Emera Caribbean 2015 Annual Report

Emera Caribbean


Emera
Caribbean
VIRGIN ISLANDS
ST. MARTEN
ANGUILLA
ST. MARTEN
ST. CROIX
ST. EUSTATIUS
ANTIGUA & BARBUDA
ST. KITTS AND NEVIS
MONTSERRAT
GUADELOUPE
DOMINICA
MARTINIQUE
SAINT LUCIA
BARBADOS
ST. VINCENT AND
THE GRENADINES
GRENADA

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About Emera (Caribbean) Incorporated

Emera (Caribbean) Incorporated (ECI), a wholly owned subsidiary of Emera Inc. (TSX:EMA), 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.

Business Summary

Emera (Caribbean) Incorporated (ECI) is a subsidiary of Emera Inc., a Canada-based international energy services company serving customers in eastern Canada, the northeast United States and the Caribbean. ECI's holdings include the Barbados Light & Power Company Limited (BLPC), a controlling interest in Dominica Electricity Services Limited (DOMLEC), Emera Caribbean Renewables Limited (ECRL), and a non-controlling interest in St. Lucia Electricity Services Limited (LUCELEC).

ECI's purpose is to meet the energy needs of its customers today, and provide solutions to power a sustainable future. ECI operates on a foundation of operational and service excellence that focuses on safety and health, stakeholder relationships, and investments in its people.

Corporate Performance

ECI's comprehensive income attributable to equity holders of the Company was BB$49.8 million in 2015 compared with BB$47.8 million in 2014. The Company's Earnings per Share were 293.44 cents in 2015, which compares favourably to 256.14 cents in 2014. The dividend paid to shareholders was increased from 56 cents per share in 2014 to 64 cents in 2015, which represents a modest payout ratio of 22%.

Acquisition By Emera

On November 17, 2015 Emera Inc. announced an offer to purchase all outstanding shares of Emera (Caribbean) Incorporated. The cash offer of BB$33.30 per share represented a thirty percent premium over the stock price of BB$25.70 on the Barbados Stock Exchange (BSE). ECI shareholders were also offered the option of accepting an equivalent dollar amount in Depositary Receipts (DRs) of Emera Inc., which would trade on the BSE, and will be negotiable financial instruments, with each DR representing one quarter of an Emera Inc. common share as publicly traded securities on the Toronto Stock Exchange (TSX).

At the time of the offer, the National Insurance Board (NIB) of Barbados held a 13.3% interest in ECI and the remaining minority shareholders a 6.1% interest. A Special Committee of the independent members of the Board of Directors of ECI, excluding Directors representing Emera Inc., sought a fairness opinion and determined that the offer was fair to the minority shareholders of ECI.

At the time of the writing of this report, trading in ECI shares has been suspended. DRs are now listed on the BSE, and ECI is a wholly owned subsidiary of Emera Inc. DRs are new to Barbados' market, but are a well-established financial instrument in other markets. The listing of Emera DRs on the BSE was seen by Emera Inc. as an opportunity for Barbadians to remain invested in the Company and to benefit from an investment which has greater liquidity. The BSE will be the only stock exchange other than the TSX to trade Emera securities. This increased investment underscores Emera's continuing commitment to its companies in the Caribbean.

Clean Energy – The Heart Of Our Strategy

ECI's subsidiaries continue to advance several significant renewable energy projects in the region, with a projected capital expenditure in excess of BB$250 million over the next three years. This includes a 10 megawatt (MW) solar photovoltaic (PV) project in Barbados and a 12 MW geothermal project in St. Vincent. These initiatives are aimed at increasing the amount of renewable energy in the Group's generation mix, moving ECI towards greater use of clean sources of energy and stabilizing the cost of electricity for customers.

The Company's commitment to renewable energy comes against a backdrop of significant declines in international oil prices, which dropped below US$40 per barrel for the first time in over a decade. The Company believes that oil prices will rise again, although we have no way of knowing when and by how much, bringing to mind John F. Kennedy's admonition that, "The time to repair the roof is when the sun is shining."

The Company is also conscious of several other factors that are driving change in the global energy arena. These include the agreement reached by the Parties to the U.N. Framework

Business Summary

Convention on Climate Change (UNFCCC) in December 2015 in Paris, which charts a new course in the global climate effort. The climate change agenda, together with the experience of high oil prices in the past decade, has resulted in new energy policies by Caribbean governments aimed at reducing the region's dependence on fossil fuel. Further impetus is coming from initiatives such as the Breakthrough Energy Coalition announced by Bill Gates and others that are expected to accelerate technology developments in the renewable energy sector and reduce the cost of alternatives. These developments will change the electric utility industry and ECI is preparing for this change.

Barbados 10MW Solar Plant

During 2015, BLPC awarded a contract to Grupotec Servicios Avanzados, S. A. for the construction of a 10MW solar PV plant in St. Lucy, Barbados. Construction of this solar facility, including a new substation and commission of underground transmission cables, is projected to cost BB$40 million and is expected to be commercially operational by the third quarter of 2016.

St. Vincent Geothermal Project

The Government of St. Vincent and the Grenadines has entered into formal agreements with ECI, in partnership with Iceland-based Reykjavik Geothermal, for the development of geothermal energy on the island of St. Vincent. This exciting renewable energy project has the potential to reduce and stabilize electricity prices for customers of the state-owned utility, St. Vincent Electricity Services Limited (VINLEC). Scientific studies, which were concluded in late 2014, have guided the selection of the proposed site for the power plant. At year-end, work was in progress on the Environmental and Social Impact Studies for the drilling phase, and geotechnical and other engineering assessments were being planned. A Request for Proposals was issued to specialist drilling contractors and it is anticipated that drilling of the first geothermal well will commence in 2016. Legal, policy and technical support continues to be provided by the Clinton Climate Change Initiative and Rocky Mountain Institute.

Concessional funding is becoming available from international development agencies to support projects that are aimed at reducing greenhouse gas emissions.

Discussions are taking place with the Caribbean Development Bank (CDB) who is working in collaboration with the Inter American Development Bank (IDB), the Japan International Cooperation Agency (JICA), and the UK Department for International Development (DFID) to provide concessionary financing for geothermal projects in the region. The Government of St. Vincent was also successful in obtaining US$15 million from the Abu Dhabi Fund that will be used by the Government to help finance their interest in the project.

Emera Caribbean Renewables Limited (ECRL)

The total capacity of distributed customer-based rooftop solar PV systems in Barbados reached about 9,000 kilowatts peak (kWp) at the end of 2015, 1,630 kWp of which has been installed by ECRL since it began operations in 2012. In 2015, ECRL installed 20 solar PV systems with a total of 930 kWp, including the installation of a 150 kWp system at the headquarters of the Caribbean Development Bank in Barbados.

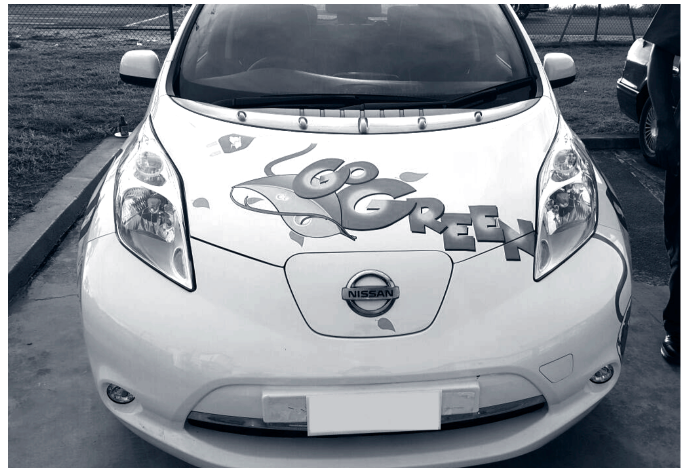
Business Summary

Greening the Transport Sector

ECI continues to promote the growth of the electric vehicle (EV) market in Barbados and is collaborating with MegaPower of Barbados in this regard. The number of EVs in Barbados has grown since the first three vehicles were imported in 2013 to over 100 at the end of 2015, and there are now some 20 charging stations around the island which offer convenience for EV drivers. Plans for the installation of a fast charge station in 2015 were delayed, and it is now anticipated that the equipment will be delivered from the manufacturer in 2016.

BLPC has also increased the number of EVs in its fleet from three in 2014 to 5 in 2015, including 2 electric vans for use by service crews in its Distribution and Generation operations. DOMLEC and LUCELEC also took their first step into the EV arena by purchasing vehicles to get experience with EVs in Dominica and St. Lucia respectively.

EVs are not yet suited for the large trucks used by electric utilities, so BLPC embarked on a pilot project involving seven of its utility trucks to operate on a blend of 20% biodiesel, locally manufactured from used vegetable oil, and 80% diesel fuel. This project will reduce the disposal of used vegetable oil and lower the carbon footprint of BLPC's fleet.



Business Summary

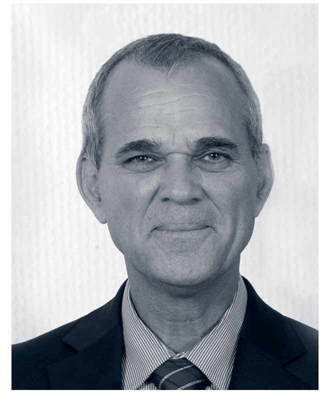
Health & Safety

Safety is our highest priority. In 2015 ECI made significant advances, most notably with the completion of a Safety Manual for the Caribbean group of companies and a significant reduction of reportable safety incidents. We also moved closer to our goal of embracing a proactive safety culture with over 95% of employees in the ECI group submitting a proactive safety report, identifying situations where they observed that safety could be improved. We are resolute in our determination to instil a belief that all injuries are preventable, and to achieve world class safety performance by 2019.

Community Support

ECI companies continue to demonstrate excellent corporate citizenship in the communities where they operate. While each business tailors its corporate giving to the needs of its community, ECI companies continue to support programmes in the areas of health, education, youth and sports.

