000	(%)
Operating revenue	630.3	624.5	5.8	0.9%
Operating income	53.6	53.4	0.2	0.4%
Total operating expenses	576.7	571.1	5.6	1.0%
Income before tax	56.4	60.6	(4.2)	(6.9%)
Income after tax	51.1	54.2	(3.1)	(5.7%)
Other comprehensive income	0.8	4.4	(3.6)	(81.8%)
Total comprehensive income	51.9	58.6	(6.7)	(11.4%)
Comprehensive income attributable to the non-controlling interest	(4.1)	(2.8)	1.3	46.4%
Total Comprehensive income	47.8	55.8	(8.0)	(14.3%)

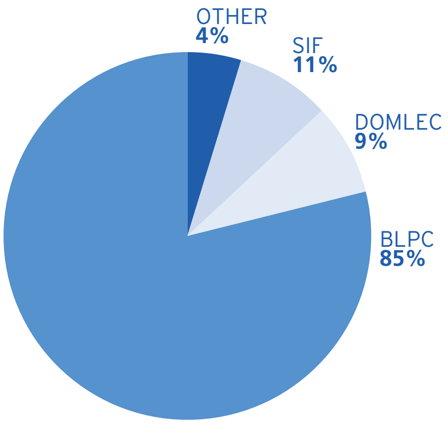
Comprehensive Income

Comprehensive income attributable to the equity holders of the Group decreased by $8.0M or 14.3% in 2014 to $47.8M.

Highlights of the changes relating to the comprehensive income attributable to the equity shareholders of the Group are summarized below:

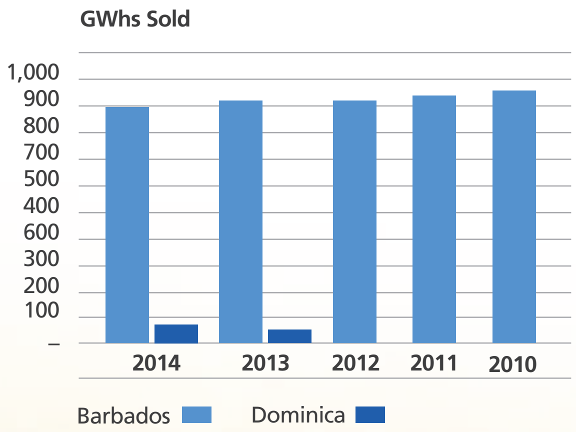
Details	Year ended December 31, 2014 ($000)
Comprehensive net income 2013	55.8
Effect of the 2013 gain on acquisition of DOMLEC in 2013	(5.5)
Reduction in the increase in FV of AFS assets of SIF	(3.6)
Timing of DOMLEC's acquisition less non-controlling interest	1.3
Other	(0.2)
Comprehensive net income 2014	47.8

The following graph shows comprehensive income for the year by operating segment.



EC's head office contribution to comprehensive income was negative 9%

Electricity Sales



Group sales from electricity increased by 1.3% to 991 GWh in 2014 from 978 GWh in 2013. The timing of the acquisition of DOMLEC in 2013 is mainly responsible for the overall increase. DOMLEC's 2014 sales were 2.1% above 2013 sales for the full year. However, the increase over the post-aquisition represented a 34% increase for EC. BLPC's 2014 sales decreased by 1.3%, a reflection of the prevailing negative economic conditions being experienced in Barbados and the wider Caribbean, and impacting consumer consumption. The significant growth in customer-owned renewable energy systems also continued to be a contributing factor to the decline in sales.

Electricity sales & revenue by tariff

	Electricity Sales (GWh)			Electricity Revenue ($M)		
Customer Class	2014	2013	VAR%	2014	2013	VAR%
Residential	**342.4**	331.9	3.2%	**77.5**	72.0	7.6%
Commercial	**637.2**	634.0	0.5%	**154.0**	149.5	3.0%
Other	**11.9**	12.0	(1.1%)	**3.8**	3.6	6.0%
Total	**991.5**	977.9	1.4%	**235.3**	225.1	4.5%

Total Revenues

	2014	2013	VARIANCE	
	$M	$M	$M	(%)
Electric revenue	**235.3**	225.1	10.2	4.5%
Fuel revenue	**389.6**	396.2	(6.6)	(1.7%)
Total Electric revenues	**624.9**	621.3	3.6	0.6%
Misc. revenue	**5.4**	3.1	2.3	74.2%
Total operating revenues	**630.3**	624.4	5.9	0.9%

Operating revenues increased year on year by $5.9 M – $630.3 M in 2014 compared to $624.5 M in 2013.

Highlights of the revenue changes are summarized below:

Details	Year ended December 31, 2014 ($000)
Revenue from sale of electricity – 2013	621.3
Decrease due to reduction in BLPC's sales volumes	(2.6)
Increase due to timing of DOMLEC's acquisition	21.5
Decrease in fuel charge due to lower fuel prices	(15.3)
Revenue from sale of electricity – 2014	624.9

The cost of fuel used by BLPC is recovered through the Fuel Clause Adjustment (FCA) mechanism that is applied to electricity bills as fuel revenue. DOMLEC is required to absorb 2.5% of total fuel costs under the existing tariff structure, with the remainder being recovered through a fuel surcharge.

Total Expenses

	2014	2013	VARIANCE	
	$M	$M	$M	(%)
Fuel costs	394.8	399.2	(4.4)	(1.1%)
Operating expenses	139.9	132.1	7.8	5.9%
Depreciation	42.0	39.8	2.1	5.3%
Total operating expenses	576.7	571.1	5.5	1.0%

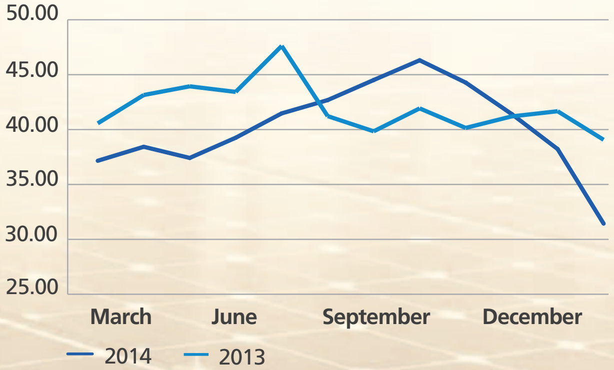
Total expenses decreased year on year by $5.5M to $576.7M in 2014 (2013 - $571.1M) or a decrease of 1.0%. Highlights of the changes relating to the total expenses of the Group are summarized below:

Details	Year ended December 31, 2014 ($M)
Operating expenses 2013	571.2
Increase due to timing of DOMLEC's acquisition	17.7
Reduction of fuel costs BLPC	(15.3)
Restructuring costs BLPC	1.8
Increase in regulatory studies by BLPC	1.1
Other	0.2
Total operating expenses 2014	576.7

Fuel costs

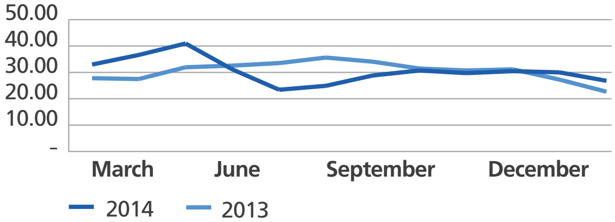
Fuel expense is the greatest contributor to total operating expenses. However, in the last quarter of 2014, the price of oil dropped significantly in the international market. This was reflected in BLPC's fuel cost which was $15.3M or 4% lower than in the previous year, thus contributing to a reduction in the FCA from an average of 41.68 cents in 2013 to an average of 40.15 cents at the end of 2014.

Fuel Clause Adjustment – BLPC
BBD cents



The average FCA for DOMLEC was 36.6 cents per kWh for 2014 in comparison to 36.0 cents per kWh at the end of 2013. DOMLEC's FCA is affected by the level of hydro production. In 2014, diesel accounted for 70% of DOMLEC's generation and hydro for 30% while, in 2013, diesel accounted for 64% of production and hydro 36%.

Fuel Clause Adjustment – DOMLEC
BBD cents



DOMLEC's reported fuel cost for 2014 is $10.9M higher than in 2013 where only part of the fuel cost was reported due to the timing of the acquisition.

Operating expenses

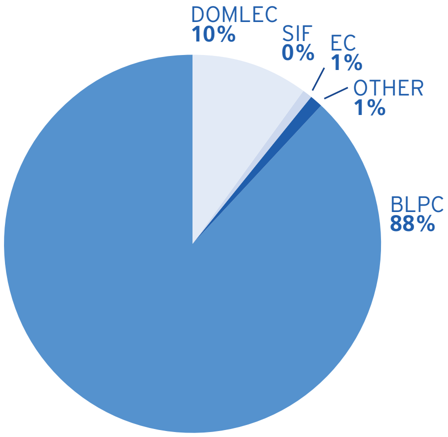
Operating expenses rose by $7.8M or 5.9% over the corresponding year 2013. In DOMLEC, the increase of $4.2M is due primarily to additional operating expenses as a result of the timing of the acquisition in 2013, whilst BLPC's increase of $4.8M is mainly attributable to the costs associated with restructuring, maintenance of plant and studies. The increases in BLPC and DOMLEC were offset by decreases of $1.2M in the other companies in the group.

Depreciation

The increase in depreciation expense of $2.1M or $42.0M in 2014 (2013 - $39.8M) was due mainly to the timing of the acquisition of DOMLEC.

Expenses by Segment

Total expenses by segment are shown in the below diagram:



Cash Flow Position & Movements

Cash flows from operating activities

Improvement to the Group's receivables collection as well as management of working capital were the main contributors to the increase of $20.6M in cash from operating activities when compared to the prior year.

Cash flows used in investing activities

The Group's investing outflows decreased by $12.4M in 2014 mainly due to the $20.6M spend on the acquisition of DOMLEC in 2013. This was offset by increased expenditure on Property, Plant & Equipment where, in BLPC, the generation capital expansion program recorded an increase of $2.6M, distribution $2.5M and other capital initiatives of $0.9M. DOMLEC's capital expenditure for the full year 2014 was $1.2M greater than that position post-acquisition in 2013.

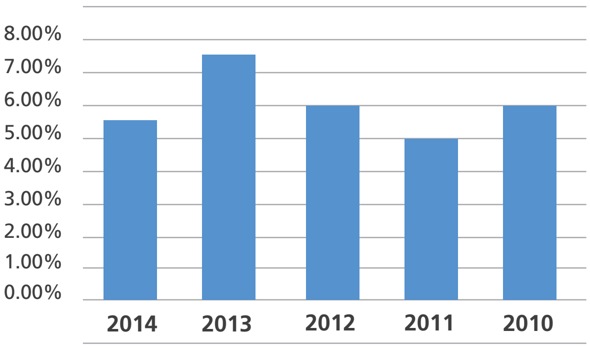
Cash flows used in financing activities

Cash flows from financing activities decreased by $17.4M. No new borrowings were made in 2014 and repayments on current loans were $9.5M less than the previous year. In 2013, borrowings of $23.9M were recorded.

Group Cash Flow Position	2014 $M	2013 $M	VAR $M	VAR (%)
Opening cash & cash equivalents	**149.3**	126.8	22.5	18%
Cash provided by/(used in):				
Operating activities	**101.2**	80.5	20.7	26%
Investing activities	**(37.1)**	(49.5)	12.4	(25%)
Financing activities	**(25.7)**	(8.5)	(17.2)	202%
Closing cash & cash equivalents	**187.7**	149.3	38.4	26%

Other Financial Performance Indicators

Return on Equity



Return on equity decreased when compared to 2013 from 7.5% to 6.0%. Higher returns were noted in 2013 and 2010 due to gains recognized on the purchase and sale of subsidiary and associated companies respectively.

Dividends and Payout Ratios

	2014	2013	2012	2011	2010
Basic EPS (cents)	256.1	279.2	227.7	198.5	257.3
Dividends (cents)	56.0	52.0	48.0	44.0	40.0
Payout ratio (cents)	22%	19%	21%	22%	16%

The Group achieved basic earnings per share of 256.14 cents in 2014 compared to of 279.25 cents in 2013 representing an 8.3% decrease.

Total dividends paid increased by 7.6% to 56 cents in 2014 from 52 cents in 2013.

Financial Position

The following table is a summary of significant changes to the Group's Balance Sheet from December 31, 2013 to December 31, 2014.

Balance Sheet Account	Increase/ (Decrease) (millions)	Explanation
Property, Plant and Equipment	(3.5)	Additions less contributions received from customers were lower than the depreciation charge for the year.
Available for Sale Assets	6.4	Increased investment of $3.0M in 2014 in addition to the reinvestment of earnings and fair value appreciation of assets.
Cash resources	36.0	Faster receivables collection yielded $20.5M over 2013. Additions to PP&E decreased by $7.4M and the repayment of borrowings decreased by $9.5M
Trade & other receivables	(20.5)	The result of lower fuel prices and faster collection of receivables in BLPC ($16.6M). 40 days in 2014 versus 45 in 2013. The timing of the maintenance payments ($5.0M).
Borrowings including Current portion	(17.9)	Scheduled repayments on existing loans
Customers' deposits	2.8	Increase in new deposits and interest on deposits
Trade & other payables	(8.8)	Reduction in fuel costs resulting in a lower fuel liability
Corporation tax payable	4.4	Due to the reversal of temporary differences as a result of the exhaustion of tax losses in BLPC
Due to related company	3.5	Increase in administrative & corporate expenses

Group Liquidity & Capital Resources

The Group is financed from two sources:

1. Equity 2014 – 88% (2013 – 86%);
2. Borrowings from banks in the form of secured debentures 2014 – 12% (2013 – 14%);

The Group also holds Customer Deposits and benefits from Government manufacturing and investment tax allowances.

