Light & Power Holdings Ltd.

Annual Report 2013

Powering the Future



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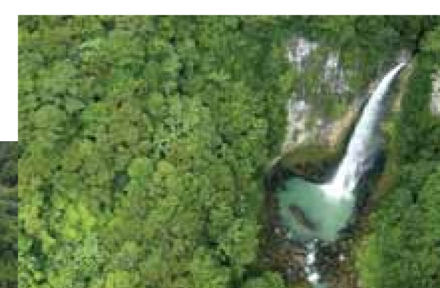
The Annual Meeting
of Shareholders
will take place at
The Island Inn Hotel,
Aquatic Gap,
St. Michael on
Wednesday, June 11, 2014
at 5:00 p.m.



Letter to the Shareholders of Light & Power Holdings Ltd.

Strategy

The cornerstones of our strategy are growth and operational excellence. In 2013 we focused on growth in our market with an emphasis on safety, sustainability and environmental protection. The investments made under the LPH umbrella - in solar photovoltaic (PV) installations across the island, in geothermal energy exploration, in emissions-free electric vehicles, as examples - reflect that focus. Just as importantly, we are capitalizing on the experience, skills and knowledge that exist among our teams to move toward operational excellence throughout LPH companies.

Never in our proud history has our business faced such significant change. Our industry and our regional economies are undergoing an evolution that has led us to think and act differently. In Barbados, legislation governing the electricity business for the past 100 years has undergone noteworthy change, bringing challenging goals for lessening the island's dependence on fossil fuels and increasing the use of renewable energy sources.

During 2013, electricity sales declined or remained flat in the markets where LPH is invested, including Barbados, Dominica and St. Lucia. More than ever before, our utilities are challenged to deliver cost-effective, safe and reliable service to customers, while improving operational efficiency and driving cost containment.

Operations

The Barbados Light & Power Company (BLPC) maintained its focus on providing a high level of customer care during a challenging year. The Barbados government introduced new energy legislation that will challenge BLPC to tightly manage operating costs while maintaining customer satisfaction. More renewable energy will need to be introduced to its generating mix, and the utility must prepare itself for a more competitive energy marketplace.

Last year we shared with you our intention to invest in a majority holding of Dominica Electricity Services Ltd. (DOMLEC). We were pleased to welcome DOMLEC, a fully integrated utility serving about 34,000 customers with a peak demand of about 17 megawatts, into the LPH fold in 2013. It was an important year for DOMLEC as they received 25-year operating licences, bringing certainty and stability to their operations. Dominica is poised to become a leader in renewable energy in the region with the Government of Dominica's exploration of the island's geothermal energy resource to harness the heat stored deep within the earth.

On the topic of geothermal, LPH has partnered with an Icelandic company, Reykjavik Geothermal, to explore opportunities for geothermal energy on the island of St. Vincent. Site testing that took place during 2013 will determine the viability of this renewable energy source. If the findings are positive, geothermal has the ability to transform the energy supply of this Caribbean nation.

Emera Caribbean Renewables Ltd. (ECRL) provides solar photovoltaic (PV) energy solutions to a range of domestic and commercial customers in Barbados. ECRL began operations in late 2012, and met their sales targets of 250kW for 2013, their first full year of operations. The costs of solar PV are coming down, which will help position LPH as a player in this competitive market.

St. Lucia Electricity Services (LUCELEC) has consistently been one of the top performers in our region, and they continued to perform well in 2013. Their safety record for the year was outstanding, with zero reportable incidents in 2013. LPH holds a 19.1% investment in LUCELEC, a fully integrated utility serving over 60,000 customers on the island of St. Lucia.

Regional strength

As companies striving for operational excellence, LPH's businesses are working together to share best practices, skills and experience to the benefit of all. In 2013, we capitalized on the knowledge among our teams and from the resources available at our parent company, Emera Inc., to strengthen our operations through collaboration on shared services, communication, human resources, safety and health, leadership development and succession. Going forward, we will put structure around these relationships to ensure we take advantage of the subject matter expertise available within our operations.