Sarah MacDonald



Peter Williams

Our Caribbean Team

Members of our Caribbean team share the same goal of bringing reliable, increasingly clean energy at stable prices to our customers across the Caribbean. At the same time we are forging stronger links across the entire Emera family in Canada and the United States by collaborating on projects that will bring benefits to all.

As we look to the future, we recognize that our competitive advantage depends on the excellence of our people and the quality of our leadership. During 2015, employees and young leaders from the Caribbean were assigned to sister companies within the Emera group to gain broader experience in all areas of our business, positioning us for continued success in 2016 and beyond.

Emera (Caribbean) Incorporated
February 24, 2016

Sarah MacDonald
Chairman

Peter Williams
Managing Director

Report on Operations

Report on Operations

The Barbados Light & Power Company Limited (BLPC)

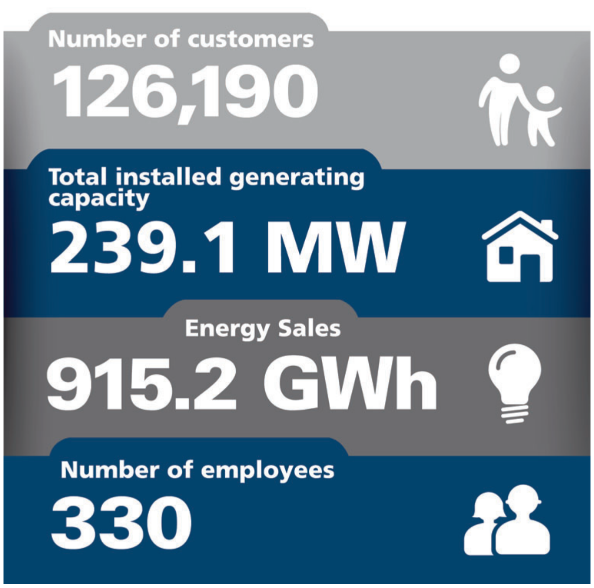
On May 4, 2015 the Barbados Government proclaimed a new Electric Light & Power Act 2013 (ELPA). The ELPA provides the framework for the licensing of Independent Power Producers (IPPs) using renewable energy sources.

BLPC is supportive of the Government's goal of Barbados becoming a green energy economy, and is working with stakeholders to put in place the technical and policy frameworks to support this new regime. In this regard, BLPC issued a new Grid Code to provide minimum standards for all electrical connections to the grid. The new Grid Code incorporated feedback from multiple stakeholders including the Fair Trading Commission, the Government's Energy Division, the Government Electrical Engineering Department, the Barbados Renewable Energy Association (BREA), and renewable energy installers and suppliers.

The energy industry in Barbados is mature and is transitioning to a new market structure. Declining sales over the past several years and the introduction of distributed solar PV systems has challenged BLPC to manage its operating costs. In response, BLPC has recognized that it must lower its cost of operations, and explore and incorporate alternative fuel sources into its generation. The Government of Barbados also announced plans to work with developers on the construction of a waste-to-energy plant and a grid scale solar plant. BLPC is seeking to obtain more details on these projects as they represent significant capacity additions as the company plans for a more sustainable energy future for Barbados.

In light of the ongoing challenges of the Barbados economy and evolving market and consumer demand, BLPC took meaningful steps to reduce its headcount to bring both reduced operating costs and increased flexibility to its business. As part of a major cost cutting effort, 73 employees from across the organization accepted early retirement and voluntary separation opportunities and, after examination of our business' needs, 20 employees were severed. BLPC kept the national Social Partnership, which comprises representatives from government, employers and trade unions informed, and employees were continuously kept abreast of the changes. At year-end, a reengineering exercise was in progress to further position BLPC for the future.

QUICK FACTS - BLPC:



Report on Operations

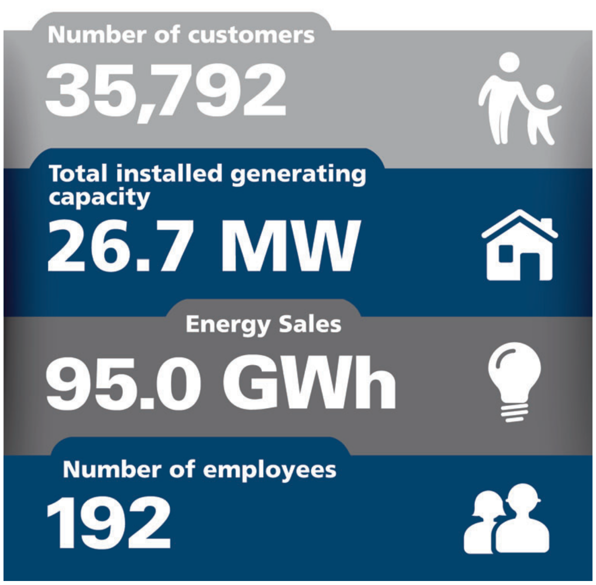
Dominica Electricity Services Limited (DOMLEC)

ECI holds a 51.91% interest in Dominica Electricity Services Ltd. (DOMLEC) which serves approximately 36,000 customers with a peak demand of about 17.3 megawatts on the island of Dominica. Electricity sales for 2015 were 4.2% over 2014 sales.

On August 27, 2015 Dominica suffered extensive damage and loss of life as a result of flooding from Tropical Storm Erika. Roads and bridges were washed out, isolating some communities and supply was interrupted to almost 75% of DOMLEC's customers. DOMLEC's crews responded admirably, restoring service to 95% of affected customers within four days, and completing restoration within three weeks to all those customers whose premises could safely be reconnected. DOMLEC's hydro generating station at Padu and sections of the hydro pipes were especially hard hit by the storm, and repair works were in progress at year-end.

DOMLEC's generation plant is covered by commercial insurance, and a claim has been made against the insurance company for the repairs. Commercial insurance is not available for DOMLEC's transmission & distribution network and DOMLEC continues to engage with the Government on the need for legislation to cover the establishment of a Self-Insurance Fund for these assets, similar to what is in place in Barbados and other Caribbean territories.

QUICK FACTS - DOMLEC:



DOMLEC's application for a tariff review, originally to be submitted by May 1, 2015 is pending as DOMLEC awaits a High Court determination on its request for a review of the IRC's decision on the Weighted Average Cost of Capital (WACC).

Discussions continue with the Government of Dominica regarding plans for the development of geothermal energy, which has the potential to reduce and stabilize electricity prices.

ECI holds a 19.1% interest in St. Lucia Electricity Services

Report on Operations

St. Lucia Electricity Services Limited (LUCELEC)

(LUCELEC) and their progress is important to us and to the region. LUCELEC recorded sales growth for 2015 of 1.7%, notwithstanding ongoing challenges with the economy.

LUCELEC continues to build on its reputation as one of the most efficient and well run utilities in the Caribbean. Improvements continued to be achieved in the area of system losses which, at 7.87%, were the company's lowest. This was in part attributable to the deployment of smart meters to about 80% of their customers, and the replacement of aged meters.

As with other countries in the region, the energy market in St. Lucia is transitioning to a new market structure. Amendments to the Electricity Supply Act were passed to facilitate the formation of a National Utility Regulatory Commission (NURC) that will regulate LUCELEC beginning in 2016.

LUCELEC is also pressing ahead with plans to introduce renewable energy into their generation mix. Work began on the installation of a 75KW solar PV system at the Cul De Sac generating station and the company is also preparing for the development of a 3MW utility scale solar PV system in the south of the island. The potential for wind energy is also being investigated, and LUCELEC has partnered with Texas based developer Wind Tex Energy to evaluate the feasibility for a 12 MW wind farm on the east coast of the island. Perhaps the country's most significant opportunity is the development of a geothermal power plant. The Government of St. Lucia, in association with a prospective developer and with the support of international agencies, is undertaking scientific studies to assess the potential for geothermal energy. LUCELEC has expressed its support for this initiative and is engaged in the discussions. It is anticipated that more concrete details will be available in 2016.

QUICK FACTS - LUCELEC:

Number of customers
67,011

Total installed generating capacity
86.2 MW

Energy Sales
337.5 GWh

Number of employees
252

Management's Discussion and 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 February 24, 2016

This Management Discussion & Analysis (MD&A) provides a review of the results of the operations of Emera (Caribbean) Incorporated ("ECI"), formerly Light & Power Holdings Ltd. ("LPH"), and its primary subsidiaries during the year ended December 31, 2015 and its financial position as at December 31, 2015 relative to December 31, 2014. Certain multi-year historical financial and statistical information is also presented. Throughout this discussion, "Emera (Caribbean) Incorporated ("ECI")" and "Group" refers to Emera (Caribbean) Incorporated ("ECI") and all of its consolidated subsidiaries and investments. The name change from LPH to ECI 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 ECI'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; labor relations; and availability of labor 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, ECI 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 (ECI)

Emera (Caribbean) Incorporated (ECI) was founded in 1997 and is owned by Emera Inc. ("Emera") of Nova Scotia, Canada. Emera is a geographically diverse energy and services company that invests in electricity generation, transmission and distribution, as well as gas transmission and utility services. As at December 31, 2015 Emera reported assets of USD 9.2 billion and revenues of USD 2.2 billion. 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.

ECI shares have been traded on the Barbados Stock Exchange. On November 17, 2015 Emera announced an offer to purchase all of the common shares that it does not already own. This offer was accepted by ECI shareholders and subsequent to year-end 2015 ECI became a wholly owned subsidiary of Emera and commenced the process to delist from the Barbados Stock Exchange.

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 126,200 customers on the island of Barbados and the Dominica Electricity Services Limited (DOMLEC), a 51.91% subsidiary, which serves approximately 35,500 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 comprised of the following other key entities:

- The Barbados Light & Power Company Limited Self Insurance Fund ("SIF")
- LPH Caribbean Holdings Limited ("LPH Caribbean");

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 116 kilometers of transmission facilities 2,800 kilometers of distribution facilities.