Over the years, the Group has reinvested a significant amount of earnings to finance new generating capacity and transmission & distribution facilities that were needed to meet the growth in demand for electricity. Equity holders have therefore provided the largest source of capital to the Group.

In addition to equity financing, the Group has sourced financing from financial institutions. Financing is largely secured by debenture on assets. The Group's borrowings are all at fixed interest rates, which expose the Group to fair value interest rate risk.

Customer deposits are held by the Group as security in the event of non-payment of bills. There is no concentration with regards to these deposits and management does not associate any significant risk to this source of financing.

Government incentives in the form of manufacturing and investment tax credits are deferred and recognized in the statement of income over the useful life of the related BLPC assets. Government incentives in the form of government grants are deferred and recognized in the statement of income over the useful life of the related DOMLEC assets. Management does not associate any significant risk with these sources of financing.

Transactions with Related Parties

Due to the similar nature of business of the Emera companies and the potential for economies of scale and other synergies since Emera became a majority shareholder, the Group has had certain transactions with related parties. These transactions include charges for work done by Emera for the Group and work conducted by BLPC for other companies within the Emera group.

These include but are not limited to business development, technical planning, regulatory support, policy preparation & documentation and financial reporting.

Management is of the view that being a part of the larger Emera group brings several benefits of this nature as well as opportunities yet to be explored. Amounts due to related parties at December 31, 2014 were $6.9M (2013 – $3.4M).

FACTORS AFFECTING EC's GROUP BUSINESS/Other Accounting Considerations

Disclosure and Internal Controls

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"). The objective of these procedures is to improve the quality, reliability and transparency of information that is filed or submitted under securities legislation.

The Managing Director and the Chief Financial Officer have designed, with the assistance of Group employees, DC&P and ICFR to provide reasonable assurance that material information is reported to them on a timely basis; financial reporting is reliable; and financial statements prepared for external purposes are in accordance with IFRS.

The Managing Director and the Chief Financial Officer have evaluated, with the assistance of Group employees, the effectiveness of the Group's DC&P and ICFR and, based on that evaluation, have concluded DC&P and ICFR were effective for the year ended December 31, 2014.

Risk Management

The Group is faced with significant financial and operational risks due to the capital intensive nature of the subsidiaries' operations. EC has implemented risk management policies to mitigate any negative impacts.

Operational Risks

Operational risks are those risks normally inherent in the operation of generating, transmission and distribution facilities. The Group's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defects, and design or operation error, among other things. These risks could lead to longer-than-forecast equipment downtimes, disruptions of power generation, customer service interruptions, and could result in injury to employees and the public. Accordingly, to ensure the continued performance of the physical assets, the Group determines expenditures that must be made to maintain and replace the assets.

The operation of an electric utility is accompanied by the risks associated with fuel management and a variety of equipment that operates at high pressure and temperature, and high voltage.

In 2014 the Group continued to build a culture of safety and environmental awareness among staff necessary to maintain and improve levels of performance. Initiatives undertaken by BLPC included safety training for supervisors and 3rd party contractors; review of safety aspects for Competence-based Training (CBT); safety presentations to external stakeholders; emergency response drills at all sites; and the commencement of a safety newsletter. These activities have been instrumental in not only lowering the All Injury Frequency (AIF) Rate from 3.14 in 2013 to 2.57 in 2014, but also improving the responsiveness in staff to the impact their actions have on these issues.

DOMLEC's Safety, Health and Environmental Stewardship Awareness program for 2014 included extensive training; the implementation and auditing of the ISO 14001 program; defensive driving; hazard identification; incident investigation; risk assessment; first aid/CPR; and the implementation of the CBT Program.

Weather

EC's facilities are subject to the effects of severe weather conditions, principally during the hurricane season months of June through November. Despite preparations for disasters such as hurricanes, adverse conditions will always remain a risk. In order to mitigate the effects of this risk, BLPC has established a self-insurance fund which insures BLPC's transmission and distribution assets against damage and consequential loss as a result of a catastrophe. In its risk mitigation efforts, DOMLEC secured an EC$10.0m standby facility for funding expenditures arising out of catastrophic damage to its transmission and distribution equipment, with the intention of establishing a self-insurance fund in the near future.

Credit Risks

Credit risk represents the potential loss from a counterparty's non-performance under an agreement. The EC Group is exposed to credit risk via outstanding customer balances. This is mitigated via the implementation of efficient debt collection procedures.

Labour Risks

An inadequate work force can have detrimental impacts on the operations and profitability of the Group. Approximately 70% of EC's staff (66% BLPC, & 75% DOMLEC) is unionized. In 2014, BLPC completed negotiations for revised remuneration packages for all employees including new work schedules for shift workers. It is expected that further negotiations concerning the proposed new working arrangements will continue into 2015.

Union negotiations at DOMLEC commenced in 2014 and are expected to be signed in early 2015 for a three (3) year period.

Efforts will be made to ensure the Group is able to achieve effective, efficient operations while controlling labor and benefits costs, and maintaining well-trained staff to support operating activities.

Country Risks

The economic conditions in the Caribbean remain challenging. GDP growth for Barbados, Dominica and St. Lucia is currently estimated to be 0.2%, 2.04% and (2.74%) respectively.

Economic Conditions

As with most utility companies, the general economic conditions of EC's geographic locations have influenced sales. Changes in consumer income, employment, inflation and housing are all factors that impact the demand for electricity. As the Group's customers include hotels and large properties, its sales are also influenced by tourism, construction and related industry fluctuations.

Regulatory Risks

EC's rate-regulated subsidiaries and its investment subject to significant influence are subject to risk of the recovery of costs and investments in a timely manner. As utilities that are regulated under a cost-of-service approach, BLPC and DOMLEC must obtain regulatory approval to change electricity rates and/or riders. Costs and investments can be recovered upon approval by the respective regulator of the recovery in adjustments to rates and/or riders, which normally requires a public hearing process.

In addition, the commercial and regulatory frameworks under which EC and its subsidiaries operate can be impacted by significant shifts in government policy and changes in governments.

The subsidiaries manage this regulatory risk through transparent regulatory disclosure, ongoing stakeholder and government consultation and multi-party engagement on aspects such as utility operations, fuel-related audits, rate filings and capital plans.

Barbados - The Government of Barbados continued to pursue a new sustainable energy framework for Barbados. The main prongs of this project are the promotion of energy efficiency and the introduction of renewable sources of energy.

During 2013, the government incorporated key components of the policy in a new Electric Light and Power Act (ELPA). The new ELPA will be accompanied by regulations which will play a critical role in shaping regulatory reform and charting the path of Barbados' electricity sector.

The ELPA and regulations will guide the newly developed licensing and interconnection process. They will also facilitate the introduction of Independent Power Producers into the electricity market. The new ELPA has not yet been proclaimed into law.

Under this new regime, the BLPC has also completed and submitted to the Fair Trading Commission for approval an Integrated Resource Plan (IRP) which is intended to form the basis of future generation expansion.

Dominica – The Independent Regulation Commission (IRC) granted DOMLEC a 25 year non-exclusive license to generate electricity and an exclusive license to transmit, distribute and supply electricity. Under the terms of the new license, DOMLEC was required to apply to the IRC for revised rates in September 2014. This was deferred by the IRC to the second quarter of 2015.

Interest Rate Risks

Interest rate risk represents the risk that an investment or loan value will decrease or increase due to fluctuations in interest rates. This has a direct impact on the cash flow variability and profitability of EC. This risk is imminent to the Company from an investment perspective as average investment rates have decreased from 2.5% to 1.86% over the past year. This also exposes the Group to borrowing valuation increases as loan rates continue to decline.

Currency Risks

The Group's revenues are earned in Barbadian and Eastern Caribbean dollars while the majority of its debt obligations are denominated in US dollars, and most of its equipment and supplies are purchased overseas. The Company does not hedge this risk and therefore is fully dependent on the stability of the Barbadian (BBD) and Eastern Caribbean (XCD) currencies against the US dollar.

Liquidity Risks

The Group's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, amongst other things, its capital expansion program. The ability to arrange such financing is subject to numerous factors including conditions in the capital and bank credit markets, ratings assigned by ratings agencies, and general economic conditions.

Other Risk Considerations

Operating Expenses

In the face of declining sales, the Group has initiated efforts to reduce operating costs without impacting its ability to meet customers' needs for service. Compensation and benefits costs comprise one of the largest categories of expenses that the Company incurs. The Company will continue to review costs to ensure there is an efficient deployment of staff with the necessary skill sets and core competencies to meet operational requirements and maximize productivity in a safe, secure working environment.

Competition

As customers continue to look for ways to reduce energy costs, the Company must ensure it remains efficient and effective at managing costs, and most importantly, meeting customers' needs to ensure that all entities under the Group can continue to compete successfully.

Economic Review & Outlook

Present Conditions - Barbados

The Barbados economy continued to experience challenges during 2014 with weaknesses reflected in many of the critical economic areas. By the end of the year the economy experienced growth (estimated at 0.2%) for the first time since 2011 driven by 1% improved performance in tourism and construction activity. Foreign exchange reserves stabilized at the end of December to a stock of US$526.0M, representing 14.7 weeks of import cover. The Central Bank of Barbados expressed confidence that the threat to the Barbadian dollar's peg to the US dollar of BDS$2: USD$1 no longer exists. The unemployment rate increased to 12.7% following government's retrenchment program, and inflation averaged 1.9% at the end of December 2014. Tourism value-added is estimated to have increased by 1%, reversing the downward trend witnessed over the last three years. Long-stay arrivals rose by 1%, and visitors stayed slightly longer than in 2013. Increased airlift out of the UK contributed to growth in arrivals of 10%, but arrivals were down from the US and Canada by 3% and 4% respectively. Arrivals from Trinidad and other Caricom markets contracted by 12 % and 9% respectively.

Present Conditions - Dominica & St. Lucia

Dominica and St Lucia experienced mixed economic fortunes in 2014. Real GDP growth for Dominica is estimated to have improved by 2.6% during 2014 (2014: 2.04% vs. 2013: (0.56%)), while preliminary analysis indicates St. Lucia experienced GDP contraction of 2.74% in 2014 compared to contraction of 2.3% in 2013. Dominica's inflation rate increased minimally in June 2014 by 0.90% to 1.56% (2013: 0.66%) while St. Lucia's inflation rate increased from 1.5% in 2013 to 4.8% as at September 2014.

GDP growth in Dominica was driven primarily by increased value added in the agricultural sector and tourism industry, with visitor arrivals increasing by 26.6% to September 2014 when compared to 2013. St Lucia's contraction was largely based on the performance of a number of the major economic sectors such as construction and manufacturing. However, the contraction in overall economic activity was slightly mitigated by an improved performance in the tourism industry, which saw an increase in visitor arrivals of 5.8%.

Outlook

Notwithstanding the positive movement in output in Barbados during 2014, the performance of the other leading economic indicators suggests that the path to sustained growth during 2015 will continue to be challenging. The high fiscal deficit (12.3% of GDP) and government debt levels (100% of GDP) will have to be contained if confidence is to return to the economy following the series of downgrades of the Country's sovereign credit-worthiness, the most recent being by Standard and Poor's (S&P) to 'B' with a negative outlook in December 2014. The ability of the economy to grow at around 2% as predicated by the Central Bank will depend heavily on the anticipated upturn in tourism and construction-related activity.

Continued growth is expected for the Dominican economy within the foreseeable future. Both the Eastern Caribbean Central Bank and the IMF expects GDP growth of 1.8% for Dominica in 2015. The outlook for the St. Lucian economy is also positive despite the contraction experienced in 2014 and 2013. The Eastern Caribbean Central Bank is expecting growth of 1.1% in 2015 while the IMF's projection is slightly higher at 1.4%.

Significant Accounting Policies and Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates have been disclosed in the consolidated financial statements of the group. Actual results may differ from these estimates.

Objectives and Strategies

The Group's focus in 2015 will be on the following strategic priorities:

- **Customer** – improve reliability in all of our operations and enable the integration of more renewables onto our grids to help stabilize electricity prices.
- **Fuel to assets** – invest in ways to make electricity generation cleaner and in getting that energy to market. This includes further development of the renewable energy portfolio through investments in solar photovoltaic and geothermal energy.
- **Intelligent grid systems** – develop smart grid infrastructures to support clean energy generation, which includes a pilot Advanced Metering Infrastructure (AMI) in Barbados.
- **Regulatory** – prepare for DOMLEC's rate review with the IRC in Dominica and submission by BLPC of various filings to the FTC in Barbados.
- **Shared Services** - leverage the expertise that exists across the regional utilities to the benefit of customers, employees and shareholders.