Financial performance

LPH net income attributable to equity holders of the company was BB$55.8 million in 2013 compared with BB$44.5 million in 2012. The Company's earnings per share of 279.25 cents in 2013 compares favourably to 227.7 cents in 2012. The dividend paid was increased to 52 cents per share from 48 cents in 2012. The Company's dividend payout ratio is still conservative at 19% with the retained earnings being used to grow shareholder value through new investments.

It takes a village

The changing energy landscape in our region is informing, and will continue to inform, the business of LPH, creating both challenges and exciting opportunities. The ability to think ahead, move swiftly and be open to change is critical to our success. As a family of companies, we are uniquely positioned to share the considerable expertise within our businesses to ensure all LPH companies have every opportunity to strengthen, grow and prosper.

The contributions of our insightful, committed Board members, our management teams and our dedicated and highly skilled employees ensure LPH is poised to achieve its strategy of growth and operational excellence in the Caribbean region.

Light & Power Holdings Ltd.
March 20, 2014

Sarah MacDonald
Chairman

Peter Williams
Managing Director

Map of the
Eastern Caribbean Islands

Reports on Operations

Report on Operations of
The Barbados Light & Power Company Limited

Throughout 2013, the Barbados Light & Power Company (BLPC) continued to work towards its five year strategic goals of reducing generation costs, strengthening stakeholder relationships, greater operational excellence and stronger financial performance, improving employee engagement, and promoting a greener Barbados.

It was a busy and challenging year for the country, and for BLPC. The world economy continued to impact Barbados' economy, underlining the critical need for BLPC to find ways to reduce its dependence on foreign oil. 2013 was a third successive year of declining sales, but the Company has been able to offset this decline through careful management of internal operations.

Early in the year the Company submitted its Integrated Resource Plan (IRP) to its regulator, the Fair Trading Commission (FTC). The IRP sets out the roadmap for providing a reliable and sustainable supply of electricity for Barbados. The regulator ruled on the Fuel Clause Audit (FCA) confirming that the FCA is an accurate reflection of the cost of fuel used in the production of electricity. The FTC also ruled on the Renewable Energy Rider (RER) which was introduced by BLPC on a pilot basis in 2010 to allow electricity customers to connect to the grid with small solar and wind systems. During the year, 271 solar photovoltaic systems of 1,654 kilowatts of capacity were connected to the grid through our RER programme. A new Grid Code, which defines the parameters a facility connected to our electric network must meet to ensure safe, secure functioning of the electric system, was also submitted to the FTC early in 2013 following a public awareness session which helped its customers understand how it works.

Legislation governing the electricity sector in Barbados has been in place for over 100 years. In 2013, the Government of Barbados introduced draft legislation to replace the current Electricity Act. BLPC and other stakeholders had an opportunity to comment on the draft, following which a new Electric Light and Power Act passed both Houses of Parliament and is now pending proclamation into law.

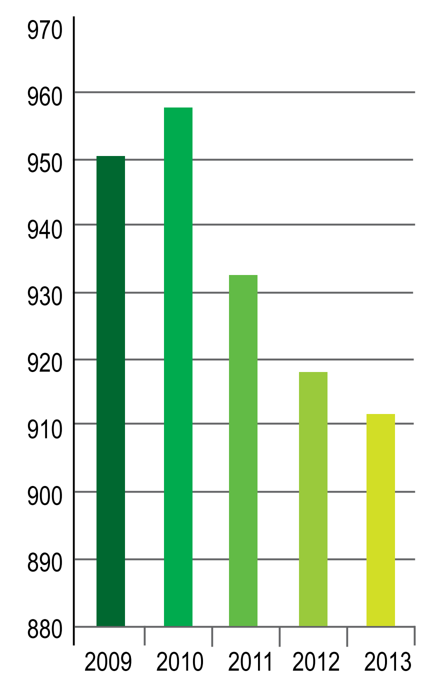
BLPC is also excited by advances in electric vehicle (EV) technology and the opportunity that this could provide for the Company. Accordingly, BLPC introduced a Nissan Leaf to its fleet of vehicles. The Leaf was officially unveiled to employees in July, and was featured in a lineup of other fully electric-powered Nissan Leafs in the first ever EV rally in Barbados in November.