The government of Barbados has granted BLPC a franchise to generate, transmit and distribute electricity on the island until 2028. 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. A fuel clause adjustment ("FCA") mechanism, 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

In 2011, ECI 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 51.91% and a 19.1% investment respectively in Dominica Electricity Services Ltd. (DOMLEC) and St. Lucia Electricity Services Limited (LUCELEC).

Dominica Electricity Services Ltd. (DOMLEC)

Emera (Caribbean) Incorporated, through a wholly owned subsidiary, acquired 51.91% of DOMLEC in April 2013. DOMLEC is a vertically integrated electric utility with a total installed capacity of 20 MW of oil fired and 7MW of hydro generating capacity with 452 kilometers of transmission facilities and 640 kilometers of distribution facilities.

DOMLEC operates under the Electricity Supply Act of 2006 and is regulated by the Independent Regulatory Commission (IRC). Under its licenses, which took effect on January 1, 2014 DOMLEC has a non-exclusive license to generate electricity and an exclusive license to transmit, distribute and supply electricity until 2039. The IRC has started the process to review DOMLEC's tariff's, including its allowed return on rate base. Pending this review, the allowed return on rate base is 15%. 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 88.4 MW of oil fired generating capacity and 1,000 km of electricity transmission and distribution lines. During 2015, the Government of St. Lucia passed legislation to establish the National Utilities Regulatory Commission which will regulate LUCELEC. LUCELEC is accounted for as an associated company.

Management's Discussion and Analysis

Self-Insurance Fund

The Self Insurance Fund (SIF) was established in 1993 and 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 operates under the Insurance Act (Act 1996-32) and the Insurance Regulations, 1998 ("the Regulations"). The SIF is administered by trustees and is regulated by the Financial Services Commission.

Emera Caribbean Renewables Limited

Emera Caribbean Renewables 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

ECI Group Financial Results

	2015 $000	2014 $000	Variance $000	Variance %
Operating revenue	**474.3**	630.3	(156)	(24.7%)
Operating income	**59.2**	53.6	5.6	10.5%
Total operating expenses	**415.1**	576.7	(161.6)	(28.0%)
Income before tax	**62.6**	56.4	6.2	10.9%
Income after tax	**57.7**	51.1	6.6	12.9%
Other comprehensive income	**(2.4)**	0.8	(3.2)	(401.2%)
Total comprehensive income	**55.3**	51.9	3.4	6.6%
Comprehensive income attributable to the non-controlling interest	**(5.5)**	(4.1)	1.4	34.1%
Total Comprehensive income	**49.8**	47.8	2.0	4.2%

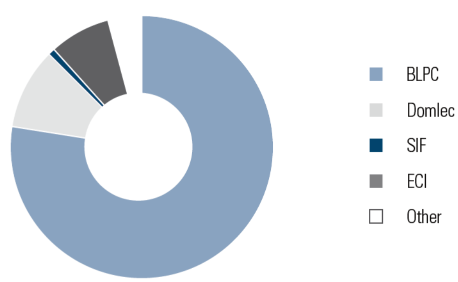
Comprehensive Income

Comprehensive income attributable to the equity holders of the Group increased by $2.0M or 4.2% in 2015 to $ 49.8M.

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

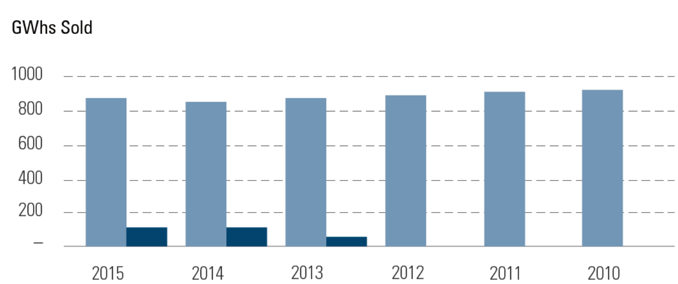
Details	Year ended December 31, 2015
Comprehensive net income 2014	**47.8**
Increase in basic revenue	**4.1**
Net reduction in operating costs due to lower pension costs, savings and timing of maintenance cost reduced by net restructuring costs at BLPC	**3.9**
Net tax	**0.6**
Increase in non-controlling interest	**(1.5)**
Reduction in the FV of AFS assets of SIF	**(3.3)**
Increase in depreciation	**(1.9)**
Other	**0.1**
Comprehensive net income 2015	**49.8**

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



ECI's contribution to comprehensive income was negative 9%.

Electricity Sales



Management's Discussion and Analysis

Group sales from electricity increased to 1,010 GWh in 2015 from 991 GWh in 2014; an increase of 1.9%. Sales growth at DOMLEC was 4.4% despite the impact of tropical storm Erika. Growth at BLPC was 1.7% with 2015 being the first time BLPC saw growth in sales since 2010. The growth in sales was a reflection of the significant impact of fuel prices on electricity prices in the Caribbean. As oil prices decreased, electricity prices decreased significantly and a correlation was seen between the reduction in fuel costs and the increase in demand for electricity. Increases were seen across all customer tariffs.

Electricity sales & revenue by tariff

	Electricity Sales (GWh)			Electricity Revenue ($M)		
Customer Class	**2015**	2014	Variance %	**2015**	2014	Variance %
Residential	**350.0**	342.4	2.2%	**79.2**	77.5	2.2%
Commercial	**648.4**	637.2	1.8%	**156.5**	154.0	1.6%
Other	**11.9**	11.9	0.1%	**3.7**	3.8	-1.4%
Total	**1010.3**	991.5	1.9%	**239.4**	235.3	1.7%

Total Revenues

	2015			2014				
	BLPC	Domlec	Total	BLPC	Domlec	Total	Variance $M	Variance (%)
Electric revenue	**191.5**	**47.9**	**239.4**	189.3	46.0	235.3	4.1	1.7%
Fuel revenue	**208.7**	**20.9**	**229.6**	361.4	28.2	389.6	(160.0)	-41.1%
Total revenues	**400.2**	**68.8**	**469.0**	550.7	74.2	624.9	(155.9)	-24.9%
Misc. revenue	**4.9**	**0.4**	**5.3**	4.1	1.3	5.4	(0.1)	-1.3%
Operating revenues	**405.1**	**69.2**	**474.3**	554.8	75.5	630.3	(156)	24.7%

Operating revenues decreased year on year by $156 M – $143 M in 2015 compared to $630.3 M in 2014.

Highlights of the revenue changes are summarized below:

Details	Year ended December 31, 2015 ($000)
Revenue from sale of electricity 2014	**630.3**
Increase due to change in BLPC's sales volumes	**2.18**
Increase due to change in Domlec's sales volumes	**1.93**
Decrease fuel charge due to lower fuel prices	**(160.0)**
Revenue from sale of electricity 2015	**474.4**

Total Expenses

	2015				2014					
	BLPC	Domlec	Other	Total	BLPC	Domlec	Other	Total	Var $M	Var (%)
Fuel costs	**208.7**	**26.5**	**–**	**235.2**	361.4	33.4	–	394.8	-159.6	-40%
Operating expenses	**102.7**	**23.3**	**10.0**	**136.0**	110.1	21.4	8.4	139.9	-3.9	-3%
Depreciation	**37.2**	**6.6**	**0.1**	**43.9**	35.8	6.2	0.0	42.0	1.9	5%
Total expenses	**348.6**	**56.4**	**10.1**	**415.1**	507.3	61.0	8.4	576.7	-161.6	-28%

Total expenses decreased year on year by $ 161.6M to $415.1M in 2015 (2014 - $576.7M) or a decrease of 28%.

Highlights of the changes relating to the total expenses of the Group are summarized below:

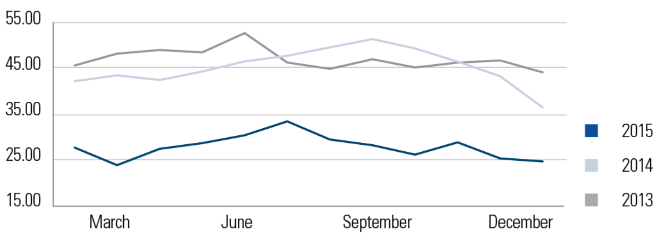
Details	Year ended December 31, 2014
Total expenses 2014	576.7
Reduction in fuel costs due to reduction in oil prices on the international market	(159.6)
Lower pension costs, savings and timing of maintenance cost reduced by net restructuring costs at BLPC	(3.9)
Increase in depreciation expenses due to an increase in the asset base at BLPC and Domlec	1.9
Total expenses 2015	415.1

Fuel costs

Fuel expense is the greatest contributor to total operating expenses. Throughout 2015, fuel prices continued the decline which started in last quarter of 2014. This was reflected in BLPC's fuel cost which was $152.7M or 42% lower than in the previous year thus contributing to a reduction in the FCA from an average of 40.15 cents in 2014 to an average of 22.87 cents for 2015.

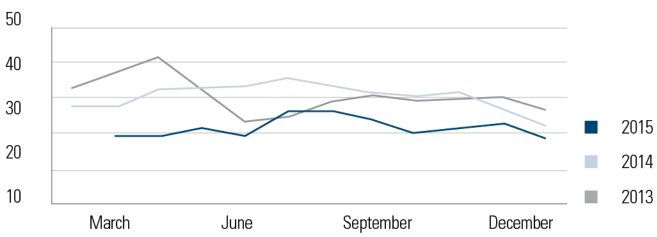
Management's Discussion and Analysis

Fuel Clause Adjustment – BLPC
(BBD cents)



The average FCA for DOMLEC was 21.9 cents per kWh for 2015 in comparison to 36.6 cents per kWh at the end of 2014. DOMLEC's FCA is affected by the level of hydro production. In 2014, diesel accounted for 70% of DOMLEC's generation and hydro 30% while in 2015, diesel accounted for 77% of production and hydro 23%. The decline in hydro production in 2015 was due to the damage caused by Tropical Storm Erika which struck Dominica in August 2015.