SPOTLIGHT
EMERA CARIBBEAN PEOPLE

Geoffrey Lovell, SCADA Dispatcher, BLPC

FINANCIAL STATISTICS
FIVE YEAR SUMMARY

	2014	2013	2012	2011	2010
Property, plant and equipment	**1,388,197**	1,357,165	1,126,402	1,107,118	1,074,542
Less accumulated depreciation	**(733,690)**	(699,163)	(559,392)	(525,470)	(491,131)
Net property, plant and equipment	**654,507**	658,002	567,010	581,648	583,411
Revenue and expenses					
Operating revenue	**630,338**	624,472	593,168	607,276	508,139
Expenses					
Fuel	**(394,824)**	(399,234)	(397,529)	(409,822)	(306,803)
Operating and maintenance	**(139,755)**	(131,950)	(112,320)	(118,434)	(118,698)
Depreciation	**(42,050)**	(39,784)	(39,777)	(39,973)	(38,769)
Loss on exchange	**(89)**	(113)	(106)	(120)	(269)
Operating income	**53,620**	53,391	43,436	38,927	43,600
Finance income	**8,561**	14,425	3,971	6,051	4,897
Income before interest and taxation	**62,181**	67,816	47,047	44,978	48,497
Interest and finance charges	**(10,004)**	(10,693)	(8,164)	(8,402)	(8,692)
Share of gain of associated company	**4,270**	3,477	3,897	–	7,543
Income before taxation	**56,447**	60,600	43,140	36,576	47,348
Taxation charge	**(5,381)**	(6,388)	(2,896)	(1,240)	(1,702)
Net income	**51,066**	54,212	40,244	35,366	45,646
Deduct:					
Common dividends	**(9,580)**	(8,927)	(8,260)	(7,573)	(6,865)
Transfer to self insurance reserve	**(4,230)**	(4,035)	(1,442)	(2,672)	(5,885)
Reinvested earnings	**37,256**	41,250	30,542	25,091	32,896

SPOTLIGHT
EMERA CARIBBEAN PEOPLE

Ken Howard and **Shawn Alleyne,** Linemen, BLPC

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Emera (Caribbean) Incorporated

We have audited the accompanying consolidated financial statements of **Emera (Caribbean) Incorporated** which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Emera (Caribbean) Incorporated** as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS

Barbados
March 26, 2015

Emera (Caribbean) Incorporated

Consolidated Balance Sheet

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

	Notes	2014 $	2013 $
Assets			
Non-current assets			
Property, plant and equipment	5	654,507	658,002
Investment in associates	6	54,914	52,974
Financial investments - available-for-sale	7	144,301	137,946
		853,722	848,922
Current assets			
Cash resources	8	189,916	153,919
Trade and other receivables	9	81,123	101,603
Corporation tax recoverable		787	705
Due by associated companies		137	94
Inventories	10	31,252	32,629
		303,215	288,950
Total assets		1,156,937	1,137,872
Equity			
Share capital	11	113,029	114,734
Other reserves	12	256,045	251,006
Non-controlling interests		29,680	26,773
Retained earnings		438,310	405,111
		837,064	797,624
Non-current liabilities			
Borrowings	13	96,711	109,758
Customers' deposits	14	42,295	39,413
Deferred credits	15	39,773	42,066
Deferred tax liability	16	40,270	41,430
		219,049	232,667
Current liabilities			
Trade and other payables	18	70,583	79,416
Due to parent companies	20	6,930	3,352
Due to related party		5	5
Corporation tax payable	16	5,128	746
Provisions for other liabilities and charges	17	4,376	5,365
Current portion of borrowings	13	13,802	18,697
		100,824	107,581
Total equity and liabilities		1,156,937	1,137,872

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

Approved by the Board of Directors on March 26, 2015 and signed on its behalf by:

Sarah MacDonald

Sarah MacDonald – Executive Chairman

R. Edghill

Richard Edghill – Director

CONSOLIDATED FINANCIAL STATEMENTS

Emera (Caribbean) Incorporated

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

	Common shares $	Other reserves $	Retained earnings $	Non-controlling interests $	Total $
Balance at December 31, 2012	115,606	242,601	366,643	–	724,850
Comprehensive income					
Net income for the year	–	–	51,430	2,782	54,212
Change in fair value of available -for-sale - financial Investments	–	4,370	–	–	4,370
Total comprehensive income	–	4,370	51,430	2,782	58,582
Dividends paid (52¢ per share)	–	–	(8,927)	–	(8,927)
Dividends paid to NCI	–	–	–	(371)	(371)
Issue of common shares	419	–	–	–	419
Repurchase of common shares	(1,291)	–	–	–	(1,291)
Acquisition of DOMLEC	–	–	–	24,362	24,362
Transfer to Self Insurance Fund/reserve	–	4,035	(4,035)	–	–
	(872)	4,035	(12,962)	23,991	14,192
Balance at December 31, 2013	114,734	251,006	405,111	26,773	797,624
Comprehensive income					
Net income for the year	**–**	**–**	**47,009**	**4,057**	**51,066**
Change in fair value of available -for-sale - financial Investments	**–**	**809**	**–**	**–**	**809**
Total comprehensive income	**–**	**809**	**47,009**	**4,057**	**51,875**
Dividends paid (56¢ per share)	**–**	**–**	**(9,580)**	**–**	**(9,580)**
Dividends paid to NCI	**–**	**–**	**–**	**(1,150)**	**(1,150)**
Issue of common shares	**411**	**–**	**–**	**–**	**411**
Repurchase of common shares	**(2,116)**	**–**	**–**	**–**	**(2,116)**
Transfer to Self Insurance Fund/reserve	**–**	**4,230**	**(4,230)**	**–**	**–**
	(1,705)	**4,230**	**(13,810)**	**(1,150)**	**(12,435)**
Balance at December 31, 2014	**113,029**	**256,045**	**438,310**	**29,680**	**837,064**

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

Emera (Caribbean) Incorporated

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

	Notes	2014 $	2013 $
Operating revenue	**21**	**630,338**	624,472
Operating expenses			
Fuel		**394,824**	399,234
Generation		**54,162**	48,905
General		**61,702**	61,721
Distribution		**16,944**	15,181
Insurance		**6,947**	6,143
Depreciation		**42,050**	39,784
Foreign exchange loss		**89**	113
	22	**576,718**	571,081
Operating income		**53,620**	53,391
Finance and other income	**23**	**8,561**	8,952
Gain on bargain acquisition		**–**	5,473
Finance and other costs		**(10,004)**	(10,693)
Share of income of associated company	**6**	**4,270**	3,477
Income before taxation		**56,447**	60,600
Taxation	**16**	**(5,381)**	(6,388)
Net income for the year		**51,066**	54,212
Other comprehensive income to be reclassified to profit in subsequent periods:			
Change in fair value of financial investments available-for-sale	**7**	**809**	4,370
Total comprehensive income for the year		**51,875**	58,582
Attributable to shareholders of the Group		**47,818**	55,800
Non-controlling interests		**4,057**	2,782
		51,875	58,582
Attributable to shareholders of the Group basic and diluted earnings per share (cents)	**25**	**256.14**	279.25

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

CONSOLIDATED FINANCIAL STATEMENTS

Emera (Caribbean) Incorporated

Consolidated Statement of Cash Flows

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

	2014	2013
	$	$
Cash flows from operating activities		
Income before taxation	**56,447**	60,600
Adjustments for non-cash items:		
Share of income of associated company	**(4,270)**	(3,477)
Depreciation	**42,050**	39,784
Loss on foreign exchange	**89**	157
Loss on disposal of property, plant and equipment	**774**	153
Gain on bargain acquisition	**–**	(5,473)
Investment and interest income	**(5,255)**	(6,821)
Finance and other costs	**10,004**	10,693
Net change in deferred revenue	**(2,042)**	(552)
Net change in provisions for other liabilities and charges	**(989)**	(531)
Operating income before working capital changes	**96,808**	94,533
Decrease/(increase) in trade and other receivables	**20,480**	(11,653)
Decrease in inventories	**1,377**	3,997
(Decrease)/increase in trade and other payables	**(8,833)**	5,364
Change in other assets	**–**	(2,679)
Increase in due to parent company	**3,578**	1,852
Increase in due from related party	**(43)**	(74)
Cash generated from operations	**113,367**	91,340
Interest and finance charges paid	**(9,937)**	(9,981)
Corporation tax paid	**(2,241)**	(802)
Net cash from operating activities	**101,189**	80,557
Cash flows used in investing activities		
Additions to property, plant and equipment	**(41,525)**	(34,085)
Purchase of financial investments	**(52,302)**	(66,912)
Redemption of financial investments	**47,432**	59,351
Decrease in term deposits	**4,000**	3,975
(Decrease)/Increase in restricted cash - Self Insurance Fund	**(1,619)**	385
Investment in subsidiary company less cash acquired	**–**	(20,640)
Proceeds on disposal of property, plant and equipment	**58**	44
Dividends received	**2,297**	3,651
Interest received	**4,558**	4,690
Net cash used in investing activities	**(37,101)**	(49,541)
Carried forward	**64,088**	31,016

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

	2014 $	2013 $
Brought forward	**64,088**	31,016
Cash flows used in financing activities		
Repurchase of common shares	**(2,116)**	(1,291)
Issue of common shares	**411**	419
Dividends paid	**(9,580)**	(8,927)
Dividends paid to non-controlling interests	**(1,150)**	(367)
Repayment of borrowings	**(18,038)**	(27,732)
Proceeds from borrowing	**–**	23,880
Customers' contributions	**1,887**	2,179
Customers' deposits	**2,882**	3,336
Net cash used in financing activities	**(25,704)**	(8,504)
Net increase in cash and cash equivalents	**38,384**	22,512
Cash and cash equivalents - beginning of year	**149,289**	126,777
Cash and cash equivalents - end of year (Note 8)	**187,673**	149,289

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

1 General information

Emera (Caribbean) Incorporated, formerly Light & Power Holdings Ltd. ("the Company"), was incorporated on October 9, 1997 under the Companies Act, Chapter 308 of the Laws of Barbados and is listed on the Barbados Stock Exchange. The principal activities of the Company and its subsidiaries, (including the special purpose entity) ("the Group"), include the generation, distribution and supply of electricity, the operation of a self-insurance fund to manage certain of the Group's insurance risks, and investments in real estate.

The registered office of the Company is located at Garrison Hill, St. Michael, Barbados.

The ultimate parent of the Group is Emera Inc., an energy and services company registered in Canada. At December 31, 2014 the ownership stood at 80.6 per cent (2013 – 80.3 per cent). The immediate parent of the Group is Emera (Barbados) Holdings No. 2 Inc., a company incorporated in St. Lucia.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of available-for-sale financial investments.

The preparation of consolidated 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 Group'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 consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1.1 Changes in accounting policy and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of January 1, 2014. The adoption of the revised standard did not have a significant impact on the financial statements of the Group.

- **IAS 32, 'Financial Instruments: Presentation (amendment) – Offsetting Financial Assets and Financial Liabilities',** issued in December 2011. The amendment clarifies the meaning of "currently has the enforceable right to set-off" by stating that right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and in the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event and the application of the IAS 32 offsetting criteria to settlement systems (such as central

2 Summary of significant accounting policies *...continued*

clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Group's financial position, performance or disclosures.

- **IAS 36, 'Impairment of Assets (amendment) – Recoverable Amount Disclosures for Non-Financial Assets',** issued in May 2013. The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarifies the disclosures required, and introduces an explicit requirement to disclose the discount rate used in recognizing or reversing impairment losses where recoverable amount is based on fair value less costs of disposal, and is determined using a present value technique. The amendments apply on a retrospective basis for annual periods beginning on or after January 1, 2014. The amendment has no impact on the Group's financial position, performance or disclosures.

- **IFRIC 21, 'Levies',** issued in May 2013. IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. However, it does not include income taxes, fines and other penalties, liabilities arising from emissions trading schemes, and outflows within the scope of other Standards. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. Initial application is in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The requirements are applied on a retrospective basis. The adoption of IFRIC 21 has had no impact on the Group's financial position, performance or disclosures.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2014 but not currently relevant to the Group

- **IAS 27, 'Separate Financial Statements (amendment)',** issued in October 2012. The amendment to the standard is to establish a definition of an investment entity, and to clarify that an investment entity which applies the exemption to consolidation presents separate financial statements as its only financial statements. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Group's financial position, performance or disclosures.

- **IAS 39, 'Financial Instruments: Recognition and Measurement (amendment)',** issued in June 2013. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided the following criteria are met. Novation must happen as a consequence of laws or regulations or the introduction of laws or regulations. Following the novation, a central counterparty would become the new counterparty to each of the original parties to the derivative, and any changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Group's financial position, performance or disclosures.

2 Summary of significant accounting policies *...continued*

- **IFRS 10, 'Consolidated Financial Statements (amendment)' Investment Entities',** issued in October 2012. The amendment provides an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity'. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Group's financial position, performance or disclosures.

- **IFRS 12, 'Disclosure of Interests in Other Entities (amendment)' – Investment Entities',** issued in October 2012. The amendment introduces new disclosure requirements for entities which meet the definition of an 'investment entity'. The amendment was effective for annual periods beginning on or after January 1, 2014 and has no effect on the Group's financial position, performance or disclosures.

c) ***New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 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 Group's operations. The Group has not early adopted the new standards, amendments and interpretations.