As part of the Emera Caribbean Limited family, BLPC is able to draw on the expertise available at its sister utilities as well as lend support. After having officially welcomed Dominica Electricity Services (DOMLEC) to the fold earlier in the year, members of BLPC's finance team met with their counterparts at DOMLEC. Similarly, BLPC employees have provided their technical expertise at their sister company, Grand Bahama Power Inc. (GBPC). In 2014, BLPC expects to welcome skilled resources from GBPC to share their experiences with the Barbados team.

BLPC further invested in employee engagement and development opportunities through Emera's People Leader Essentials program, which improves the management skills and leadership competencies of participants. Training continued throughout the year with additional groups of supervisors benefiting from the sessions.

Earlier in the year, BLPC announced the Company's 2013 Social Responsibility Policy to employees. The policy highlights the strategy behind sponsorships and corporate giving, outlining three areas of focus for 2013-2014: health and wellness, safety, and youth and sport. Read more about BLPC's community giving later in the Report.

> "we strive to
> **provide safe, reliable, cost-effective services**"



BLPC GWh Sold

BLPC strengthened its other key stakeholder relationships in many ways through the year including its interaction with Government on the proposed changes to energy legislation, and with customers and media through a new radio program and 'Let's Talk' sessions. The 'Let's Talk' format, which provides participants with an opportunity for interactive discussion with BLPC senior leaders, will be extended to key customers in 2014.

In 2014 the Company will revisit its strategy in light of Barbados' changing energy environment, and will be challenged to increase efficiency as we strive to provide safe, reliable and cost-effective services to our customers. ■

BLPC Quick Facts

- Island population - 288,725
- Number of customers - 125,000
- Total installed generating capacity (in MW) - 239.1
- Total energy sales for 2013 (in GWh) - 912.0
- Number of employees - 451

Report on Operations of
Emera Caribbean Renewables Ltd. (ECRL)

Established in 2012, Emera Caribbean Renewables Limited (ECRL) offers cost-effective alternative energy solutions with a commitment to safety, technical excellence, transparency and the protection of the environment. ECRL analyzes its residential and commercial customers' needs, and develops customized solutions to reduce operating costs through the use of clean, sustainable energy.

In its first year of operations, ECRL established and met aggressive sales targets, installing 31 solar photovoltaic (PV) systems ranging in size from 2 kWp to 52 kWp, for a total of 197 kWp installed. In addition, the ECRL team secured contracts for an additional 55 kWp for 2014 installation. Its energy audit operations completed two full audits in the year. ECRL also partnered with MegaPower Barbados on the introduction of the island's first solar carport for charging of electric vehicles.

ECRL is exceptionally proud of their 2013 safety performance. All work was completed without a single staff or contractor injury. It is equally proud of its customer satisfaction. When asked to rate the extent to which they would recommend ECRL to their family and friends, 94% of customers gave a rating of excellent and 6% a rating of good.

In its first year, the ECRL team worked hard to establish itself as a reliable, safe and reputable alternative energy solutions provider in Barbados. Early in 2014, ECRL's operations will move to a larger office and warehouse facility to better serve its customers and grow its business.

Supported by the renewable energy expertise of its parent company, Emera Inc., growing market interest in alternative energies, and a talented, committed team, ECRL is poised for success in 2014.

Report on Operations of
Dominica Electricity Services Ltd. (DOMLEC)

It was a rewarding and challenging year at Dominica Electricity Services Ltd. (DOMLEC). Key among the year's highlights was the acquisition of a majority interest in DOMLEC by Light & Power Holdings Ltd. in April, and the granting by the Independent Regulatory Commission of two new operating licences.

DOMLEC's licences include a 25-year non-exclusive generation licence, and a 25-year exclusive licence for transmission, distribution and supply. These licences, which came into effect on January 1, 2014, bring certainty and stability to Dominica's operating and regulatory environment, and positions DOMLEC to meet the needs of its customers for many years to come.