Fuel Clause Adjustment – Domlec
(BBD cents)

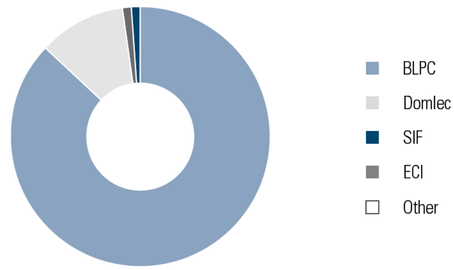


DOMLEC's reported fuel cost for 2015 is $6.9M lower than in 2014.

Operating expenses

Operating expenses decreased by $3.9M or 3% when compared to 2014 despite the restructuring costs incurred at BLPC in 2015 and the impact of tropical storm Erika on Domlec. The main drivers for the decrease were lower pension costs and reduced maintenance contract costs at BLPC. Domlec also saw an increase in maintenance costs and regulatory costs in 2015.

Total expenses by segment are shown in the below diagram:



Cash Flow Position & Movements

Group Cash Flow Position	**2015 $M**	2014 $M	Variance $M	Variance (%)
Opening cash & cash equivalents	**187.7**	149.3	38.4	26%
Cash provided by/(used in):				
Operating activities	**115.9**	101.2	14.7	15%
Investing activities	**(56.2)**	(37.1)	(19.1)	51%
Financing activities	**8.9**	(25.7)	34.6	-135%
Closing cash & cash equivalents	**256.3**	187.7	68.6	37%

Cash flows from operating activities

Lower fuel prices coupled with improvements in the Group's receivable collections resulted in a reduction in working capital requirements at BLPC and DOMLEC. This in turn gave rise to additional cash flows from operating activities of $14.7M when compared to 2014.

Cash flows used in investing activities

The Group's investing outflows increased by $ 19.1M in 2015 mainly due to increased expenditure on Property, Plant & Equipment of $11.7M. Of this BLPC contributed $10.6M due to spend on their Trents Solar Farm and Automatic Meter Infrastructure (AMI) projects. In addition, a loan of $7.1M was made to immediate parent Emera (Barbados) No. 2 Holding Inc. ("EBH2").

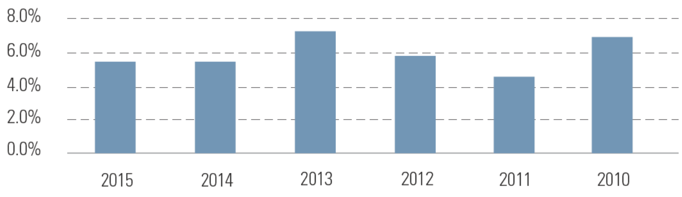
Cash flows used in financing activities

Cash flows from financing activities increased by $34.6M mainly due to a loan obtained by BLPC in November of USD$16.0M. The proceeds from the borrowings will be used on the BLPC solar project in 2015 and 2016.

Management's Discussion and Analysis

Other Financial Performance Indicators

Return on Equity



Return on equity remained consistent at 2014's level of 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

	2015	2014	2013	2012	2011	2010
Basic EPS	293.4	256.1	279.2	227.7	198.5	257.3
Dividends	0.64	0.56	0.52	0.48	0.44	0.40
Payout ratio	22%	22%	19%	21%	22%	16%

The Group achieved basic earnings per share of 293.4 cents in 2015 compared to of 256.1 cents in 2014 representing a 15% increase.

Total dividends per share paid increased by 14% to 64 cents in 2015 from 56 cents in 2014.

Financial Position

The below table is a summary of significant changes to the Group's Balance Sheet from December 31, 2014 to December 31, 2015.

Balance Sheet Account	Increase/ (Decrease) (millions)	Explanation
Property, Plant and Equipment	7.5	Net additions were higher than the depreciation charge for the year mainly due to increased spend at BLPC related to the Trents Solar and AMI projects
Available for Sale Assets	(2.4)	Fair value depreciation of assets of $2.5M and an increase in cash held at year end
Other assets	7.1	Loan made to immediate parent EBH2 in 2015
Cash resources	70.5	A reduction in working capital requirements in the electric utilities as a result of the reduction in oil prices plus the proceeds of a loan obtained in Q4 2015 still on hand at the end of the year.
Trade & other receivables	(19.1)	A combination of the impact of lower fuel prices and improved receivables collection at both utilities. Days outstanding at BLPC and Domlec decreased from 40.3 days and 49 days in 2014 to 34.6 days and 44 days in 2015.
Inventories	(2.5)	The decline was seen in fuel inventory as a result of the decline in oil prices. Non-fuel inventory increased slightly above 2014 levels.
Borrowings including Current portion	18.8	Borrowings of US$16.0M were obtained during Q4 2015 reduced by scheduled repayments of existing borrowings

Group Liquidity & Capital Resources

The Group is financed from two sources:
1. Equity 2015 – 87% (2014 – 88%);
2. Borrowings from banks in the form of secured debentures 2015 – 13% (2014 – 12%);

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

Management's Discussion and Analysis

Transactions with Related Parties

Due to the similar nature of business of the Emera companies and the potential for economies of scale and other synergistic benefits, 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.

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.

FACTORS AFFECTING ECI'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, 2015.

Risk Management

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

Operational risks

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

In 2015 the Group continued to build a culture of safety and environmental awareness among staff. During 2015, proactive reporting was introduced to the Group under the belief that all accidents are preventable. At BLPC, proactives were received from 99.4% of staff with a response rate of 96.7% at DOMLEC. An Emera Caribbean safety manual was also developed and approved by all the Emera Caribbean companies in 2015.

Weather

ECI's facilities are subject to the effects of severe weather conditions principally during the hurricane season months of June through November. 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$10.0 million standby facility for funding expenditure 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 counterparty's non-performance under an agreement. The ECI Group is exposed to credit risk via outstanding customer balances. This is mitigated via the implementation of efficient debt collection procedures.

Economic Conditions

As with most utility companies, the general economic conditions of ECI's geographic locations influence 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. GDP growth for Barbados, Dominica and St. Lucia in 2015 was 0.9%, -2.49% and 1.3% respectively.

Regulatory risks

ECI'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 cost-of-service utilities with an obligation to serve customers, BLPC and DOMLEC must obtain regulatory approval to change electricity rates and/or riders. In addition, the commercial and regulatory frameworks under which ECI 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.

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 ($) and Eastern Caribbean (XCD) currencies against the US dollar.

Liquidity Risks

The Company'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.

Objectives and Strategies

The Group's focus in 2016 will be on the following strategic priorities:

- Customer – improve reliability in all of our operations and enable the integration of more renewables on to our grids to 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.
- Shared Services - leverage the expertise that exists across the regional utilities in which we invest, to the benefit of customers, employees, and shareholders.

Emera (Caribbean) Incorporated

Consolidated Financial Statements

For the year ended December 31, 2015

(Expressed in thousands of Barbados dollars)

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Building a better working world

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 of December 31, 2015 and the consolidated statements of comprehensive income, changes in 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 about 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 consolidated financial position of **Emera (Caribbean) Incorporated.** as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Chartered Accountants
Barbados
24 February 2016

Emera (Caribbean) Incorporated
Consolidated Balance Sheet
As of December 31, 2015 (expressed in thousands of Barbados dollars)

	Notes	2015 $	2014 $
Assets			
Non-current assets			
Property, plant and equipment	5	662,012	654,507
Investment in associates	6	57,148	54,914
Financial investments - available-for-sale	7	141,937	144,301
Other assets	23	5,975	-
		867,072	853,722
Current assets			
Cash resources	8	260,413	189,916
Trade and other receivables	9	62,016	81,123
Corporation tax recoverable		922	787
Other assets	23	1,126	-
Due by associated companies		53	137
Inventories	10	28,761	31,252
		353,291	303,215
Total assets		1,220,363	1,156,937
Equity			
Share capital	11	112,463	113,029
Other reserves	12	255,697	256,045
Non-controlling interests		33,748	29,680
Retained earnings		477,519	438,310
		879,427	837,064
Non-current liabilities			
Borrowings	13	121,112	96,711
Customers' deposits	14	44,341	42,295
Deferred credits	15	39,561	39,773
Deferred tax liability	16	38,272	40,270
		243,286	219,049
Current liabilities			
Trade and other payables	18	71,837	70,583
Due to parent companies	19	6,364	6,930
Due to related party		5	5
Corporation tax payable	16	4,288	5,128
Provisions for other liabilities and charges	17	6,943	4,376
Current portion of borrowings	13	8,213	13,802
		97,650	100,824
Total equity and liabilities		1,220,363	1,156,937

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

Approved by the Board of Directors on February 24, 2016 and signed on its behalf by:

Sarah MacDonald

Sarah MacDonald – Director

R. Edghill

Richard Edghill – Director

Emera (Caribbean) Incorporated
Consolidated Statement of Changes in Equity
For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

	Common shares $	Other reserves $	Retained earnings $	Non-controlling interests $	Total $
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 non-controlling interests	-	-	-	(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
Comprehensive income					
Net income for the year	-	-	52,206	5,552	57,758
Change in fair value of available-for-sale - financial investments	-	(2,499)	-	-	(2,499)
Share of other comprehensive income of associated company	-	90	-	-	90
Total comprehensive income	-	(2,409)	52,206	5,552	55,349
Dividends paid (64¢ per share)	-	-	(10,936)	-	(10,936)
Dividends paid to non-controlling interests	-	-	-	(1,484)	(1,484)
Repurchase of common shares	(566)	-	-	-	(566)
Transfer to Self Insurance Fund/reserve	-	2,061	(2,061)	-	-
	(566)	2,061	(12,997)	(1,484)	(12,986)
Balance at December 31, 2015	112,463	255,697	477,519	33,748	879,427

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, 2015 (expressed in thousands of Barbados dollars)