- **IAS 16, 'Property, Plant and Equipment (amendment)',** issued in December 2013. The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 16, 'Property, Plant and Equipment (amendment)',** issued in May 2014. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment, and intangible assets should be calculated. The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. It also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. The amendment is effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 16, 'Property, Plant and Equipment (amendment)',** issued in June 2014. The amendment bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period;

2 Summary of significant accounting policies *…continued*

and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of IAS 41 Agriculture. The amendment is effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 19, 'Employee Benefits (amendment)',** issued in November 2013. The amendment clarifies the requirements of the standard that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 19, 'Employee Benefits (amendment)',** issued in November 2013. The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 24, 'Related Party Disclosure (amendment)',** issued in December 2013. The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 27, 'Separate Financial Statements (amendment)',** issued in August 2014. The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 28, 'Investments in Associates and Joint Ventures (amendment)',** issued in September 2014. The amendment addresses a conflict between the requirements of IAS 28 *'Investments in Associates and Joint Ventures'* and IFRS 10 *'Consolidated Financial Statements'* and clarifies that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 34, 'Interim Financial Reporting (amendment)',** issued in September 2014. The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

2 Summary of significant accounting policies *…continued*

- **IAS 38, 'Intangible Assets (amendment)',** issued in December 2013. The amendment clarifies that when an intangible asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 38, 'Intangible Assets (amendment)',** issued in May 2014. The amendment introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. It also specifies the limited circumstances in which the presumption can be overcome. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 40, 'Investment Property (amendment)',** issued in December 2013. The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *'Business Combinations',* and investment property as defined in IAS 40 *'Investment Property',* requires the separate application of both standards independent of each other. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IAS 41, 'Agriculture (amendment)',** issued in June 2014. The amendment brings bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales". Produce growing on bearer plants remains within the scope of IAS 41 *'Agriculture'*. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IFRS 2, 'Share-based Payment (amendment). – Definition of Vesting Condition',** issued December 2013. The amendment amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' which were previously part of the definition of 'vesting condition'. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IFRS 3, 'Business Combinations (amendment) – Accounting for Contingent Consideration',** issued December 2013. The amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

2 Summary of significant accounting policies *...continued*

- **IFRS 3, 'Business Combinations (amendment) – Scope Exception for Joint Ventures',** issued December 2013. The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations',** amended in September 2014. The amendment adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa, and cases in which held-for-distribution accounting is discontinued. The amendment becomes effective for annual periods beginning on or after January 1, 2016. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IFRS 7, 'Financial Instruments: Disclosures,'** amended in December 2011. The amendment defers the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 *'Financial Instruments'* to annual periods beginning on or after 1 January 2015. It is not anticipated that the amendment to the standard will have an impact on the consolidated financial statements.

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

- **IFRS 8, 'Operating Segments (amendment) – Aggregation of Segment',** issued December 2013. The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IFRS 8, 'Operating Segments (amendment) – Reconciliation of Segment Assets',** issued December 2013. The amendment clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segments' assets are reported regularly. The amendment is effective for annual periods beginning on or after July 1, 2014. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

- **IFRS 9, 'Financial instruments',** issued in July 2014. This standard is the first step in the process to replace IAS 39, *'Financial Instruments: Recognition and Measurement'*. IFRS 9 introduces new requirements for recognition and measurement, impairment, derecognition and general hedge accounting, and is likely to affect the Company's

2 Summary of significant accounting policies *...continued*

accounting for its financial assets. The standard is not applicable until January 1, 2018 but is available for early adoption. For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. The Company is yet to fully assess IFRS 9's impact and early adoption is not expected.

- **IRS 10, 'Consolidated Financial Statements',** issued in September 2014. The amendment addresses a conflict between the requirements of IAS 28 *'Investments in Associates and Joint Ventures'* and IFRS 10 *'Consolidated Financial Statements'* and clarifies that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. It requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business, and partial recognition of gains and losses where the assets do not constitute a business. These requirements apply regardless of the legal form of the transaction. The amendment is effective for annual periods beginning on or after January 1, 2016 and is not expected to have a significant effect on the Group's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements',** issued in May 2014. The amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in the standard. It also requires the disclosure of information required by IFRS 3 and other IFRSs for business combinations. The amendments apply to the acquisition of an interest in an existing joint operation and to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business. The amendment is effective for annual periods beginning on or after January 1, 2016 and is not expected to have a significant effect on the Group's financial position, performance or disclosures.

- **IFRS 13, 'Fair Value Measurement',** issued in December 2013. The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of the standard includes all contracts accounted for within the scope of IAS 39 *'Financial Instruments: Recognition and Measurement'* or *'IFRS 9 Financial Instruments',* regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 *'Financial Instruments: Presentation'.* The amendment is effective for annual periods beginning on or after July 1, 2014 and is not expected to have a significant effect on the Group's financial position, performance or disclosures.

- **IFRS 14, 'Regulatory Deferral Accounts',** issued in January 2014. The new standard permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The new standard is effective for annual periods beginning on or after January 1, 2016 and it will not have an effect on the Group's financial position, performance or disclosures.

2 Summary of significant accounting policies *...continued*

- **IFRS 15, 'Revenue from Contracts with Customers',** issued May 2014. The new standard specifies how and when an IFRS reporter will recognize revenue, as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers; identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies a performance obligation. The Group has begun its analysis of the impact of the new standard and early adoption is not expected. The new standard is effective for annual periods beginning on or after January 1, 2017.

2.2 Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the parent company and its subsidiaries (including special purpose entities) ("the Group") as disclosed in Note 21. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All inter-company balances and transactions are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group. The consolidated financial statements are available at the Company's registered office.

a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in the consolidated statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 (revised), respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree
- Assets that are classified as held-for-sale

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the net acquisition date amounts of identifiable assets acquired and liabilities assumed exceed the sum of the consideration transferred and the amount of any non-controlling interest in the acquire, the excess is recognized immediately in comprehensive income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured initially at fair value. The value of non-controlling interests changes to reflect their proportionate share of post-acquisition earnings and distributions.

2 Summary of significant accounting policies *...continued*

b) Subsidiaries

Subsidiary companies are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights and is able to exercise control over the operations.

Subsidiaries are fully consolidated from the date on which control is transferred, and continue to be consolidated until the date that such control ceases. The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of the acquisition is measured at the fair value of shares issued, assets given up, or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition.

c) Associated companies

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The consolidated financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of losses of an associate' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 Summary of significant accounting policies *...continued*

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Barbados dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Barbados 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 consolidated statement of comprehensive income. Changes in fair value of monetary securities denominated in foreign currency classified as available-for-sale related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of the Group.

2.5 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Contributions received towards construction of an 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.

The Group 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:

2 Summary of significant accounting policies *...continued*

Generation equipment	1% – 7%
Transmission and distribution	2% – 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 (Note 2.7).

2.6 Financial investments

The Group has classified its financial investments as (a) available-for-sale and (b) loans and receivables. Management determines the classification at initial recognition and reviews the designation at every reporting date. The classification depends on the purpose for which the financial investments are acquired.

a) Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. They are non-derivatives that are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are included in non-current assets unless management intends to dispose within twelve (12) months.

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value which includes transaction costs and are subsequently carried at fair value based on current bid prices on the market. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial investments are recognised in other comprehensive income until the financial investment is sold, or otherwise disposed of, or until the financial investment is determined to be impaired at which time the cumulative gain or loss will be included in net income or loss for the year.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of finance income. Dividends on available-for sale equity instruments are recognised in the consolidated statement of comprehensive income as part of finance income when the Group's right to receive payments is established.

b) 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 Group's loans and receivables comprise cash resources and trade and other receivables.

2 Summary of significant accounting policies *...continued*

c) Impairment of financial assets

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

d) Derecognition of financial assets

The Group 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 Group neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 Group 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.

2.7 Impairment of non-financial assets

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

2 Summary of significant accounting policies *...continued*

2.8 Cash and cash equivalents

These consist of cash held in hand and at banks, 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.

2.9 Trade receivables

Trade receivables are amounts due from customers for electricity or other services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost less provision for impairment and discounts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. In addition, a provision for discounts based on historical experience 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 consolidated statement of comprehensive income. When a trade receivable is uncollectible it is written off against income. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

2.10 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.

2.11 Share capital

Common shares are classified as equity.

Where the Group repurchases without cancellation of its own shares, the consideration paid is deducted from equity until such shares are reissued.

Incremental costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in the consolidated statement of changes in equity.

2.12 Preference shares

Preference shares are treated as a liability. This class of shares requires the Group to deliver cash in the form of interest on an annual basis and the shares also carry the right to receive cash on liquidation or otherwise require that dividends, whether accrued or not, be paid to the holders prior to any repayments to holders of common shares. They therefore meet the definition of a liability and have been reclassified as a long term liability and presented under borrowings in the statement of financial position. The interest paid is treated as a finance cost.

2.13 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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least twelve (12) months after the balance sheet date.

2 Summary of significant accounting policies *...continued*

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

2.14 Taxation

Current and deferred income tax

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

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

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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.

2.15 Tax credits

Investment and manufacturing credits

Investment and manufacturing allowances associated with the acquisition of plant and equipment are being deferred and amortised to income over the estimated useful lives of the respective assets.

2.16 Customers' deposits

Subsidiary utility companies normally require commercial and all other customers except residents of their respective countries categorised under the Domestic Service tariff to provide security for payment. However, residents under the Domestic Service tariff may be asked to provide security if they are delinquent in paying their bills. The cash deposit is refunded with accumulated interest when the account is terminated or arrangements made to provide alternative security (e.g. a banker's guarantee). 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.

2.17 Trade payables

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

2.18 Revenue recognition

Revenue comprises the value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

2 Summary of significant accounting policies *...continued*

The Group records revenue, other than fuel clause revenue, as billed to its customers, net of value-added tax and discounts. The Group also estimates and recognizes any unbilled revenue at the end of the reporting period. Fuel clause revenue is recognized on the basis of the amount actually recoverable for the accounting period.

Interest income is recognized on an accrual basis using the effective interest rate method.

Dividend income is recognized when the Group's right to receive payment is established.

2.19 Employee benefits

The Group operates a fully insured purchased annuity plan pension scheme. This scheme takes the form of a defined benefit scheme for the Barbadian companies in that it defines the amount of pension benefit that an employee will receive upon retirement. The Dominican company operates a defined contribution plan. For both plans, pension costs are accounted for on the basis of contributions payable in the year (Note 26).

2.20 Share purchase scheme

The employees of the Barbadian subsidiary companies have the option to receive their annual bonus in cash and or common shares of the Company under General By-Law No. 1, Section 12.1 of the Company's Articles of Incorporation and General By-Laws. The shares are issued at 80% of market value. The 20% discount is recognised as an expense, which is included in employee benefits.

Employees of the Barbadian subsidiary companies also have the option to purchase the common shares of Emera Inc. The shares are issued at a discount of 10% or 20% depending on the level of investment made by the employee. The discount is recognised as an expense, which is included in employee benefits.

2.21 Bonus plans

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

2.22 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividend is declared and approved by the Board of Directors.

2.23 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 Group, are also considered related parties.

2.24 Provisions

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

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

2 Summary of significant accounting policies *...continued*

2.25 Repurchased shares

Own equity instruments that are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves. Voting rights related to repurchased shares are nullified for the Group and no dividends are allocated to them.

3 Financial risk management

3.1 Financial instruments by category

At December 31, 2014

	Loans and receivables $	Available-for-sale $	Total $
Assets as per consolidated balance sheet			
Available-for-sale financial assets	–	144,301	144,301
Trade and other receivables excluding pre-payments	77,356	–	77,356
Cash resources	189,916	–	189,916
Total	267,272	144,301	411,573

	Liabilities at fair value through the profit and loss $	Other financial liabilities at amortised cost $	Total $
Liabilities as per consolidated balance sheet			
Borrowings	–	110,513	110,513
Trade and other payables excluding statutory liabilities	–	62,369	62,369
Customer deposits	–	42,295	42,295
Total	–	215,177	215,177

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

3 Financial risk management *...continued*

At December 31, 2013

	Loans and receivables $	Available-for-sale $	Total $
Assets as per consolidated balance sheet			
Available-for-sale financial assets	–	137,946	137,946
Trade and other receivables excluding pre-payments	94,034	–	94,034
Cash resources	153,919	–	153,919
Total	247,953	137,946	385,899

	Liabilities at fair value through the profit and loss $	Other financial liabilities at amortised cost $	Total $
Liabilities as per consolidated balance sheet			
Liabilities as per consolidated balance sheet			
Borrowings	–	128,455	128,455
Trade and other payables excluding statutory liabilities	–	72,732	72,732
Customer deposits	–	39,413	39,413
Total	–	240,600	240,600

3.2 Financial risk factors

The Group'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 Group's management under direction from the Board of Directors.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

3 Financial risk management *...continued*

The Group'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 Group'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 Group is exposed to foreign exchange risk arising primarily from foreign currency borrowings, available-for-sale investments and purchases of plant, equipment and spares from foreign suppliers.

Borrowings have been formally fixed to the United States dollar (US$) to limit exposure to fluctuations in foreign currency exchange rates, since there is a fixed exchange rate between the Barbados dollar and United States dollar. Additionally, most purchases are transacted in United States dollars. At December 31, 2014 borrowings of $25.5 million (2013 - $38.5 million) are designated in United States dollars. At December 31, 2014 available-for-sale investments designated in US$ amount to $144.3 million (2013 - $137.9 million).

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

ii) *Price risk*

The Group is exposed to equity securities price risk because of financial investments held by the Group and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The equities held in the portfolio are indexed to the S&P 500 index.

The below table shows the effect of a 5% increase/decrease in equity prices of the Group's available-for-sale financial assets at December 31, 2014 and December 31, 2013 with all other variables held constant.

	Impact on other components of equity	
	2014 $	**2013 $**
Equity securities	**1,133**	1,091

The carrying value of listed securities would increase/decrease as a result of the change of value, with the impact recognised in other comprehensive income.

3 Financial risk management *...continued*

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices (copper, aluminum). Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand.

To minimise the risks associated with fluctuations in the prices of these commodities, the Group requests that suppliers bidding for major cable products utilise financial derivatives to hedge against commodity risks.

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 Group caused by movements in interest rates. The Group's interest-bearing assets largely carry fixed interest rates and, as such, expose it to fair value interest rate risk. At December 31, 2014, a 50-point increase/decrease in interest rates would result in an increase/decrease in the fair value of the available-for-sale debt securities of $0.7 million (2013 - $0.5 million) which would be recognised directly in the other comprehensive income.

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

The Group's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates. At December 31, 2014 and December 31, 2013 all of the Group's borrowings are at fixed rates.