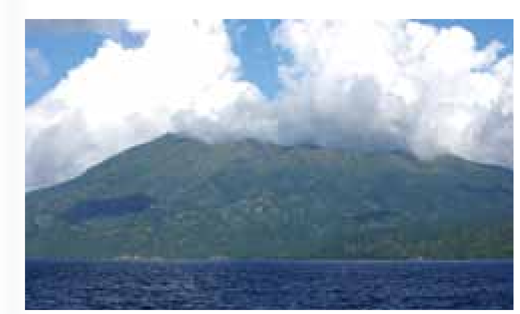
As a member of the Emera Caribbean family, DOMLEC has access to resources and operational expertise which, when coupled with the capabilities of the team at DOMLEC, benefit DOMLEC's 35,000 customers in an increasingly complex environment. DOMLEC participated in the Emera-wide annual employee engagement survey in 2013 for the first time, with positive results. More than half of DOMLEC's employees underwent training in one or more of 47 different programmes. Safety and environmental compliance are paramount at DOMLEC, as in all Emera operations, and improvements are ongoing in this area.

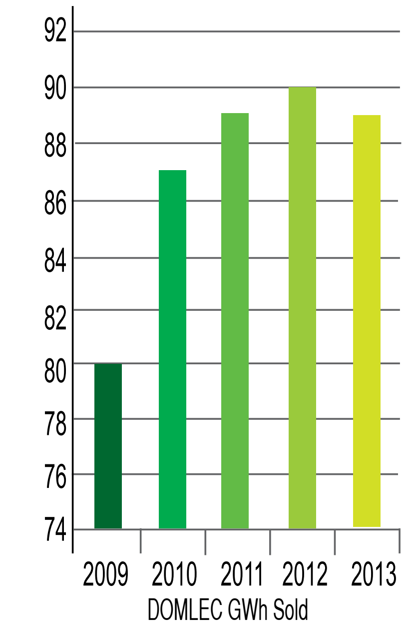
DOMLEC continues to provide reliable service, and its electricity network performance over the past year was very strong. The system registered up to 30% increase in reliability over 2012, our previous best performance, and, for the first time in its history, there were no island-wide power interruptions in Dominica for the full calendar year.

Following the successful completion of the Advanced Metering Infrastructure (AMI) project in 2012, DOMLEC hosted representatives from The Barbados Light & Power Company as well as St. Vincent Electricity Services for a firsthand view of its AMI and prepaid systems. DOMLEC is the first utility in the region with a complete AMI system and the most advanced prepaid system.

Clean, renewable hydro production accounted for 36% of the total generation output, the highest hydro contribution since 2005. Significant preventative maintenance was completed on one of the larger diesel generating units at DOMLEC's Fond Cole plant, ensuring efficient supply of electricity. Nonetheless, the cost of imported diesel fuel, which amounted to EC$43.4 million in 2013, is a significant element in the overall cost of electricity in Dominica. DOMLEC is therefore very supportive of the initiative by the Government of Dominica to introduce geothermal energy to the island. DOMLEC is preparing for the changes in its operations that will come about because of the introduction of geothermal energy and is positioning itself to be part of this major change.

DOMLEC recorded a profit of EC$8.8 million after tax and paid shareholders a dividend of EC$0.20 per share on EC$0.85 earnings per share, a payout ratio of 24%.

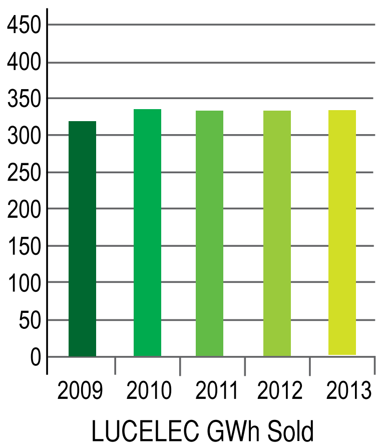




DOMLEC Quick Facts

- Island population - 70,000
- Number of customers - 35,518
- Total installed generating capacity (in MW) - 26.740
- Total energy sales for 2013 (in GWh) - 89.339
- Number of employees - 225

Report on Operations of **St. Lucia Electricity Services Limited (LUCELEC)**



LUCELEC Quick Facts

- Island population - 169,115
- Number of customers - 65,862
- Total installed generating capacity (in MW) - 86.2
- Total energy sales for 2013 (in GWh) - 334.5
- Number of employees - 262

In 2013, St. Lucia Electricity Services Limited (LUCELEC) continued to advance its strategy of improving operational excellence and establishing the framework for diversifying revenue streams for improved shareholder value.