	Notes	2015 $	2014 $
Operating revenue	20	474,356	630,338
Operating expenses			
Fuel		235,169	394,824
Generation		46,267	54,162
General		64,361	61,702
Distribution		18,347	16,944
Insurance		7,003	6,947
Depreciation		43,929	42,050
Foreign exchange loss		47	89
	21	415,123	576,718
Operating income		59,233	53,620
Finance and other income	22	8,231	8,561
Finance and other cost		(9,531)	(10,004)
Share of income of associated company	6	4,633	4,270
Income before taxation		62,566	56,447
Taxation	16	(4,808)	(5,381)
Net income for the year		57,758	51,066
Other comprehensive income to be reclassified to profit in subsequent periods:			
Change in fair value of financial investments available-for-sale	7	(2,499)	809
Other comprehensive income not to be reclassified to profit in subsequent periods:			
Share of other comprehensive income of associated company	6	90	-
Total comprehensive income for the year		55,349	51,875
Attributable to shareholders of the Group		49,797	47,818
Non-controlling interests		5,552	4,057
		55,349	51,875
Attributable to shareholders of the Group basic and diluted earnings per share (cents)	24	293.44	256.14

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

Emera (Caribbean) Incorporated
Consolidated Statement of Cash Flows

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

	2015 $	2014 $
Cash flows from operating activities		
Income before taxation	62,566	56,447
Adjustments for non-cash items:		
Share of income of associated company	(4,633)	(4,270)
Depreciation	43,929	42,050
Loss on foreign exchange	47	89
Loss on disposal of property, plant and equipment	93	774
Investment and interest income	(3,579)	(5,255)
Finance and other costs	9,531	10,004
Net change in deferred revenue	(42)	(2,042)
Net change in provisions for other liabilities and charges	2,567	(989)
Operating income before working capital changes	110,479	96,808
Decrease in trade and other receivables	19,107	20,480
Decrease in inventories	2,491	1,377
Increase/(decrease) in trade and other payables	1,254	(8,833)
(Decrease)/increase in due to parent company	(566)	3,578
Decrease/(increase) in due by associated entities	84	(43)
Cash generated from operations	132,849	113,367
Interest and finance charges paid	(9,158)	(9,937)
Corporation tax paid	(7,783)	(2,241)
Net cash from operating activities	115,908	101,189
Cash flows used in investing activities		
Additions to property, plant and equipment	(53,247)	(41,525)
Purchase of financial investments	(23,855)	(52,302)
Redemption of financial investments	22,843	47,432
Decrease in term deposits	-	4,000
Decrease in restricted cash - Self Insurance Fund	(1,929)	(1,619)
Proceeds on disposal of property, plant and equipment	160	58
Issuance of long term loan	(7,089)	-
Dividends received	2,461	2,297
Interest received	4,446	4,558
Net cash used in investing activities	(56,210)	(37,101)
Carried forward	59,698	64,088

Emera (Caribbean) Incorporated

Consolidated Statement of Cash Flows *(continued)*

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

	2015 $	2014 $
Brought forward	59,698	64,088
Cash flows used in financing activities		
Repurchase of common shares	(566)	(2,116)
Issue of common shares	-	411
Dividends paid	(10,936)	(9,580)
Dividends paid to non-controlling interests	(1,484)	(1,150)
Repayment of borrowings	(14,022)	(18,038)
Proceeds from borrowing	32,443	-
Customers' contributions	1,389	1,887
Customers' deposits	2,046	2,882
Net cash from/(used in) financing activities	8,870	(25,704)
Net increase in cash and cash equivalents	68,568	38,384
Cash and cash equivalents - beginning of year	187,673	149,289
Cash and cash equivalents - end of year (Note 8)	256,241	187,673

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

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

1 General information

Emera (Caribbean) Incorporated, ("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, 2015 the ownership stood at 95.5 per cent (2014 -80.6 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, 2015. Unless otherwise noted, the adoption of the revised standards did not have a significant change on the financial statements of the Group.

- **IAS 24, 'Related Party Disclosure'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Group's financial position, performance or disclosures.

- **IAS 40, 'Investment Property'**, amended 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 independently of each other. The amendment was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Group's financial position, performance or disclosures.

- **IFRS 3, 'Business Combinations – Accounting for Contingent Consideration'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Group's financial position, performance or disclosures.

- **IFRS 8, 'Operating Segments – Aggregation of Segment'**, amended in December 2013. The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendment was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Group's financial position, performance or disclosures.

- **IFRS 8, 'Operating Segments – Reconciliation of Segment Assets'**, amended in 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 segment assets are reported regularly. The amendment was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Group's financial position, performance or disclosures.

2 Summary of significant accounting policies *(continued)*

b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2015 but not currently relevant to the Group*

- **IAS 16, 'Property, Plant and Equipment'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Group's financial position, performance or disclosures.

- **IAS 19, 'Employee Benefits – Employee Contributions'**, amended in November 2013. The amendments simplified the requirements for contributions from employees or third parties to a defined benefit plan, when those contributions are applied to a simple contributory plan that is linked to service. The amendment was effective for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the Group's financial position, performance or disclosures.

- **IAS 38, 'Intangible Assets'**, amended 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Group's financial position, performance or disclosures.

- **IFRS 2, 'Share-based Payment – Definition of Vesting Condition'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Group's financial position, performance or disclosures.

- **IFRS 3, 'Business Combinations – Scope Exception for Joint Ventures'**, amended in 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 was effective for annual periods beginning on or after July 1, 2014. The amendment has no effect on the Group's financial position, performance or disclosures.

- **IFRS 13, 'Fair Value Measurement'**, amended 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 was effective for annual periods beginning on or after July 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, 2015 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 1, 'Presentation of Financial Statements'**, amended in December 2014. The amendment addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements. Specifically, the amendments clarify that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to the all parts of the financial statements, and that even when a standard requires a specific disclosure, materiality considerations apply. They also clarify that the list of line items to be presented in financial statements can be disaggregated and aggregated as relevant and give additional guidance on subtotals in these statements. Also clarified was that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. The amendments also clarify that understandability and comparability should be considered when determining the order of the notes and that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

2 Summary of significant accounting policies *(continued)*

- **IAS 16, 'Property, Plant and Equipment'**, amended in May 2014. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. It also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. The amendment 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'**, amended in June 2014. The amendment bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of *IAS 41 Agriculture*. The amendment 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'**, amended in November 2013. The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment 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 27, 'Separate Financial Statements'**, amended in August 2014. The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment 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'**, amended in September 2014. The amendment addresses a conflict between the requirements of *IAS 28 'Investments in Associates and Joint Ventures'* and *IFRS 10 'Consolidated Financial Statements*' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. 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'**, amended in December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are not expected to have an effect on the Group's financial position, performance or disclosures.

- **IAS 34, 'Interim Financial Reporting'**, amended in September 2014. The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The amendment 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 38, 'Intangible Assets'**, amended in May 2014. The amendment introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. It also specifies the limited circumstances in which the presumption can be overcome. The amendment 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 39, 'Financial Instruments: Recognition and Measurement'**, amended in November 2013. The amendments permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception. The amendment becomes affective when IFRS 9 is applied by an entity. It is not anticipated that the amendment to the standard will have a significant impact on the consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

- **IAS 41, ''Agriculture'**, amended in June 2014. The amendment brings bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as ''a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of *IAS 41 Agriculture*. The amendment 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 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 January 1, 2018. 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 becomes 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 7, 'Financial Instruments: Disclosures'**, amended in November 2013. The amendment implements additional disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements as a result of the introduction of a hedge accounting chapter in IFRS 9. The amendment becomes effective for annual periods beginning on or after January 1, 2018. It is not anticipated that the amendment to the standard will have an impact on the 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 hedge accounting and is likely to affect the Company's accounting for its financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is yet to fully assess IFRS 9's impact and early adoption is not expected.

- **IFRS 10, 'Consolidated Financial Statements'**, issued in September 2014. The amendment address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. It requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and partial recognition of gains and losses where the assets do not constitute a business. These requirements apply regardless of the legal form of the transaction. The amendment 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 10, 'Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception'**, amended in December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments are effective for annual periods beginning on or after 1 January 2016 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have an effect on the Group's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements'**, amended in May 2014. The amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in *IFRS 3*, is required to apply all of the principles on business combinations accounting in *IFRS 3* and other IFRSs with the exception of those principles that conflict with the guidance in the standard. It also requires the disclosure of information required by IFRS 3 and other IFRSs for business combinations The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business. The amendment 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.

2 Summary of significant accounting policies *(continued)*

- **IFRS 12, 'Disclosure of Interests in Other Entities'**, amended in December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The amendments are not expected to have an 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 International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The new standard 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.

- **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, 2018.

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 20. 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 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.

2.3 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 Summary of significant accounting policies *(continued)*

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 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:

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.

2 Summary of significant accounting policies *(continued)*

2.6 Financial investments *(continued)*

a) Available-for-sale financial assets *(continued)*

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.

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, such as 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 bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less. Cash allocated to the Self Insurance Fund is excluded from cash and cash equivalents.

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.

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

2 Summary of significant accounting policies *(continued)*

2.14 Taxation *(continued)*

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.

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 25).

2 Summary of significant accounting policies *(continued)*

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.

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.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

3 Financial risk management

3.1 Financial instruments by category

At December 31, 2015

	Loans and receivables	Available-for-sale	Total
	$	$	$
Assets as per consolidated balance sheet			
Available-for-sale financial assets	-	141,937	141,937
Trade and other receivables excluding pre-payments	59,013	-	59,013
Cash resources	260,413	-	260,413
Total	319,426	141,937	461,363

At December 31, 2015

	Liabilities at fair value through the profit and loss	Other financial liabilities at amortised cost	Total
	$	$	$
Liabilities as per consolidated balance sheet			
Borrowings	-	129,325	129,325
Trade and other payables excluding statutory liabilities	-	64,522	64,522
Customer deposits	-	44,341	44,341
Total	-	238,188	238,188

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

At December 31, 2014

	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, 2015 (expressed in thousands of Barbados dollars)

3 Financial risk management *(continued)*

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.