The Group's exposure to interest rates and the terms of borrowings are disclosed in Notes 8 and 13.

b) Liquidity risk

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

Cash flow forecasting is performed in the operating entities of the Group. Management monitors the Group's liquidity reserve which comprises undrawn borrowing facility to meet operational needs so that the group does not breach covenants (where applicable) on its borrowing facilities. Management monitors cash and cash equivalents (Note 8) on the basis of expected cash flows, and is of the view that the Group holds adequate cash and credit facilities to meet its short-term obligations.

The table below analyses the Group'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.

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

3 Financial risk management *...continued*

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 2014					
Assets					
Cash and cash equivalents	**187,673**	**–**	**–**	**–**	**187,673**
Trade and other receivables	**79,923**	**–**	**–**	**–**	**79,923**
Total assets	**267,596**	**–**	**–**	**–**	**267,596**
Liabilities					
Borrowings	**19,707**	**12,798**	**36,641**	**79,821**	**148,967**
Trade and other payables	**70,583**	**–**	**–**	**–**	**70,583**
Customers' deposits	**–**	**42,295**	**–**	**–**	**42,295**
Total liabilities	**90,290**	**55,093**	**36,461**	**79,821**	**261,845**

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 2013					
Assets					
Cash and cash equivalents	149,288	–	–	–	149,288
Trade and other receivables	96,991	–	–	–	96,991
Total assets	246,279	–	–	–	246,279
Liabilities					
Borrowings	25,016	25,553	40,501	88,097	179,167
rade and other payables	79,416	–	–	–	79,416
Customers' deposits	–	39,413	–	–	39,413
Total liabilities	104,432	64,966	40,501	88,097	297,996

Financial investments that cannot be used in daily liquidity management have been excluded from the analysis.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

3 Financial risk management *...continued*

c) Credit risk

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

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 Group'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, 2014. Further analysis of the Group's trade receivables is disclosed in Note 9.

The table below presents an analysis of debt securities by rating agency designation at December 31, 2014 and December 31, 2013 based on Standard and Poor's or equivalent ratings.

	2014	**2013**
	$	**$**
AAA	**12,943**	3,897
AA+	**16,521**	14,683
AA	**17,425**	7,538
AA-	**13,584**	19,201
A+	**6,649**	11,410
	67,122	56,729

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 subsidiary company, The Barbados Light & Power Company, has established a "Self Insurance Fund" in accordance with the Insurance Act - Insurance (Barbados Light & Power Company Limited) (Self Insurance Fund) Regulations 1998 (Act 1996-32) to set aside funds on an annual basis to mitigate this risk. The Fund was required under the Act in order to self-insure the schedule of assets of The Barbados Light & Power Company Limited against damage and consequential loss as a result of a catastrophe.

The Fund is periodically reviewed by a risk consultant who makes recommendations to ensure the continued security and solvency of the Fund.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

3 Financial risk management *...continued*

At December 31, 2014 financial assets of the Fund included in the consolidated financial statements are as follows:

	2014 $	2013 $
Cash and cash equivalents	**2,243**	4,630
Investments, available-for-sale (Note 7)	**144,301**	137,946
	146,544	142,576

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group 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 Group 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 Group's management.

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

The debt to equity ratios at December 31, 2014 and December 31, 2013 were as follows:

	2014 $	2013 $
Shareholders' equity	**837,064**	797,624
Total borrowings (Note 13)	**109,914**	127,849
Debt to equity ratio	**1:7.62**	1:6.24

In accordance with the Trust Deed securing certain borrowings, the Group is required to maintain a debt to equity rate of 1:1. The Group complied with the requirement under the Trust Deed in 2014 and 2013.

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.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

3 Financial risk management *...continued*

The carrying value of cash, short term deposits, trade receivables less impairment provision and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes (Note 13) 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.

IFRS 7, Financial Instruments - requires disclosure for financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation. Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1 – Quoted prices in active markets for identical assets or liabilities; Instruments included in level 1 comprise primarily US and Euro Market debt securities classified as available-for-sale. The quoted market price used for financial assets held by the Group is the current bid price;
- Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and
- Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

The following table presents the Group’s assets and liabilities that are measured at fair value at December 31, 2014 and December 31, 2013.

	Level 1 $	Level 2 $	Total $
2014			
Assets			
Available-for-sale financial assets			
– Equity securities	**22,651**	**–**	**22,651**
– Debt securities	**–**	**67,122**	**67,122**
– Mutual funds	**–**	**54,528**	**54,528**
	22,651	**121,650**	**144,301**
2013			
Assets			
Available-for-sale financial assets			
– Equity securities	21,837	–	21,837
– Debt securities	–	59,380	59,380
– Mutual funds	–	56,729	56,729
	21,837	116,109	137,946

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price at the balance sheet date.

4 Significant accounting judgements, estimates and assumptions

4.1 Critical accounting estimates and assumptions

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

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

4.2 Critical judgements in applying the entity's accounting principles

a) Special Purpose Entity (SPE) - Self Insurance Fund

The Group has established a special purpose entity (SPE) (Note 3.2 (d)) primarily for the purpose of building an insurance fund to cover risk against damage and consequential loss to certain generating, transmission and distribution systems. In making a judgement that the Group controls the SPE, management considered that in substance the activities of the SPE are being conducted on behalf of the Group according to a specific business need so that the Group alone obtains benefits from the SPE's operations. Additionally, because the Group has rights to all the benefits of the SPE, it is therefore exposed to the risks incident to the activities of the SPE and, in this case, the SPE is consolidated.

b) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and short-term business outlook, for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $0.5 million in its 2014 financial statements (2013 - $0.9 million), being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the available-for-sale financial assets to the consolidated statement of comprehensive income.

c) 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.

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

5 Property, plant and equipment

	Generation $	Transmission and distribution $	Other $	Work in progress $	Total $
At December 31, 2014					
Cost	**612, 995**	**544,810**	**129,356**	**101,036**	**1,388,197**
Accumulated depreciation	**(387,692)**	**(270,707)**	**(75,291)**	**–**	**(733,690)**
Net book amount	**225,303**	**274,103**	**54,065**	**101,036**	**654,507**
For the year ended December 31, 2014					
Opening net book amount	**233,628**	**276,496**	**53,506**	**94,372**	**658,002**
Additions and transfers	**12,307**	**16,729**	**3,640**	**6,664**	**39,340**
Retirals	**–**	**(785)**	**–**	**–**	**(785)**
Depreciation charge	**(20,632)**	**(18,337)**	**(3,081)**	**–**	**(42,050)**
Closing net book amount	**225,303**	**274,103**	**54,065**	**101,036**	**654,507**
At December 31, 2013					
Cost	600,687	534,927	127,180	94,372	1,357,166
Accumulated depreciation	(367,059)	(258,431)	(73,674)	–	(699,164)
Net book amount	233,628	276,496	53,506	94,372	658,002
For the year ended December 31, 2013					
Opening net book amount	205,078	237,272	43,814	92,980	579,144
Additions and transfers	11,198	19,649	2,354	(492)	32,709
Acquisition of DOMLEC	33,465	36,730	11,659	1,945	83,799
Retirals	(407)	(54)	(23)	(61)	(545)
Depreciation charge	(18,385)	(17,101)	(4,298)	–	(39,784)
Spares adjustment - DOMLEC	2,679	–	–	–	2,679
Closing net book amount	233,628	276,496	53,506	94,372	658,002

No borrowing costs were capitalised during the years 2013 and 2014.

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

6 Investment in associated company

	2014 $	2013 $
Balance - beginning of year	**52,974**	53,191
Share of income in associated company	**4,270**	3,477
Dividends received	**(2,330)**	(3,694)
Balance - end of year	**54,914**	52,974

Emera (Caribbean) Incorporated effectively holds 19.1% of the shareholding of St. Lucia Electricity Services Limited (LUCELEC) as at December 31, 2014 and 2013. LUCELEC is a vertically integrated electric utility company serving more than 60,000 customers with an exclusive licence to generate, transmit and distribute electricity on the island of St. Lucia to the year 2045.

The Group accounts for its investment in LUCELEC in the consolidated financial statements using the equity method. However, if carried at fair value, LUCELC would have been carried at $33.9M (2013 - $32.2M) in the consolidated financial statements. The Group's share of the results of its principal associates and its share of the assets and liabilities are as follows:

Name	Current Assets $	Non- current Assets $	Current Liabilities $	Non-current Liabilities $
2014	**119,775**	**264,405**	**62,859**	**143,707**
2013	91,912	267,484	36,647	154,195

	Total Revenue $	Net Profit $	Other Comprehensive Income $	Comprehensive Income $
2014	**243,636**	**19,860**	**1,197**	**21,056**
2013	246,770	19,430	(646)	18,784

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

7 Financial investments - available-for-sale

	2014 $	2013 $
Balance at beginning of year	**137,946**	124,071
Additions	**52,302**	66,912
Redemptions	**(46,701)**	(57,294)
Unrealised foreign exchange loss	**(55)**	(113)
	143,492	133,576
Change in fair value Losses recognised in other comprehensive income during the year	**(1,277)**	(4,196)
finance income during the year (Note 12)	**2,086**	8,566
	809	4,370
Balance at end of year	**144,301**	137,946

There were no disposals or impairment provisions for financial investments in 2014 or 2013.

Available-for-sale financial assets include the following:

	2014 $	2013 $
Listed securities		
Common Shares	**22,651**	21,837
Mutual funds	**54,528**	59,380
Corporate Bonds, Debentures, Short and medium term notes	**62,243**	40,165
Government Bonds	**4,879**	16,564
	144,301	137,946

These available-for-sale financial investments include assets held in trust on behalf of the Self Insurance Fund that are not available to the Group for use in its operations.

At December 31, 2014 the maturity profile of debt securities is as follows:

	2014 $	2013 $
Maturity within 1 year	**21,932**	9,831
Maturity in 1 - 5 years	**45,190**	46,898
	67,122	56,729

The available-for-sale financial assets are denominated in United States dollars. The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial instruments is either past due or impaired.

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

8 Cash resources

	2014 $	2013 $
Cash in hand and at bank	**59,328**	32,323
Short term investments	**128,345**	116,966
Cash and cash equivalents	**187,673**	149,289
Term deposits - Self Insurance Fund	**–**	4,006
Cash at bank - Self Insurance Fund	**2,243**	624
Cash resources	**189,916**	153,919

The interest rates on short-term investments range between 0.75% and 2.0% (2013 - 1.75% and 2.2%) per annum at the balance sheet date. These deposits have an average maturity of 90 days.

The interest rate on the fixed term bank deposits was 1.0% (2013 - 2.0%).

Short term investments of $23.4 million (2013 - $34.3 million) are held by commercial banks as collateral for Group borrowings. As at December 31, 2014, $4.7 million was held by Bank of Nova Scotia (2013 - $14.1 million) while $18.7 million (2013 - $20.2 million) was held by CIBC FirstCaribbean International Bank. Short term deposits held as collateral decrease as principal repayments are made.

The cash and term deposits of $2.2 million (2013 - $4.6 million) held by the Self Insurance Fund are not available for use in the Group's operations.

9 Trade and other receivables

	2014 $	2013 $
Trade receivables	**72,603**	89,215
Less provision for impairment and discounts	**(2,566)**	(2,957)
Trade receivables, net	**70,037**	86,258
Other receivables	**7,319**	6,715
Prepayments	**3,767**	8,630
	81,123	101,603

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

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

9 Trade and other receivables *...continued*

The movement in the provision for impairment was as follows:

	2014 $	2013 $
Balance - beginning of year	**2,957**	1,627
Acquisition of DOMLEC	**–**	151
(Decrease)/increase in provision	**(391)**	1,179
Balance - end of year	**2,566**	2,957

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

Direct write-offs for impaired receivables to the consolidated statement of comprehensive income were $0.9 million (2013 - $0.7 million).

The ageing of trade and other receivables is as follows:

	2014		2013	
	Trade receivables $	Other receivables $	Trade receivables $	Other receivables $
Less than 30 days	**39,808**	**5,175**	48,122	4,879
31 - 60 days	**14,105**	**444**	16,281	301
61 - 90 days	**5,836**	**253**	8,338	240
Over 90 days	**12,854**	**1,447**	16,474	1,295
	72,603	**7,319**	89,215	6,715

Due to the nature of the business and based on historical information, trade receivables that are less than 61 days past due are not considered impaired. As of December 31, 2014, trade receivables of $39.8 million (2013 - $48.1 million) were fully performing.

As of December 31, 2014, trade and other receivables of $34.9 million (2013 - $42.9 million) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

	2014		2013	
	Trade receivables $	Other receivables $	Trade receivables $	Other receivables $
31 - 60 days	**14,105**	**444**	16,281	301
61 - 90 days	**5,836**	**253**	8,338	240
Over 90 days	**12,854**	**1,447**	16,474	1,295
	32,795	**2,144**	41,093	1,836

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

10 Inventories

	2014 $	2013 $
Fuel	**10,082**	11,056
Materials and spares	**19,455**	20,944
Goods in transit	**1,715**	629
	31,252	32,629

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $2.7 million (2013 - $0.8 million).