In preparation for changes in the regulatory environment, the Company partnered with CARILEC to host a regional seminar for stakeholders entitled, "The Challenges and Opportunities of Regulation" to promote its position on regulation and the principles of good regulatory practice. In 2013, the performance management system was revised and a cultural change programme to align the Company's culture to the strategy was launched. Both initiatives included training sessions for employees at all levels.

On the Customer Care front, a barcode was added to customers' bills to facilitate faster processing. LUCELEC introduced the ability for customers to review their accounts online, and engaged with major customers for discussions on the Company's services.

On the technical side, a new diesel generator which came online at the end of 2012 helped improved fuel efficiency during 2013. An aggressive programme to investigate and replace faulty meters reduced system losses to a record low of 8.82%, and the strategic deployment of additional auto-reclosers and automated switches on the system contributed to improved reliability. Transmission & Distribution also enhanced its capabilities to undertake maintenance in live conditions.

The Company worked with the Government of Saint Lucia to develop Requests for Proposals for renewable energy projects and progressing exploration of geothermal potential. The Company also installed several LED street lights to test them under St. Lucia's operating conditions, and preliminary work for the installation of a 75kW solar system was completed for planned installation and commissioning in early 2014.

Perhaps 2013's greatest challenge came at the end of the year when unusually heavy rains and severe lightning affected the island on Christmas Eve, causing extensive flooding and damage to infrastructure across the island. Approximately 15% of LUCELEC's customers were without power as a result of storm damage and flooding. Despite the challenges, power was restored to all customers within 48 hours.

For 2014, LUCELEC remains committed to its strategy, to operational excellence and efficiency.

Reports on Renewables and Community

Report on **Renewables**

> “Caribbean countries offer the possibility of **geothermal energy**”

Introducing alternative and sustainable sources of energy to LPH affiliates’ generation mix is a key strategic objective. For the most part, LPH’s utility operations use foreign oil to fuel their generation. The cost of imported oil drives the price of electricity upwards while placing a burden on national economies. Electricity generation from renewable or alternative sources offers the opportunity to reduce and stabilize energy costs, while reducing emissions. The less our businesses depend on costly foreign oil, the better for our environment, our customers and our economies.

The Barbados Light & Power Company (BLPC) and St. Lucia Electricity Services Ltd. (LUCELEC) are wholly dependent upon oil to meet electricity needs. Both of these utilities are seeking to introduce grid-scale solar and wind projects as part of their efforts to diversify away from oil. Due to the intermittent nature of these energy sources, BLPC will be looking at what will be required to maintain a stable electricity grid as the use of these technologies become increasingly widespread.

In Barbados, our newest enterprise, Emera Caribbean Renewables Limited (ECRL), offers cost-effective grid-tied solar photovoltaic (PV) energy solutions for residential and commercial customers. These systems allow customers to reduce their electricity bills through the use of clean, sustainable solar energy.

In 2013, LPH and BLPC teamed up to test the Nissan Leaf, a fully electric vehicle (EV) with zero emissions. At BLPC, the EV is used on a daily basis between the Company’s plants and offices, and was branded NeoG - ‘no emissions or gas’ - in an employee-wide naming contest. LPH now has three Leafs in our fleet, and we are recording and analysing usage data to determine environmental benefits and cost savings. In a demonstration that EVs can also transform our transport sector to a more sustainable future, ECRL provided the solar PV system and charging station for the island’s first solar carport which was installed by MegaPower Barbados.

Residents of Dominica benefit from hundreds of waterways throughout the island, providing opportunity for renewable hydro generation. This clean source of energy provided 36% of DOMLEC’s electricity requirements in 2013.

Due to their volcanic land properties, many Caribbean countries offer the possibility of geothermal energy and exploration is ongoing in Dominica and St. Vincent.