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, 2015 borrowings of $49.8 million (2014 - $25.5 million) are designated in United States dollars. At December 31, 2015 available-for-sale investments designated in US$ amount to $141.9 million (2014 - $144.3 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, 2015 and December 31, 2014 with all other variables held constant.

	Impact on other components of equity	
	2015 $	2014 $
Equity securities	1,134	1,133

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

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

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

3 Financial risk management *(continued)*

iii) Cash flow and fair value interest rate risk

Interest rate risk is the potential adverse impact on the earnings and economic value of the 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 points increase/decrease in interest rates would result in an increase/decrease in the fair value of the available-for-sale debt securities of $0.6 million (2014 - $0.7 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, 2015 and December 31, 2014 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.

	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
At December 31, 2015					
Assets					
Cash and cash equivalents	256,241	-	-	-	256,241
Trade and other receivables	61,087	-	-	-	61,087
Total assets	317,328	-	-	-	317,328
Liabilities					
Borrowings	14,947	16,812	90,316	45,901	167,976
Trade and other payables	71,837	-	-	-	71,837
Customers' deposits	-	44,341	-	-	44,341
Total liabilities	86,784	61,153	90,316	45,901	284,154

For the year ended December 31, 2015 (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

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

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, 2015. 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, 2015 and December 31, 2014 based on Standard and Poor's or equivalent ratings.

	2015 $	2014 $
AAA	**18,910**	12,943
AA+	**10,572**	16,521
AA	**11,295**	17,425
AA-	**3,819**	13,584
A+	**16,267**	6,649
A	**5,865**	-
	66,728	67,122

d) *Underinsurance risk*

Prudent management requires that a company protects its assets against catastrophe and other risks. In order to protect its customers and investors, the Subsidiary Company, The Barbados Light & Power Company has established a "Self Insurance Fund" (The 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, 2015 (expressed in thousands of Barbados dollars)

3 Financial risk management *(continued)*

At December 31, 2015 financial assets of the Fund included in the consolidated financial statements are as follows:

	2015 $	2014 $
Cash and cash equivalents	4,172	2,243
Investments, available-for-sale (Note 7)	141,937	144,301
	146,109	146,544

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, 2015 and December 31, 2014 were as follows:

	2015 $	2014 $
Shareholder's equity	879,427	837,064
Total borrowings (Note 13)	128,822	109,914
Debt to equity ratio	1:6.83	1:7.62

In accordance with the Trust Deed (Note13) securing certain borrowings, the Group is required to maintain a debt to equity ratio of 1:1. The Group complied with the requirement under the Trust Deed in 2015 and 2014.

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.

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.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

3 Financial risk management *(continued)*

3.4 Fair value estimation *(continued)*

- 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, 2015 and December 31, 2014.

	Level 1 $	Level 2 $	Total $
2015			
Assets			
Available-for-sale financial assets			
- Equity securities	22,680	-	22,680
- Debt securities	-	66,728	66,728
- Mutual funds	-	52,529	52,529
	22,680	119,257	141,937
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

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.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

4 Significant accounting judgements, estimates and assumptions *(continued)*

4.2 Critical judgements in applying the entity's accounting principles *(continued)*

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 $2.9 million in its 2015 financial statements (2014 - $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.

5 Property, plant and equipment

	Generation $	Transmission and distribution $	Other $	Work in progress $	Total $
At December 31, 2015					
Cost	634,159	562,034	132,053	102,232	1,430,478
Accumulated depreciation	(408,434)	(285,020)	(75,012)	–	(768,466)
Net book amount	225,725	277,014	57,041	102,232	662,012
For the year ended December 31, 2015					
Opening net book amount	225,303	274,103	54,065	101,036	654,507
Additions and transfers	21,588	22,027	6,764	1,196	51,575
Retirals	-	96	(237)	–	(141)
Depreciation charge	(21,166)	(19,212)	(3,551)	–	(43,929)
Closing net book amount	225,725	277,014	57,041	102,232	662,012

	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

Borrowing costs of $0.2 million were capitalised during 2015 (2014 – Nil).

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

6 Investment in associated company

	2015 $	2014 $
Balance - beginning of year	54,914	52,974
Share of comprehensive income in associated company	4,723	4,270
Dividends received	(2,489)	(2,330)
Balance - end of year	57,148	54,914

Emera (Caribbean) Incorporated effectively holds 19.1% of the shareholding of St. Lucia Electricity Services Limited (LUCELEC) as at December 31, 2015 and 2014. LUCELEC is a vertically integrated electric utility company serving more than 67,000 customers with an exclusive license 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, LUCELEC would have been carried at $36.8M (2014 - $33.9M) 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 $
2015	100,512	263,580	38,202	133,199
2014	119,775	264,405	62,859	143,707

	Total Revenue $	Net Profit $	Other Comprehensive Income $	Comprehensive Income $
2015	230,961	21,416	(4,978)	16,438
2014	243,636	19,860	1,197	21,056

7 Financial investments - available-for-sale

	2015 $	2014 $
Balance at beginning of year	144,301	137,946
Additions	23,855	52,302
Redemptions	(23,701)	(46,701)
Unrealised foreign exchange loss	(19)	(55)
	144,436	143,492
Change in fair value		
Losses recognised in other comprehensive income during the year	(2,424)	(1,277)
Net (losses)/gains transferred from equity to finance income during the year (Note 12)	(75)	2,086
	(2,499)	809
Balance at end of year	141,937	144,301

There were no disposals or impairment provisions for financial investments in 2015 or 2014.

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

7 Financial investments - available-for-sale *(continued)*

Available-for-sale financial assets include the following:

	2015 $	2014 $
Listed securities		
Common Shares	22,680	22,651
Mutual funds	52,529	54,528
Corporate Bonds, Debentures, Short and Medium term notes	49,901	62,243
Government Bonds	16,827	4,879
	141,937	144,301

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, the maturity profile of debt securities is as follows:

	2015 $	2014 $
Maturity within 1 year	28,722	21,932
Maturity in 1 - 5 years	38,006	45,190
	66,728	67,122

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.

8 Cash resources

	2015 $	2014 $
Cash in hand and at bank	126,932	59,328
Short term investments	129,309	128,345
Cash and cash equivalents	256,241	187,673
Cash at bank - Self Insurance Fund	4,172	2,243
Cash resources	260,413	189,916

The interest rates on short-term investments range between 0.1% and 2.0% (2014 - 0.75% and 2.0%) 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 0.8% (2014 – 1.0%).

Short term investments of $17.3 million (2014 - $23.4 million) are held by commercial banks as collateral for Group borrowings. As at December 31, 2015, $17.3 million (2014 - $18.7 million) was held by CIBC FirstCaribbean International Bank. The Bank of Nova Scotia loan was repaid in 2015 but $4.7 million was held by Bank of Nova Scotia at the end of 2014. Short term deposits held as collateral decrease as principal repayments are made.

Cash of $4.2 million (2014 - $2.2 million) held by the Self Insurance Fund are not available for use in the Group's operations.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

9 Trade and other receivables

	2015 $	2014 $
Trade receivables	53,484	72,603
Less provision for impairment and discounts	(2,074)	(2,566)
Trade receivables, net	51,410	70,037
Other receivables	7,603	7,319
Prepayments	3,003	3,767
	62,016	81,123

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

The movement in the provision for impairment was as follows:

	2015 $	2014 $
Balance - beginning of year	2,566	2,957
Decrease in provision	(492)	(391)
Balance - end of year	2,074	2,566

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 $0.3 million (2014 - $0.9 million).

The ageing of trade and other receivables is as follows:

	2015		2014	
	Trade receivables $	Other receivables $	Trade receivables $	Other receivables $
Less than 30 days	30,849	4,628	39,808	5,175
31 - 60 days	8,143	510	14,105	444
61 - 90 days	3,799	533	5,836	253
Over 90 days	10,693	1,932	12,854	1,447
	53,484	7,603	72,603	7,319

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, 2015, trade receivables of $31.1 million (2014 - $39.8 million) were fully performing.

As of December 31, 2015, trade and other receivables of $25.6 million (2014 - $34.9 million) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

	2015		2014	
	Trade receivables $	Other receivables $	Trade receivables $	Other receivables $
31 - 60 days	8,143	510	14,105	444
61 - 90 days	3,799	533	5,836	253
Over 90 days	10,693	1,932	12,854	1,447
	22,625	2,975	32,795	2,144

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

10 Inventories

	2015 $	2014 $
Fuel	6,607	10,082
Materials and spares	19,290	19,455
Goods in transit	2,864	1,715
	28,761	31,252

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of $0.8 million (2014 - $2.7 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

	2015 $	2014 $
17,081,546 (2014 - 17,103,299) common shares	112,463	113,029

	2015		2014	
	No.	$	No.	$
Common shares				
Shares outstanding				
- beginning of year	17,103,299	113,029	17,168,583	114,734
Repurchased during the year	(21,753)	(566)	(81,299)	(2,116)
Issued during the year	–	–	16,015	411
Balance - end of year	17,081,546	112,463	17,103,299	113,029

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. For the year ended December 31, 2015, no shares were issued under this Scheme, (2014 - 16,015 common shares at $25.70 per share), 21,753 (2014 - 81,299) common shares were repurchased during the year at $25.70 per share (2014 – $25.00 to $25.70 per share).