11 Share capital

Authorised
100,000 - 5.5% Cumulative preference shares of no par value
500,000 - 10% Cumulative redeemable preference shares of no par value
100,000,000 - Common shares of no par value
10 - Class A redeemable preference shares of no par value

Issued

	2014 $	2013 $
17,103,299 (2013 - 17,168,583) common shares	**113,029**	114,734

	2014		2013	
	No.	$	No.	$
Common shares				
Shares outstanding beginning of year	**17,168,583**	**114,734**	17,201,893	115,606
Repurchased during the year	**(81,299)**	**(2,116)**	(49,607)	(1,291)
Issued during the year	**16,015**	**411**	16,297	419
Balance - end of year	**17,103,299**	**113,029**	17,168,583	114,734

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

11 Share Capital *...continued*

The Directors of the Company have agreed to set aside 600,000 common shares to be issued to the employees of Emera (Caribbean) Incorporated and the subsidiary company, The Barbados Light & Power Company Limited, under General By-Law No 1, Section 12.1 of the Articles of Incorporation and General By-Law of the Company. At December 31, 2014, 16,015 (2013 - 16,297) common shares at $25.70 per share were issued under this Scheme

81,299 (2013 - 49,607) common shares were repurchased during the year at prices ranging from $25.00 to $25.70 per share (2013 – $25.70 per share).

12 Other reserves

		2014 $	2013 $
i)	**Capital reserve**		
	Balance - beginning and end of year	**109,522**	109,522
ii)	**Self Insurance Fund**		
	Balance - beginning of year	**141,484**	133,079
	Transfer from retained earnings	**4,230**	4,035
	Loss recognised in other comprehensive income during the year	**(1,277)**	(4,196)
	Net gains transferred from equity to finance income during the year (Note 7)	**2,086**	8,566
	Balance - end of year	**146,523**	141,484
	Total other reserves	**256,045**	251,006

i) This represents an amount of retained earnings that was capitalised in the subsidiary company, The Barbados Light & Power Company Limited, and is no longer available for distribution.

ii) Funds set aside by the subsidiary company, The Barbados Light & Power Company Limited, to build an insurance reserve to cover risk against damage and consequential loss to its transmission and distribution system in the event of a catastrophe.

Under the Insurance Regulation 1998, the Self Insurance Fund shall only be utilized by the subsidiary company, The Barbados Light & Power Company, for the purpose of replacing or reinstating the self-insured assets which are damaged by catastrophe, and compensating for any financial loss suffered as a result of such damage. Where the Fund is utilized for any other purpose any monies withdrawn shall be subject to corporation tax.

The total funds set aside plus investment income accrued less related expenses is consolidated with the Group's accounts in accordance with IFRS 10.

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

13 Borrowings

	2014 $	2013 $
Royal Bank of Canada BDS$17,435 (2013 - BDS$19,174) repayable by 2021 in monthly instalments of blended principal and interest at a rate of 6.5%.	**17,435**	19,174
Bank of Nova Scotia USD$2,367 (2013 – US$7,100) repayable by 2015 in semi-annual instalments of blended principal and interest at a rate of 2.37%	**4,710**	14,129
First Caribbean International Bank (Bahamas) Ltd. USD$9,404 (2013 – USD$10,100) repayable by 2028 in semi-annual instalments of blended principal and interest at a rate of 4.05%	**18,713**	20,099
National Insurance Board - Debenture Stock Certificates (Total facility BDS$20,000) repayable in full in 2020. Interest is payable semi-annually at a rate of 6.65%.	**20,000**	20,000
FirstCaribbean International Bank (Cayman) Ltd. USD$1,000 (2013 - US$2,000) repayable by 2015 in semi-annual instalments of US$0.5 million at a rate of 5.985%.	**2,027**	4,055
National Insurance Board - Debenture Stock Certificates (Total facility BDS$20,000) repayable in full in 2025. Interest is payable semi-annually at a rate of 6.875%.	**20,000**	20,000
National Commercial Bank of Dominica EC$36,486 (2013 – EC$41,025) repayable by 2021 in monthly instalments of blended principal at an interest rate of 5.75%	**27,029**	30,392
Total long term borrowings excluding preference shares	**109,914**	127,849
Redeemable 5.5% cumulative redeemable preference shares interest payable semi-annually	**500**	500
Add: Accrued interest on long term loans	**267**	325
Less: Issue costs of long term loans	**(168)**	(219)
Total long term borrowings	**110,513**	128,455
Less: Current portion including accrued interest	**(13,802)**	(18,697)
Non-current portion	**96,711**	109,758

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

13 Borrowings *…continued*

Barbadian dollar borrowings and the FirstCaribbean International Bank (Cayman) Ltd. United States dollar loan are secured under a Debenture Trust Deed, which creates a first and floating charge on the present and future property of subsidiary company The Barbados Light & Power Company Limited. The Debenture Trust Deed restricts the subsidiary company from issuing debentures ranking pari passu with the floating charge created, unless The Barbados Lights & Power Company Limited can meet the earnings coverage ratio and the equity/debt ratio set out in the Trust Deed. The Barbados Light & Power Company Limited may however issue a first security to manufacturers in respect of individual items of plant and machinery of up to 90% of the purchase price thereof and for a period not exceeding fifteen years. The financial ratios were met by the subsidiary company for 2014 and 2013.

United States borrowings from The Bank of Nova Scotia and First Caribbean International Bank (Bahamas) Ltd. are secured by collateral in the form of short term deposits held by the lending institution. Funds held as collateral were $23.4 million as at December 31, 2014 (2013 - $34.4 million).

Eastern Caribbean dollar borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain specific immovable properties of subsidiary company Dominica Electricity Services Limited.

The holders of the cumulative preference shares have the right to a preferential dividend at a rate of 5.5% per annum and the right in a winding up to a return of the capital paid up and any arrears of the preferential dividend calculated to the date of payment, but no right to share in surplus assets.

The maturity of borrowings is as follows:

	2014 $	2013 $
Less than 1 year	**13,535**	18,141
Between 1 and 2 years	**7,137**	13,741
Between 2 and 5 years	**23,633**	23,117
Over 5 years	**65,609**	72,850
Total	**109,914**	127,849

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

	Carrying amount		Fair value	
	2014 $	2013 $	2014 $	2013 $
Borrowings	**96,711**	109,758	**96,836**	110,956

The fair values are based on cash flows discounted using a rate based on the most recent borrowing rate of 6.85% (2013 - 6.85%) for Barbadian dollar denominated borrowings, 4.31% (2013 – 4.31%) for United States dollar denominated borrowings, and 5.75% (2013 - 5.75%) for Eastern Caribbean dollar denominated borrowings.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

14 Customers' deposits

Commercial and non-resident customers are required to pay a security deposit for energy connections that is refundable when service is no longer required. For subsidiary The Barbados Light & Power Company Limited, interest accrued on these deposits at a rate of 8% per annum (2013 - 8% per annum). For subsidiary Dominica Electricity Services Limited ("DOMLEC"), interest accrued at a rate of 3% (2013 – 3%) per annum.

	2014 $	2013 $
Balance - beginning of year	**39,413**	33,338
New deposits	**2,225**	2,476
Acquisition of DOMLEC	**–**	2,739
Deposits refunded	**(1,818)**	(1,942)
Net interest	**2,475**	2,802
Balance - end of year	**42,295**	39,413

15 Deferred credits

	2014 $	2013 $
Accumulated investment tax credit	**18,013**	19,186
Accumulated manufacturing tax credit	**19,366**	19,615
Customer contributions for work not yet started	**2,045**	2,766
Deferred revenue – other	**349**	499
	39,773	42,066

16 Taxation

a) Corporation tax expense

	2014 $	2013 $
Current taxation	**6,541**	1,190
Deferred tax	**(1,160)**	5,148
Taxation charge	**5,381**	6,388

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

16 Taxation *...continued*

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

	2014 $	2013 $
Income before taxation	**56,447**	60,600
Corporation tax at 25% (2013 - 25%)	**14,112**	15,150
Effect of different tax rate in subsidiary 15% (2013 - 15%)	**(4,230)**	(4,728)
Effect of different tax rate in subsidiary 30% (2013 - 30%)	**605**	412
Depreciation on assets not qualifying for capital allowances	**72**	70
Tourism development fund allowance	**(21)**	(21)
Environmental allowance	**(3)**	(2)
Tax loss on which the deferred tax asset is not recognised	**988**	1,461
Share of gain of associated company	**(1,067)**	(869)
Expenses not subject to tax	**(14)**	(48)
Income not subject to tax	**(1,024)**	(1,030)
Manufacturing allowance	**(2,337)**	(1,698)
Investment allowance	**(1,035)**	(926)
(Gain)/loss on sale not subject to tax	**(5)**	47
Gain on acquisition not subject to tax	**(660)**	(1,368)
Under provision	**–**	(62)
Tax charge for the year	**5,381**	6,388

b) Corporation tax payable

	2014 $	2013 $
Opening payable	**746**	–
Acquisition of DOMLEC	**(42)**	260
Taxation	**5,381**	6,388
Deferred tax	**1,160**	(5,148)
Taxes paid	**(2,117)**	(754)
Corporation tax payable	**5,128**	746

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

16 Taxation *...continued*

c) Deferred tax liability

The net deferred tax liability is calculated in full on temporary differences under the liability method using a tax rate of 15% (2013 - 15%) for subsidiary company The Barbados Light & Power Company Limited and 30% (2013 - 30%) for subsidiary company Dominica Electricity Services Limited. The movement on the account is as follows:

	2014 $	2013 $
Balance - beginning of year	**41,430**	23,277
Acquisition of DOMLEC	**–**	13,005
Transfer to the income statement - current year (credit)/charge	**(1,160)**	5,148
Balance - end of year	**40,270**	41,430

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

	2014 $	2013 $
Accelerated tax depreciation	**244,919**	250,672
Taxed provisions	**(27,550)**	(21,896)
	217,369	228,776
Deferred tax liability at corporation tax rate 15% (2013 - 15%)	**24,941**	27,203
Deferred tax liability at corporation tax rate 30%	**15,329**	14,227
Deferred tax liability	**40,270**	41,430

The Group has a deferred tax asset of $2.6 million (2013 - $3.2 million) arising from losses in the parent company that has not been recognised due to the uncertainty of its recovery in future periods.

Accelerated tax depreciation and taxed provisions have no expiry dates. The expiry dates of the unutilised tax losses are disclosed in Note 16 (d).

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

16 Taxation *…continued*

d) Tax losses

The group has tax losses of $10.4 million (2013 - $12.8 million) (of which all has not been recognised) available to be carried forward and applied against future taxable income. The losses are as computed by the Group in their tax returns. The losses and their expiry dates are as follows:

Income Year $	Losses b/fwd $	Incurred $	Losses utilised/ expires $	Losses c/fwd $	Expiry $
2005	981	–	(981)	–	2014
2006	916	–	–	916	2015
2007	362	–	–	362	2016
2008	640	–	–	640	2017
2009	841	–	–	841	2018
2010	1,034	–	–	1,034	2019
2011	1,895	–	–	1,895	2020
2012	4,538	–	–	4,538	2021
2013	1,611	–	(1,545)	66	2022
2014	**–**	**4,320**	**(4,222)**	**99**	**2022**
	12,818	**4,320**	**(6,748)**	**10,391**	

17 Provisions for other liabilities and charges

	Bonuses and Compensation 2014 $	Bonuses and Compensation 2013 $
At beginning of year	**5,365**	3,624
Acquisition of DOMLEC	**–**	524
Charged to income		
- Additional provisions	**5,087**	5,338
- Unused amounts reversed	**(530)**	(781)
Used during year	**(5,546)**	(3,340)
At end of year	**4,376**	5,365

This is a provision for profit sharing and retroactive pay, payable to employees within three (3) months of finalising the audited financial statements.

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18 Trade and other payables

	2014 $	2013 $
Trade payables	**32,158**	43,126
Accrued expenses	**30,212**	28,848
Social security and other taxes	**8,213**	7,442
	70,583	79,416

19 Acquisition of Dominica Electricity Services Limited

On April 10, 2013 the Group acquired a 51.91% interest in Dominica Electricity Services Limited ("DOMLEC"). DOMLEC is the sole electric utility in the Commonwealth of Dominica serving over 35,000 customers. DOMLEC operates in a fully liberalised sector and its principal activities include the generation, distribution and transmission of electricity. DOMLEC is listed on the Eastern Caribbean Securities Exchange and falls under the jurisdiction of the Eastern Caribbean Regulatory Commission. The Group acquired DOMLEC as part of its strategy to build a Caribbean business focused on growth in the regional energy and utility markets.

The fair values of the acquired assets and liabilities as at the date of acquisition were as follows:

	Fair Value as at Acquisition $
Assets	
Property, plant and equipment (Note 5)	83,799
Cash	184
Trade and other receivables	16,877
Inventory	10,483
	111,343
Liabilities	
Trade and other payables	10,587
Provision for other liabilities and charges	524
Corporation tax payable	260
Deferred credits	462
Customer deposits	2,739
Borrowings	33,106
Deferred tax liability	13,005
	60,683

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

19 Acquisition of Dominica Electricity Services Limited *…continued*

Fair value of identifiable net assets	50,660
Share of identifiable net assets (51.91%)	26,297
Bargain purchase	5,473
Purchase price	20,824
The value of non-controlling interest as at acquisition date (48.09%)	24,362

The fair value of trade and other receivables as at April 10, 2013 was $9.6 million and $7.3 million respectively. The provision for doubtful debts was $151 thousand but none of the receivables were considered impaired and it is expected that all amounts will be collected in full.

The acquisition resulted in a gain of $5.5 million in 2013. We believe the gain on acquisition resulted mainly from the seller's strategic intent to exit a noncore business operation. None of the goodwill recognised is expected to be taxable for income tax purposes.

From the date of acquisition to December 31, 2013, DOMLEC has contributed $53,026 of revenue and $8,248 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2013, revenue from continuing operations would have been $73,283 and the profit before tax from continuing operations for the Group would have been $9,552.