In Dominica, a geothermal project spearheaded by the Dominican government is underway and three exploratory wells have been drilled. The Government is in the process of determining who it will partner with in this venture to construct the generating plant. DOMLEC is carrying out preliminary engineering work for the additional transmission lines that will be required to deliver the energy from the geothermal plant to the electricity network.

In St. Vincent, the government has entered into an agreement with LPH and Reykjavik Geothermal (RG) of Iceland to assess the islands geothermal potential. The Government has also engaged the Clinton Foundation to provide advice on commercial negotiations for the project. La Soufriere volcano has been extensively studied and, in November, RG commenced more detailed surface testing in the area of the volcano. Findings will guide the decision as to whether the project should proceed to the next phase. ■



Report on **Community**

Responsible Corporate Citizens

As individual community members, each LPH affiliate supported a broad range of local community organizations and initiatives throughout the year. Our affiliates recognize their responsibility to contribute to the communities in which they operate and encourage all employees to play their part in building strong societies.

Health

BLPC generously supported the local Heart and Stroke Foundation and Cancer Society, as well as public education on the Barbados’ Department of Emergency Management. DOMLEC provided financial support to the Private Sector Foundation for Health, of which it is a founding member, as well as to the Cancer Society in Dominica. DOMLEC’s generosity extended to the Council on Aging and the Association of persons with disabilities as well. In St. Lucia, LUCELEC proudly supported the National Community Foundation which assists those needing assistance with treatment for major medical issues.

Sports

BLPC’s support of sporting and youth saw involvement in, and funding for, the National Sports Council, the Special Olympics and the Olympic Development Track Club, for football, martial arts, volleyball and the country’s national pastime, cricket. DOMLEC’s support of sporting in its communities is also broad and far reaching, including the country’s cricket association, football leagues, basketball, netball and Dominica’s Special Olympics. LUCELEC was the main sponsor for the National School Sports programme, and provided funding for the Castries Football Council’s summer camps for underprivileged children and the differently abled.

Education

ECRL donated solar panels to the Renewable Energy Teaching and Research Laboratory, Faculty of Science at the Cave Hill Campus of the University of West Indies, and provided sponsorship of the Barbados Association of Professional Engineers’ annual Founder’s Day Lecture. LPH continued its support for the Student Program for Innovation in Science and Engineering (SPISE), a summer program for gifted Caribbean high school students interested in exploring careers in science and engineering.

BLPC was proud to support summer camp and back-to-school programs throughout the country, as well as participating in school fairs and in-class safety education. DOMLEC’s support included funding for several school events through the year, providing scholarships for disadvantaged students. In St. Lucia, LUCELEC channelled education funding toward early childhood learning, promoting literacy and providing support for children and parents in disadvantaged communities.

Culture

BLPC proudly supported the country’s museum and historical society, its national Cropover Festival, and the Rotary Club’s Christmas Hamper program, among other worthy causes. DOMLEC was a proud supporter of the Dominica Festivals Committee, the National Cultural Council and the ‘Discover Dominica’ Authority. LUCELEC is the major sponsor of the National Arts Festival, and proudly supported the country’s Jazz & Arts Festival, Carnival & Calypso and the National Festival of Lights.

Reaching out to the world

As a group of companies, the spirit of giving at LPH affiliates extends far beyond their own borders. When the Philippines was devastated by Typhoon Haiyan in early November, Chairman Sarah MacDonald challenged employees to help provide funding for basic needs such as food, water and sanitation. LPH companies, along with Grand Bahama Power, raised almost BB$8000 in collective contributions in aid of the Philippines. ■

Corporate Governance Overview

CORPORATE GOVERNANCE OVERVIEW

The Company is authorized to appoint twelve (12) Directors. The Board of Directors (the "Board"), in its business judgment, has determined that twelve is an appropriate number given the size and complexity of the Company and the desire to facilitate effective decision-making. The Board of the Company 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 Light & Power Holdings Ltd. 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 Director's ability to act with a view to the best interest of the Company, other than interests arising from shareholding.