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

12 Other reserves

		2015 $	2014 $
i)	**Capital reserve**		
	Balance - beginning and end of year	109,522	109,522
ii)	**Share of income of associated company**		
	Balance - beginning of the year	-	–
	Share of other comprehensive income	90	–
	Balance – end of the year	90	–
iii)	**Self Insurance Fund**		
	Balance - beginning of year	146,523	141,484
	Transfer from retained earnings	2,061	4,230
	Loss recognised in other comprehensive income during the year	(2,424)	(1,277)
	Net (losses)/gains transferred from equity to finance income during the year (Note 7)	(75)	2,086
	Balance - end of year	146,085	146,523
	Total other reserves	255,697	256,045

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) This is the Group's share of the other comprehensive income of its associated company.

iii) 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, 2015 (expressed in thousands of Barbados dollars)

13 Borrowings

	2015 $	2014 $
Royal Bank of Canada BDS$15,585 (2014 - BDS$17,435) repayable by 2021 in monthly instalments of blended principal and interest at a rate of 6.5%.	15,585	17,435
Bank of Nova Scotia Repaid in 2015 (2014 – US$2,367) repayable by 2015 in semi-annual instalments of blended principal and interest rate of 2.37%.	-	4,710
FirstCaribbean International Bank (Bahamas) Ltd. USD$8,707 (2014 – USD$9,404) repayable by 2028 in semi-annual instalments of blended principal and interest at a rate of 4.05%.	17,327	18,713
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. Repaid in 2015 (2014 - US$1,000) repayable by 2015 in semi-annual instalments of $0.5 million at a rate of 5.985%.	-	2,027
National Insurance Board - Debenture Stock Certificates (Total facility BDS$20,000) repayable in full in 2024. Interest is payable semi-annually at a rate of 6.875%.	20,000	20,000
Bank of Nova Scotia USD$16,000 repayable by 2020 in quarterly instalments of $0.7 million. Interest is payable monthly at a rate of 4.5%.	32,443	-
National Commercial Bank of Dominica EC$31,678 (2014 – EC$36,486) repayable by 2021 in monthly instalments of blended principal at an interest rate of 5.75%.	23,467	27,029
Total long term borrowings excluding preference shares	128,822	109,914

	2015 $	2014 $
Total long term borrowings excluding preference shares	128,822	109,914
5.5% cumulative preference shares interest payable semi-annually	500	500
Add: Accrued interest on long term loans	401	267
Less: Issue costs of long term loans	(397)	(168)
Total long term borrowings	129,325	110,513
Less: Current portion including accrued interest	(8,213)	(13,802)
Non-current portion	121,112	96,711

Barbadian dollar borrowings, the FirstCaribbean International Bank (Cayman) Ltd. United States dollar loan and the current Bank of Nova Scotia 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 2015 and 2014.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

13 Borrowings *(continued)*

United States borrowings from 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 $17.3 million as at December 31, 2015 (2014 - $23.4 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:

	2015 $	2014 $
Less than 1 year	7,813	13,535
Between 1 and 2 years	10,196	7,137
Between 2 and 5 years	73,896	23,633
Over 5 years	36,917	65,609
Total	128,822	109,914

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

	Carrying amount		Fair value	
	2015 $	2014 $	2015 $	2014 $
Borrowings	121,112	96,711	121,489	96,836

The fair values are based on cash flows discounted using a rate based on the most recent borrowing rate of 6.85% (2014 - 6.85%) for Barbadian dollar denominated borrowings, 4.31% (2014 – 4.31%) for United States dollar denominated borrowings and 5.75% (2014-5.75%) for Eastern Caribbean dollar denominated borrowings.

14 Customers' deposits

Commercial and non-resident customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. For subsidiary The Barbados Light & Power Company Limited, interest accrued on these deposits at a rate of 8% per annum (2014 - 8% per annum). For subsidiary Dominica Electricity Services Limited ("DOMLEC"), interest accrued at a rate of 3% (2014 – 3%) per annum.

	2015 $	2014 $
Balance - beginning of year	42,295	39,413
New deposits	2,021	2,225
Deposits refunded	(2,427)	(1,818)
Net interest	2,452	2,475
Balance - end of year	44,341	42,295

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

15 Deferred credits

	2015 $	2014 $
Accumulated investment tax credit	17,381	18,013
Accumulated manufacturing tax credit	19,597	19,366
Customer contributions for work not yet started	2,405	2,045
Deferred revenue – other	188	349
	39,561	39,773

16 Taxation

a) **Corporation tax expense**

	2015 $	2014 $
Current taxation	6,805	6,541
Deferred tax	(1,997)	(1,160)
Taxation charge	4,808	5,381

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:

	2015 $	2014 $
Income before taxation	62,566	56,447
Corporation tax at 25% (2014 - 25%)	15,642	14,112
Effect of different tax rate in subsidiary 15% (2014 - 15%)	(4,966)	(4,230)
Effect of different tax rate in subsidiary 28% (2014 -30%)	374	605
Depreciation on assets not qualifying for capital allowances	72	72
Tourism development fund allowance	–	(21)
Environmental allowance	(4)	(3)
Tax loss on which the deferred tax asset is not recognised	1,610	988
Share of gain of associated company	(1,158)	(1,067)
Expenses not subject to tax	85	(14)
Income not subject to tax	(543)	(1,024)
Manufacturing allowance	(2,295)	(2,337)
Investment allowance	(1,367)	(1,035)
(Gain)/loss on sale not subject to tax	(21)	(5)
Under provision	(41)	(660)
Change in deferred tax rate from 30% to 25% in subsidiary	(2,580)	-
Tax charge for the year	4,808	5,381

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

16 Taxation *(continued)*

b) **Corporation tax payable**

	2015 $	2014 $
Opening payable	5,128	746
Acquisition of DOMLEC	-	(42)
Taxation	4,808	5,381
Deferred tax	1,997	1,160
Taxes paid	(7,645)	(2,117)
Corporation tax payable	4,288	5,128

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% (2014 - 15%) for subsidiary company The Barbados Light & Power Company Limited and 25% (2014 -30%) for subsidiary company Dominica Electricity Services Limited. The movement on the account is as follows:

	2015 $	2014 $
Balance - beginning of year	40,270	41,430
Transfer to the statement of income - current year charge/(credit)	582	(1,160)
Change in deferred tax rate in subsidiary from 30% to 25%	(2,580)	-
Balance - end of year	38,272	40,270

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

	2015 $	2014 $
Accelerated tax depreciation	242,412	244,919
Taxed provisions	(24,532)	(27,550)
	217,880	217,369
Deferred tax liability at corporation tax rate 15% (2014 - 15%)	24,296	24,941
Deferred tax liability at corporation tax rate 25% (2014 - 30%)	13,976	15,329
Deferred tax liability	38,272	40,270

The Group has a deferred tax asset of $3.4 million (2014 - $2.6 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, 2015 (expressed in thousands of Barbados dollars)

16 Taxation *(continued)*

d) Tax losses

The group has tax losses of $13.8 million (2014 - $10.4 million) (none of which has 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/ expired $	Losses c/fwd $	Expiry date
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	66	-	-	66	2022
2014	99	-	(99)	-	2023
2015	**-**	**4,408**	**-**	**4,408**	**2022**
	10,391	**4,408**	**(1,015)**	**13,784**	

17 Provisions for other liabilities and charges

	Bonuses and Compensation 2015 $	Bonuses and Compensation 2014 $
At beginning of year	**4,376**	5,365
Charged to income		
- Additional provisions	**10,901**	5,087
- Unused amounts reversed	**(565)**	(530)
Used during year	**(7,769)**	(5,546)
At end of year	**6,943**	4,376

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

18 Trade and other payables

	2015 $	2014 $
Trade payables	**24,942**	32,158
Accrued expenses	**39,580**	30,212
Social security and other taxes	**7,315**	8,213
	71,837	70,583

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

19 Due to parent companies

Due to parent companies include $1.5 million due to Emera Inc. the ultimate parent (2014 - $3.2 million), $5.0 million due to Emera Caribbean Holdings Ltd. an indirect parent (2014 - $3.7 million) and $0.1 million (2014 – nil) due from Emera Barbados Holdings No. 2 Inc. the immediate parent. These amounts represent expenses paid on the Group's behalf by the respective entities or paid by the Group on behalf of the respective entities.

20 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.

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, 2015 and 2014 are as follows:

	BLPC $	Self insurance $	Holding company $	DOMLEC $	Other companies $	Total 2015 $
Segment revenue	405,064	-	-	69,292	-	474,356
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	**405,064**	**-**	**-**	**69,292**	**-**	**474,356**
Inter-segment transfers	–	–	–	–	–	–
Investment income	242	2,243	697	–	397	3,579
EBT	49,951	2,060	95,594	12,476	5,978	166,059
Depreciation	37,237	–	52	6,603	37	43,929
Interest expense	7,090	–	28	1,511	902	9,531
Income tax expense	3,878	–	–	930	–	4,808
Share of income from associate company	–	–	4,633	–	–	4,633
Segment profit	**46,073**	**2,060**	**95,594**	**11,545**	**5,978**	**161,250**
Total assets	**698,289**	**146,110**	**371,348**	**119,740**	**171,506**	**1,506,993**
Property, plant and equipment	563,329	–	12,544	89,139	104	665,116
Total liabilities	**295,950**	**24**	**8,095**	**49,320**	**21,271**	**374,660**

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.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

20 Segment information *(continued)*

The segment information for the year ended December 31, 2014 is 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**

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 reported in the consolidated statement of comprehensive income.

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

	2015 $	2014 $
Reportable segments	166,059	116,871
Share of income of associated company	4,633	4,270
Eliminations	(108,126)	(64,694)
Profit before tax	**62,566**	56,447

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.

	2015 $	2014 $
Segment assets for reportable segments	1,506,993	1,408,951
Eliminations	(286,630)	(252,014)
Total assets per consolidated balance sheet	**1,220,363**	1,156,937

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.

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

20 Segment information *(continued)*

	2015 $	2014 $
Property, plant and equipment for reportable segments	665,116	657,611
Eliminations	(3,014)	(3,104)
Property, plant and equipment per consolidated balance sheet	662,012	654,507

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.