20 Due to parent companies

Due to parent companies include $3.2 million due to Emera Inc., the ultimate parent (2013 - $2.2 million), and $3.7 million due to Emera Caribbean Holdings Ltd., an indirect parent (2013 - $1.2 million). These amounts represent expenses paid on the Group's behalf by the respective entities.

21 Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors (BOD) of the Group that are used to make strategic decisions.

The BOD considers the business from a product perspective as the Group primarily operates in Barbados. Management reported the performance of segments from the perspective of the generation, transmission and distribution of electricity and the Self Insurance of the assets of the electricity business. Although the holding company and its entities do not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported. This segment is closely monitored by the BOD as a potential growth area and is expected to significantly contribute to Group's revenue in the future.

The reportable operating segments derive their revenue primarily from the generation, transmission and distribution of electricity, and the insurance segment from transfers from the electricity segment and return on investments and investments of excess income.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

21 Segment information *...continued*

The BOD assesses the performance of the operating segments based on earnings before tax (EBT). Interest income earned by the holding company is not allocated to segments.

The segment information provided to the Board of Directors for the reportable segments for the years ended December 31, 2014 and 2013 are as follows:

	BLPC $	Self insurance $	Holding company $	DOMLEC $	Other Companies $	Total 2014 $
Segment revenue	**554,842**	**–**	**–**	**75,496**	**–**	**630,338**
Inter-segment revenue	–	–	–	–	–	–
Revenue from external customers	**554,842**	**–**	**–**	**75,496**	**–**	**630,338**
Inter-segment transfers	–	–	–	–	–	–
Investment income	434	3,380	1,030	–	411	5,255
EBT	42,297	4,230	54,545	12,096	3,703	116,871
Depreciation	35,791	–	45	6,180	34	42,050
Interest expense	7,060	–	27	1,736	1,181	10,004
Income tax expense	1,723	–	–	3,658	–	5,381
Share of income from associate company	–	–	4,270	–	–	4,270
Segment profit	**40,574**	**4,230**	**54,545**	**8,438**	**3,703**	**111,490**
Total assets	**688,147**	**146,544**	**287,579**	**117,919**	**168,762**	**1,408,951**
Property, plant and equipment	557,246	–	12,524	87,712	129	657,611
Total liabilities	**231,880**	**20**	**8,418**	**56,201**	**25,297**	**321,816**

Other companies include balances for the following companies of the Group:

- Emera Caribbean Renewables Limited
- LPH Caribbean Holdings Limited
- Emera St. Lucia Limited
- Dominica Power Holdings Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

21 Segment information *...continued*

The segment information for the year ended December 31, 2013 is as follows:

	BLPC $	Self insurance $	Holding company $	DOMLEC $	Other Companies $	Total 2013 $
Segment revenue	**571,446**	**–**	**–**	**53,026**	**–**	**624,472**
Inter-segment revenue	–	–	–	–	–	–
Revenue from external customers	**571,446**	**–**	**–**	**53,026**	**–**	**624,472**
Inter-segment transfers	(1,600)	1,600	–	–	–	–
Investment income	615	3,638	2,001	–	440	6,694
EBT	47,282	4,035	12,866	8,248	7,584	80,015
Depreciation	36,075	–	41	3,651	17	39,784
Interest expense	7,833	–	27	1,359	1,474	10,693
Income tax expense	3,926	–	–	2,462	–	6,388
Share of profit from associated company	–	–	3,477	–	–	3,477
Segment profit	**43,356**	**4,035**	**12,866**	**5,785**	**7,584**	**73,646**
Total assets	**717,921**	**142,577**	**240,212**	**113,535**	**152,450**	**1,366,695**
Property, plant and equipment	560,608	–	12,505	87,931	62	661,106
Total liabilities	**243,389**	**1,091**	**4,312**	**57,861**	**36,089**	**342,742**

Transfers between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

21 Segment information *...continued*

A reconciliation of earnings before taxes of segments to profit before tax is provided as follows:

	2014 $	2013 $
Reportable segments	**116,871**	80,015
Share of income of associated company	**4,270**	3,477
Gain on bargain acquisition	**–**	5,473
Eliminations	**(64,694)**	(28,365)
Profit before tax	**56,447**	60,600

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Investments in shares and debt securities (classified as available-for-sale financial assets) are held by the insurance segment. The investments in associates and cash resources held by the parent company are not considered to be segment assets.

	2014 $	2013 $
Segment assets for reportable segments	**1,408,951**	1,366,695
Eliminations	**(252,014)**	(228,823)
Total assets per consolidated balance sheet	**1,156,937**	1,137,872

The amounts provided to the Board of Directors with respect to property, plant and equipment are measured in a manner consistent with that of the financial statements. Property, plant and equipment are allocated based on the operations of the segment.

	2014 $	2013 $
Property, plant and equipment for reportable segments	**657,611**	661,106
Eliminations	**(3,104)**	(3,104)
Property, plant and equipment per consolidated balance sheet	**654,507**	658,002

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

21 Segment information *...continued*

The amounts provided to the BOD with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment

	2014 $	2013 $
Reported segment liabilities for reportable segments	**321,816**	342,742
Unallocated:		
Eliminations	**(1,943)**	(2,494)
Total liabilities per consolidated balance sheet	**319,873**	340,248

Revenues from external customers are derived from the generation, distribution and supply of electricity. The breakdown of this revenue by customer type is as follows:

	2014 $	2013 $
Large power	**114,370**	121,643
Secondary voltage power	**201,340**	206,350
Domestic service	**210,252**	205,016
General service	**35,806**	37,785
Street lighting	**8,415**	8,446
Commercial	**40,706**	29,063
Time of use	**14,082**	13,073
Miscellaneous	**5,367**	3,096
Total revenue	**630,338**	624,472

Revenue of approximately $85.4 million (2013 - $80.7 million) was derived from a single customer. This revenue is attributable to the electricity supply and distribution segment.

The amounts provided to the BOD are measured in a manner consistent with that of the financial statements.

Emera (Caribbean) Incorporated

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

22 Expenses by nature

	2014 $	2013 $
Fuel	**394,824**	399,234
Maintenance of plant	**25,099**	23,120
Employee benefits (excluding amounts charged to capital projects)	**65,405**	57,177
Depreciation	**42,050**	39,784
Insurance	**6,947**	6,143
Other expenses	**42,393**	45,623
Total operating expenses	**576,718**	571,081

Employee benefits comprise:

	2014 $	2013 $
Wages and salaries	**56,872**	50,677
Social security costs	**3,047**	2,893
Pension (Note 26)	**9,069**	7,994
Other benefits and share discount	**3,844**	2,805
	72,832	64,369
Allocated as follows:		
Operating expenses	**65,405**	57,177
Capitalised	**7,427**	7,192
	72,832	64,369

23 Finance and other income

Finance income is comprised as follows:

	2014 $	2013 $
Finance income:		
Investment income - Self Insurance Fund	**3,380**	3,638
Interest income	**1,875**	3,056
	5,255	6,694
Other income:		
Revenue – Other	**1,885**	1,101
Manufacturer’s and investment tax credit (Note 2.15)	**1,421**	1,157
Finance and other income	**8,561**	8,952

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

24 Related party transactions

Key management compensation

	2014 $	2013 $
Salaries and other short term benefits	**5,650**	4,845
Directors' fees	**287**	202
Pension	**1,583**	762
Share discount	**48**	36
	7,568	5,845

Other related party transactions

During the year the Group engaged in transactions with its ultimate parent, Emera Inc., as well as with intermediate parent, Emera Caribbean Holdings Ltd. These transactions involved the rendering of services to the Group by Emera Inc. as well as the settlement of liabilities on the Group's behalf. Total transactions with Emera Inc. totalled $2.2 million for 2014 (2013 - $2.6 million). Transactions with Emera Caribbean Holdings Ltd. involved the settlement of liabilities of $2.6 million (2013 – $1.2 million) on the Group's behalf.

During 2013 the Group also had transactions with Grand Bahama Power Company, a related company which is not a member of the Group. Transactions with Grand Bahama Power Company involved the settlement of liabilities by the Group on the Company's behalf. Transactions with Grand Bahama Power in the current year totalled $0.5 million (2013 – $74 thousand).

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

	2014 $	2013 $
Due to Emera Inc. (Note 20)	**3,240**	2,181
Due to Emera Caribbean Holdings Ltd. (Note 20)	**3,690**	1,171
Due from Grand Bahama Power Company	**137**	94

The amounts outstanding are unsecured, interest free and will be settled in cash. No guarantees have been given or received. No expense has been recognised in current or prior years for bad or doubtful debts in respect of amounts owed by related parties.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

25 Earnings per share

The earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the year.

	2014 $	2013 $
Net income for the year	**51,066**	54,212
Less: Income from Self Insurance Fund - restricted	**(3,168)**	(3,496)
Less: Income attributable to non-controlling interests	**(4,057)**	(2,782)
Profit attributable to equity holders of the Company	**43,841**	47,934
Weighted average number of common shares	**17,115,976**	17,165,489
Basic earnings per share (cents)	**256.14**	279.25

26 Retirement benefits

The Barbadian companies of the Group operate a defined benefit pension plan for their employees. It pays a pension premium to fund the post-employment benefit plan and does not have a legal or constructive obligation to either:

a) pay the employee benefits directly when they fall due; or

b) pay for the benefits if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.

In light of the above, and due to the fact that benefits due to employees would have been secured by the prior payment of premiums, and the insurer has sole responsibility for paying the benefits, the plan has been accounted for as if it were a defined contribution plan as allowed by IAS 19. The subsidiary Dominica Electricity Services Limited operates a defined contribution plan. Pension cost for the year was $9.1 million (2013 - $8.0 million)

27 Bank overdraft facilities

Subsidiary company The Barbados Light & Power Company Limited entered into an agreement with Royal Bank of Canada on September 28, 2007 to create a debenture for $15 million. This was issued in accordance with the provisions of the Debenture Trust Deed (Note 13) to secure overdraft facilities granted to the Company.

Subsidiary company Dominica Electricity Services Limited 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 million.

For the year ended December 31, 2014 (expressed in thousands of Barbados dollars)

28 Capital commitments

The Group has budgeted capital expenditure of $112.5 million (2013 - $115.1 million) for the 2015 income year of which $5.3 million (2013 - $9.5 million) was contracted for at December 31, 2014.

29 Contingent liabilities

The Group 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.

30 Subsidiary companies

	Country of Incorporation	Equity %
The Barbados Light & Power Company Limited (Generation, Supply & Distribution of Electricity)	Barbados	100%
LPH Telecom Ltd. (Telecommunications)	Barbados	100%
The Barbados Light & Power Company Limited Self Insurance Fund (Special Purpose Entity)	Barbados	100%
Emera Caribbean Renewables Limited	Barbados	100%
LPH Caribbean Holdings Ltd.	Barbados	100%
Emera St. Lucia Ltd.	Barbados	100%
Dominica Power Holdings Limited	St. Lucia	100%
Dominica Electricity Services Limited	Dominica	51.91%

Effective December 1, 2014 former subsidiary LPH Real Estate Inc. was amalgamated with Emera (Caribbean) Incorporated. Emera (Caribbean) Incorporated held a 100% interest in LPH Real Estate Inc. before the amalgamation. The amalgamation had no effect on the consolidated financial statements.

31 Subsequent events

In February 2015 the Directors declared a dividend of sixteen cents (16¢) per share that will be paid on March 13, 2015.

During 2014, the Board of Directors made the decision to dissolve subsidiary LPH Telecom. The dissolution was finalized effective March 26, 2015.

SPOTLIGHT
EMERA CARIBBEAN PEOPLE

Jozelle Warner, Customer Services Supervisor, BLPC

Corporate Governance Overview

The Company is authorized to appoint twelve (12) Directors. The Board of Directors (the Board) presently consists of eleven (11) members, which is considered appropriate given the size and complexity of the Company.

The Board has adopted the following corporate governance framework to assist the Board in the exercise of its responsibilities and to serve the interests of the Company, its subsidiaries and its stakeholders. This framework is subject to annual review and modification by the Board as the Board may deem appropriate in the best interests of the Company or as required by applicable laws and/or regulation. The Board embraces its governance responsibility and undertakes to ensure that the Company:

I. maintains the highest ethical standards in the conduct of business;
II. complies with and, where possible, exceeds legal and regulatory requirements;
III. achieves the highest levels of transparency and accountability within the Company;
IV. boasts a highly effective, diverse and well-informed Board; and
V. maximizes and improves Board performance by the continuous evaluation of its effectiveness.

The Board of Directors of Emera (Caribbean) Incorporated has a cadre of independent Directors. The independent Directors on the Board are determined to be independent of a significant shareholding of the Company; are independent of Management; and free from any material interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the Directors' ability to act with a view to the best interest of the Company.

The Board has adopted written Standards for Business Conduct ("Standards") that apply to everyone at the Company and its subsidiaries. Directors, Officers and employees are required to annually acknowledge and agree that they have reviewed and understand the Standards.

The Company has established a confidential business conduct helpline hosted by an external service provider called "The Ethics Hotline". This hotline is available to employees to report allegations of conduct not in compliance with the Standards. The Board monitors compliance with the Standards for Business Conduct and the Procedures for the Reporting of Irregularities and Dishonesty. There have been no instances of any waiver of compliance with the Standards for Business conduct or the Procedures.

The Standards, which codifies our corporate value system embracing legal, moral and ethical conduct accountability, corporate social responsibility and leadership, requires Directors, Management and Staff to acknowledge, on an annual basis, that they have read it and comply with it.

The Governance Committee carried out its annual review of the Standards for Business Conduct to ensure its adequacy.

Board of Directors

Standing, left to right: **Sir Henry Forde, Teresa Marshall, Andrew Thornhill, Sarah MacDonald (Executive Chairman), Richard Edghill, Sharon Christopher, Andrew Gittens.** Seated, left to right: **Christopher Huskilson, Peter Williams, Robert Bennett.** Missing from photo: **Ian Carrington**

Directors

The background, biographical details and shareholdings of Directors are as follows:

Profession: Attorney-at-Law

Director Since: 2012
Not Independent

Executive Chairman

Shares held in Company: NIL

SARAH MACDONALD

Sarah MacDonald is the President and Chief Executive Officer of Emera Caribbean Holdings Limited. Sarah serves as Executive Chairman of Emera (Caribbean) Incorporated and sits on the Boards of all subsidiaries. She previously served as Chief Executive Officer of Emera Utility Services as well as Executive Vice President of Human Resources for Emera Inc.

Sarah graduated from Dalhousie Law School, Halifax in 1992 and received her M.B.A. from St. Mary's, also in Halifax, in 2002. She is a member of the Nova Scotia Barristers' Society and is a Certified Human Resources Professional.

Profession: Engineer

Director Since: 1997
Independent

Shares held in Company: NIL

ANDREW GITTENS

Andrew Gittens is a Registered Professional Engineer in Barbados and a Member of the Barbados Association of Professional Engineers. Andrew is a Fellow of The Institution of Engineering and Technology (IET) of the UK and a Member of the Institute of Electrical and Electronic Engineers (IEEE) of the USA.

Andrew worked for over 35 years with The Barbados Light & Power Company Limited and was Managing Director when he retired in 2006.

Profession: Engineer

Director Since: 2010
Not Independent

Shares held in Company: NIL

CHRISTOPHER HUSKILSON

Christopher Huskilson is the President and Chief Executive Officer of Emera Inc., a position he has held since November 2004.

Chris holds a Bachelor of Science in Engineering and a Master of Science in Engineering from the University of New Brunswick.

Chris' decades of experience and extensive knowledge of various roles within Emera allow him to provide leadership within the Company, and in the broader electricity industry nationally, regionally and internationally.

Directors (continued)

Profession: Attorney-at-Law

Director Since: 1998
Independent

Shares held in Company: NIL

SIR HENRY FORDE, Q.C.

Sir Henry de Boulay Forde, K. A., Q.C. is a 1952 Barbadian Scholar. A Graduate of the University of Cambridge, a Barrister-at-law and a Member of the Middle Temple. Sir Henry practices law principally at the Civil Bar of several Caricom and other Caribbean States. He specialises in Corporate, Energy and Tax Law and the law relating to the Regulation of Public Utilities.

Profession: Engineer

Director Since: 2006
Not Independent

Shares held in Company: 2,145

PETER WILLIAMS

Peter Williams is the Managing Director of Emera (Caribbean) Incorporated, a position he has held since 2011. Immediately prior to this he was Managing Director of The Barbados Light & Power Company Limited, a wholly owned subsidiary of Emera (Caribbean) Incorporated.

Peter holds a BSc. In Mechanical Engineering from Manchester University (UK), a MSc. (Electric Power Systems) from the University of the West Indies, and an MBA from the Ivey Business School, University of Western Ontario, Canada.

Profession: Attorney-at-Law

Director Since: 2012
Independent

Shares held in Company: NIL

SHARON CHRISTOPHER

Sharon Christopher is currently the Deputy Chief Executive Officer – Corporate Administration of the First Citizens Group.

Sharon is the holder of a Bachelor of Laws Degree from the University of the West Indies and the holder of a Masters of Laws Degree from the London School in Economics and Political Science (University of London). She also holds a Legal Education Certificate from the Hugh Wooding Law School.

Profession: Retired Career Diplomat

Director Since: 2012
Not Independent

Shares held in Company: NIL

TERESA MARSHALL, C.B.E.

Teresa Marshall, a career diplomat, retired in November 2010 after a long and distinguished career in the Foreign Service of Barbados. Teresa is a 1969 Barbados Scholar and a graduate of the University of Bristol in the United Kingdom where she studied French and Spanish. She received specialized training in International Relations in Australia, and has also been trained in subjects as diverse as trade promotion, treaty negotiation, peacekeeping and public sector management.

Profession: Civil Engineer

Director Since: 2003
Independent

Shares held in Company: NIL

RICHARD EDGHILL

Richard Edghill studied Civil Engineering at the University of Manitoba. He graduated in 1971 with a Masters Degree in Structural Engineering.

Richard is Managing Director of Edghill Associates Ltd., a construction company which he co-founded in the early 1970s. The company has completed several large industrial and commercial construction projects in Barbados and the Caribbean.

Profession: Accountant

Director Since: 2013
Independent

Shares held in Company: NIL

IAN CARRINGTON

Ian Carrington is the Director of the National Insurance – Ministry of Labour and Social Security. Ian has served as Supervisor of Insurance and CEO of the Financial Services Commission.
Ian also sits on a number of Boards.

Ian is a Certified General Accountant and holds a Masters in Public Administration from Harvard Kennedy School.

Profession: Electrical Engineer

Director Since: 2013
Not Independent

Shares held in Company: NIL

ROBERT BENNETT

Robert Bennett was appointed Executive Vice President and Chief Operating Officer of Emera in January 2013. He previously served as President and CEO of Nova Scotia Power Inc. since June 2008, after holding the position of Executive Vice President of Revenue and Sustainability.

Rob is a graduate of St. Francis Xavier University and holds an engineering degree from Dalhousie University.

Profession: Attorney-at-Law

Director Since: 2014
Not Independent

Shares held in Company: NIL

ANDREW THORNHILL

Andrew Thornhill is the Managing Partner of the law firm George Walton Payne & Co. He is a Charter Member of the Congress of Fellows of the Center for International Legal Studies.

Andrew currently sits on the Board of Emera Caribbean Holdings Limited, Emera (Caribbean) Incorporated's parent Company, and on the Boards of a number of companies in Barbados.

The Committees

There are four principal standing Committees of the Company's Board:

(i) the Audit Committee;
(ii) the Governance Committee;
(iii) the Human Resources & Compensation Committee; and
(iv) the Investment Committee.

The Board has approved written Terms of Reference for each Committee. To enable effective functioning of the Committees, the Terms of Reference establishes the purpose, duties, responsibilities, structure and operations, member appointments and removal.

The Audit Committee

The Audit Committee assists the Board in discharging its oversight responsibilities. In carrying out its functions, it monitors the integrity of the Company's financial statements, reviews the integrity of the internal controls and risk management systems, reviews the internal audit and assurance processes, reviews the external audit processes including the provision of non-audit services, and exercises oversight over the Internal Audit function. The Audit Committee is responsible for reviewing, monitoring and recommending to the Board for approval the audited annual financial statements of the Company, any documents containing the Company's audited financial statements including the Company's Annual Report, and the quarterly financial statements and all related Management Discussion and Analysis and earnings press releases.

Current members of the Audit Committee are as follows:

Mr. Ian Carrington (Chairman)
Ms. Sarah MacDonald
Mr. Robert Bennett
Mr. Richard Edghill

The Governance Committee

The Governance Committee is charged with the responsibility of providing the Board with recommendations relating to the establishment and implementation of an efficient system of corporate governance, and overseeing the Board's compliance with established corporate governance policies, processes, customs and practices. The role of the Committee is to assist the Board in the effective discharge of its responsibilities, and includes determining the slate of Director nominees for election to the Board, identifying and recommending candidates to fill vacancies on the Board occurring between annual shareholder meetings, ensuring that transparency and accountability is promoted in the Board's pursuit of the Company's vision, values, mission and strategies, and establishing policies and procedures as necessary.

Current members of the Governance Committee are as follows:

Ms. Sharon Christopher (Chairman)
Sir Henry Forde, Q.C.
Ms. Sarah MacDonald
Mr. Richard Edghill
Mr. Andrew Thornhill

The Human Resources and Compensation Committee

The Human Resources and Compensation Committee is charged with providing the Board with recommendations relating to the review of compensation and management resource issues and making of recommendations to the Board as appropriate.

The duties and responsibilities of the Human Resources and Compensation Committee are to review the Company's overall human resource and compensation policies, including salary and benefit policies, and recommend such policies to the Board for approval; ensure that the compensation of the Managing Director of the Company is always aligned with the achievement of the Company's corporate strategy, goals and objectives; evaluate the Managing Director's performance relating to the established corporate strategy, goals and objectives; make recommendations to the Board on matters relating to improvements in the human resource function; and ensure that there is an adequate succession planning process for senior management and other potential senior management candidates of the Company and its subsidiaries and affiliates.

The current Human Resources and Compensation Committee members are as follows:

Ms. Sarah MacDonald (Chairman)
Mr. Andrew Gittens
Ms. Sharon Christopher

The Investment Committee

The Investment Committee is charged with the responsibility of reviewing and overseeing the investment policy, annual investment plans and investment programs of the Company. The Committee is established to assist the Board in the effective discharge of all of its investment-related responsibilities. The duties and responsibilities of the Committee include the review of the Company's annual investment plans; review of the annual investment budget; review of major investment in plant and equipment; review of new business and investments; and the monitoring of the investment performance of the Company and the making of recommendations for improvements.

The current members of the Investment Committee are as follows:

Mr. Andrew Gittens (Chairman)
Ms. Sarah MacDonald
Mr. Christopher Huskilson
Mr. Robert Bennett
Mr. Richard Edghill
Ms. Teresa Marshall

Corporate Governance Report

The maximum number of Directors permitted by the Articles of the Company is 12, and the minimum is 3. The Board of Directors presently consists of 11 members, 4 of whom are independent non-Executive Directors. The remaining 7 are non-independent Directors. The classification as independent or non-independent is based on the Barbados Stock Exchange Recommendations. Biographical information on the Directors and details of their interests in the Company as at December 31, 2014 are set out in this report. Non-Executive Directors do not participate in performance-based incentive plans, and their remuneration consists solely of cash. The Board Chairman and Directors are paid a flat fee for participating in Board meetings and an additional fee for attendance at each Committee meeting.

Board Operations

During 2014, Management engaged the Board of Directors (BOD) 7 times, either in formal meetings or by requests for round-robin decisions between meetings. The Audit Committee (AC) met 5 times; the Governance Committee (GC) met 2 times; the Human Resources & Compensation Committee (HR&CC) met once; and the Investment Committee (IC) met once. The Company's Directors' record of attendance was as follows:

	BOD	AC	GC	HR&CC	IC	Total	%
Sarah MacDonald	7 of 7	4 of 5	2 of 2	1 of 1	1 of 1	15 of 16	94%
Sir Henry Forde, Q.C.	6 of 7	–	2 of 2	–	–	8 of 9	89%
Andrew Gittens	6 of 7	–	–	1 of 1	1 of 1	8 of 9	89%
Robert Bennett	6 of 7	2 of 5	–	–	1 of 1	9 of13	69%
Ian Carrington	6 of 7	5 of 5	–	–	–	11 of 12	92%
Christopher Huskilson	7 of 7	–	–	–	1 of 1	8 of 8	100%
Teresa Marshall	7 of 7	–	–	–	1 of 1	8 of 8	100%
Peter Williams	7 of 7	–	–	–	–	7 of 7	100%
Sharon Christopher	7 of 7	–	2 of 2	1 of 1	–	10 of 10	100%
Andrew Thornhill	7 of 7	–	–	–	–	7 of 7	100%
Richard Edghill	6 of 7	5 of 5	2 of 2	–	1 of 1	14 of 15	93%

Key: Dash (–) denotes that Director is not a member of a specific Committee

Shares

The following shareholders own more than 5% of the common shares of the Company as at March 2015:

	Common Shares	
	Number of Shares	**Percentage**
Emera (Barbados) Holdings No. 2 Inc.	13,779,107	80.18%
National Insurance Board	2,264,135	13.18%

Corporate Information

Listing of Common Shares

The common shares of Emera (Caribbean) Incorporated are listed and traded on the Barbados Stock Exchange Inc.

Cumulative Preference Shares

The cumulative preference shares of the Company are listed and traded on the Barbados Stock Exchange Inc.

Dividends

An interim dividend of sixteen (16) cents per common share was declared for the 1st quarter ended **March 31st, 2015** to the shareholders on record on **February 26th, 2015**. That interim dividend was paid on **March 13th, 2015.**

The projected payment dates for dividends declared during the remainder of 2015 are **June 12th, September 15th** and **December 15th.**

The corresponding projected record dates for the remainder of 2015 are **May 21st, August 21st** and **November 20th.**

Corporate Information

Management Team

Ms.Sarah MacDonald	Executive Chairman
Mr. Peter Williams	Managing Director
Mr. Hutson Best	Chief Financial Officer
Mr. Dave McGregor	VP Asset Management
Ms. Kathy-Ann Christian	Corporate Secretary & Legal Counsel
Mr. Frederick Adamson	Manager Health, Safety and Environment
Ms. Janice Sutton	Manager Communications
Mr. Wayne Yearwood	Manager Energy Services

Company Officers

Ms. Sarah MacDonald	Executive Chairman
Mr. Peter Williams	Managing Director
Mr. Hutson Best	Chief Financial Officer
Ms. Kathy-Ann Christian	Company Secretary & Legal Counsel

Secretary

Ms. Kathy-Ann Christian

Attorneys-At-Law

Clarke Gittens Farmer
Carrington & Sealy

Auditor

Ernst & Young

Bankers

RBC Royal Bank (Barbados) Ltd.

Registrar & Transfer Agent

The Barbados Central Securities Depository

Registered Office

Garrison Hill, St. Michael, Barbados

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