	2015 $	2014 $
Reported segment liabilities for reportable segments	374,660	321,816
Unallocated:		
Eliminations	(33,724)	(1,943)
Total liabilities per consolidated balance sheet	340,936	319,873

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:

	2015 $	2014 $
Large power	80,426	114,370
Secondary voltage power	150,821	201,340
Domestic service	158,138	210,252
General service	26,705	35,806
Street lighting	6,449	8,415
Commercial	37,817	40,706
Time of use	8,671	14,082
Miscellaneous	5,329	5,367
Total revenue	474,356	630,338

Revenue of approximately $62.7 million (2014 - $85.4 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, 2015 (expressed in thousands of Barbados dollars)

21 Expenses by nature

	2015 $	2014 $
Fuel	235,169	394,824
Maintenance of plant	21,992	25,099
Employee benefits (excluding amounts charged to capital projects)	64,942	65,405
Depreciation	43,929	42,050
Insurance	7,175	6,947
Other expenses	41,916	42,393
Total operating expenses	415,123	576,718

Employee benefits comprise:

	2015 $	2014 $
Wages and salaries	58,941	56,872
Social security costs	2,717	3,047
Pension (Note 25)	5,816	9,069
Other benefits and share discount	4,119	3,844
	71,593	72,832
Allocated as follows:		
Operating expenses	64,942	65,405
Capitalised	6,651	7,427
	71,593	72,832

Finance and other income

Finance income is comprised as follows:

	2015 $	2014 $
Finance income:		
Investment income - Self Insurance Fund	2,243	3,380
Interest income	1,336	1,875
	3,579	5,255
Other income:		
Revenue – Other	4,241	1,885
Manufacturer's and investment tax credit (Note 2.15)	411	1,421
Finance and other income	8,231	8,561

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

22 Finance and other income

Finance income is comprised as follows:

	2015 $	2014 $
Finance income:		
Investment income - Self Insurance Fund	2,243	3,380
Interest income	1,336	1,875
	3,579	5,255
Other income:		
Revenue – Other	4,241	1,885
Manufacturer's and investment tax credit (Note 2.15)	411	1,421
Finance and other income	8,231	8,561

23 Related party transactions

Key management compensation

	2015 $	2014 $
Salaries and other short term benefits	7,745	5,650
Directors' fees	299	287
Pension	1,013	1,583
Share discount	–	48
	9,057	7,568

Other related party transactions

During the year the Group engaged in transactions with its ultimate parent Emera Inc., with its intermediate parent Emera Caribbean Ltd, with related party Nova Scotia Power Inc. and with immediate parent company Emera Barbados Holdings No. 2 Inc.

	2015 $	2014 $
Expenses paid on behalf of the Group by:		
Emera Inc.	2,328	2,166
Emera Caribbean Holdings Ltd.	2,865	2,562
Nova Scotia Power Inc.	1,785	-
Expenses paid by the Group on behalf of:		
Emera Caribbean Holdings Ltd.	1,579	-
Emera Barbados Holdings No. 2 Inc.	77	-
Grand Bahama Power Company	332	472
The following balances were outstanding at the end of the year:		
Due to Emera Inc. (Note 19)	1,465	3,240
Due to Emera Caribbean Holdings Ltd. (Note 19)	4,976	3,690
Due from Grand Bahama Power Company	53	137
Due from Emera Barbados Holdings No. 2 Inc.	77	-

Emera (Caribbean) Incorporated

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

23 Related party transactions *(continued)*

Other related party transactions *(continued)*

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.

During the year Emera (Caribbean) Incorporated extended a loan of $7.1 million to immediate parent Emera Barbados Holdings No. 2 Inc. at a rate of 4.5%. As at December 31, 2015 amounts receivable from Emera Barbados Holdings No. 2 Inc. are as follows:

	2015 $	2014 $
Long term portion	5,975	-
Current portion	1,126	-
	7,101	-

24 Earnings per share

Earnings per share are 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.

	2015 $	2014 $
Net income for the year	57,758	51,066
Less: Income from Self Insurance Fund - restricted	(2,060)	(3,168)
Less: Income attributable to non-controlling interests	(5,552)	(4,057)
Profit attributable to equity holders of the Company	50,146	43,841
Weighted average number of common shares	17,088,797	17,115,976
Basic earnings per share (expressed in cents)	293.44	256.14

25 Retirement benefits

The Barbadian companies of the Group operate a defined benefit pension plan for their employees. A pension premium is paid to fund the post-employment benefit plan and the Companies do 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. Subsidiary company Dominica Electricity Services Limited operates a defined contribution plan. Pension cost for the year was $5.8 million (2014 - $9.1 million).

For the year ended December 31, 2015 (expressed in thousands of Barbados dollars)

26 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.

27 Capital commitments

The Group has budgeted capital expenditure of $189.1 million (2014 - $112.5 million) for the 2016 income year of which $39.5 million (2014 - $5.3 million) was contracted for at December 31, 2015.

28 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.

29 Subsidiary companies

	Country of Incorporation	Equity %
The Barbados Light & Power Company Limited (Generation, Supply & Distribution of Electricity)	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	51.9%
St. Vincent Geothermal Holdings Ltd.	St. Lucia	
St. Vincent Geothermal Company Limited	St. Vincent	

St. Vincent Geothermal Holdings Ltd. and St. Vincent Geothermal Company Limited were incorporated during the 2015 financial year but at year end the shareholdings were not yet determined.

30 Subsequent events

On January 25, 2016, Emera (Caribbean) Incorporated (''ECI'') announced that it was proceeding with an amalgamation transaction which converted both common and 5.5 per cent cumulative preferred shares (''preferred shares'') to redeemable shares in order to redeem both classes of shares.

ECI gave the minority common shareholders the option to receive $33.30 BBD in cash per common share (''cash alternative'') or 2.1 Depositary Receipts (''DR alternative''), each DR initially representing an interest in one quarter of a common share in the capital of Emera, or a combination of the DR alternative and the cash alternative. ECI offered to redeem Emera Barbados Holdings No. 2 Inc.'s ('EBH2') shareholding for common shares (which were to be issued in the amalgamated entity).

On February 22, 2016, ECI advised that it was postponing the preferred shareholders' meeting which was set to approve the change in terms of the preferred shares to redeemable shares.

On February 24, 2016, the common shareholders of ECI approved by special shareholders' resolution the amalgamation of ECI with Emera (Caribbean) (2016) Inc., a wholly owned subsidiary of EBH2. The amalgamated entity retained the name Emera (Caribbean) Incorporated. As a result of the amalgamation, all issued and outstanding common shares of ECI were converted to Class A redeemable preference shares. On or around March 14, 2016, the outstanding Class A redeemable preference shares of ECI will be redeemed. The Class A redeemable preference shares held by the minority shareholders will be redeemed for cash, DRs or a combination of the cash alternative and the DR alternative. The Class A redeemable preference shares held by EBH2 are to be redeemed for common shares of the amalgamated entity.

Corporate Governance Overview

The Company is authorized to appoint twelve (12) Directors. The Board of Directors (the Board) 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 for Business Conduct. 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.

Directors

Scott Balfour (from June 3, 2015)
Robert Bennett
Ian Carrington
Sharon Christopher
Richard Edghill
Sir Henry Forde, Q.C. (up until June 3, 2015)
Andrew Gittens
Christopher Huskilson
Sarah MacDonald
Teresa Marshall, C.B.E.
Andrew V. Thornhill
Peter Williams

Corporate Governance Overview

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
Members of the Audit Committee are as follows:
Mr. Ian Carrington (Chairman)
Mr. Scott Balfour
Mr. Robert Bennett
Mr. Richard Edghill
Mr. Andrew Gittens

The Governance Committee
Members of the Governance Committee are as follows:
Ms. Sharon Christopher (Chairman)
Mr. Richard Edghill
Ms. Sarah MacDonald
Mr. Andrew Thornhill

The Human Resources and Compensation Committee
Members of the Human Resources and Compensation Committee are as follows:
Ms. Sarah MacDonald (Chairman)
Ms. Sharon Christopher
Mr. Andrew Gittens

The Investment Committee
Members of the Investment Committee are as follows:
Mr. Andrew Gittens (Chairman)
Mr. Scott Balfour
Mr. Robert Bennett
Mr. Richard Edghill
Mr. Christopher Huskilson
Ms. Sarah MacDonald

Board Operations

During 2015, 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 3 times; the Governance Committee (GC) met once; the Human Resources & Compensation Committee (HR&CC) met twice; and the Investment Committee (IC) met twice.

Corporate Governance Overview

Corporate Information

Listing of Common Shares & Cumulative Preference Shares
On January 25, 2016, Emera (Caribbean) Incorporated ("ECI") announced that it was proceeding with an amalgamation transaction which converted both common and 5.5 per cent cumulative preferred shares ("preferred shares") to redeemable shares in order to redeem both classes of shares.

ECI gave the minority common shareholders the option to receive $33.30 BBD in cash per common share ("cash alternative") or 2.1 Depositary Receipts ("DR alternative"), each DR initially representing an interest in one quarter of a common share in the capital of Emera or a combination of the DR alternative or the cash alternative. ECI offered to redeem Emera Barbados Holdings No. 2 Inc.'s ('EBH2') shareholding for common shares (which were to be issued in the amalgamated entity).

On February 22, 2016, ECI advised that it was postponing the preferred shareholders' meeting which was set to approve the change in terms of the preferred shares to redeemable shares.

Subsequent to year-end, the transaction was completed and ECI applied and was delisted on March 11, 2016.

Management Team

Ms. Sarah MacDonald .... Executive Chairman
Mr. Peter Williams .... Managing Director
Mr. Hutson Best .... Chief Financial Officer
Mr. Dave McGregor .... Vice President, Asset Management
Mr. Frederick Adamson .... Manager, Health, Safety and Environment
Ms. Janice Sutton .... Manager, Communications

Company Officers

Ms. Sarah MacDonald .... Executive Chairman
Mr. Peter Williams .... Managing Director
Mr. Hutson Best .... Chief Financial Officer

Secretary

Ms. Kathy-Ann Christian

Attorneys-At-Law

Clarke Gittens Farmer
Carrington & Sealy

Auditors

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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Emera Caribbean

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