The Board has adopted written Standards for Business Conduct 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 for Business Conduct. The Board regularly reviews the Standards for Business Conduct, and makes revisions in order to update the content in keeping with best practices and parent company requirements.

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 or the Procedures for any Director or Officer.

The fundamental relationships among the Board, management, shareholders and other stakeholders is established by our governance structure through which our ethical values and corporate objectives are set and the plans for achieving those objectives and monitoring performance are determined.

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

SARAH MACDONALD
Profession: Attorney-at-Law

Freeport, Grand Bahama
Bahamas
Director Since: 2012
Not Independent
Executive Chairman

Skills and Experience
- Human Resources & Industrial Relations
- Communication
- Legal
- Government Relations & Political Insight
- Leadership

Sarah MacDonald is the President and Chief Executive Officer of Emera Caribbean Limited, with management oversight of all of Emera Inc.'s Caribbean assets and business development in the region.

Sarah currently serves as Executive Chairman of Light & Power Holdings Ltd. and sits on the Boards of all subsidiaries. She was Chair of Bust a Move for Breast Health, Governor for the Dalhousie Board of Governors and a member of the IWK Health Centre's Centennial Committee. Sarah previously served as Chief Executive Officer at Emera Utility Services, the largest utility services contractor in Atlantic Canada, as well as Executive Vice President of Human Resources for Emera and General Manager of Human Resources for Nova Scotia Power.

Sarah graduated from Dalhousie Law School, Halifax in 1992 and received her M.B.A. from St. Mary's, also in Halifax, in 2002. Prior to joining Emera, she worked in employment law, labour relations and human resources, primarily in the health care field. She is a member of the Nova Scotia Barristers' Society and is a Certified Human Resources Professional.

Sarah enjoys swimming as well as playing and coaching basketball.

Shares held in Company: NIL

ANDREW GITTENS
Profession: Engineer

St. Michael
Barbados
Director Since: 1997
Independent

Skills and Experience
- Engineering & Technical
- Energy & Electric Utility
- Regulatory

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

Andrew worked for over 35 years with The Barbados Light & Power Company Limited and was Managing Director when he retired in 2006. Andrew is currently the Chairman of The Barbados Light & Power Company Limited and a Board member of Light & Power Holdings Ltd.

Andrew enjoys playing a game of tennis.

Shares held in Company: NIL

CHRISTOPHER HUSKILSON
Profession: Engineer

Nova Scotia
Canada
Director Since: 2010
Not Independent

Skills and Experience
- Engineering & Technical
- Financial & Investment
- Energy & Electric Utility
- Regulatory
- Government Relations & Political Insight
- International Business & Commerce
- Business Development/Entrepreneur
- Board & Government Experience
- Leadership Experience

Christopher Huskilson has been a Director and the President and Chief Executive Officer of Emera Inc. since November 2004.

Chris also serves as Chairman of Emera Maine, a Director of Nova Scotia Power Inc. (NSPI) and serves as the Chairman or as a Director of a number of other Emera affiliated companies. He has been a Director of Algonquin Power & Utilities Corp. since 2009. He has held a number of positions within Nova Scotia Power Inc. and its predecessor, Nova Scotia Power Corporation, since June 1980.

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

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

Chris likes to spend his spare time boating.

Shares held in Company: NIL

SIR HENRY FORDE, K.A., Q.C.
Profession: Attorney-at-Law

St. John
Barbados
Director Since: 2010
Independent

Skills and Experience
- Legal Knowledge
- Energy & Electric Utility
- Regulatory
- Government Relations & Political Insights
- Caribbean Perspectives
- Board & Governance Experience
- Leadership Experience

Sir Henry de Boulay Forde, K. A., Q.C. was a Barbadian Scholar in 1952, a Graduate of the University of Cambridge in 1953 and a Member of the Middle Temple. Sir Henry continues to practice law principally at the Civil Bar of several Caricom and other Caribbean States with a specialty in Corporate Law, Energy Law and the regulation of Public Utilities. He served as a Member of Parliament of Barbados from 1972 to 2003 and held the office of Attorney General and Minister of Foreign Affairs from 1976 to 1981. He is a Queen's Counsel, and was awarded the honour of Knight of Saint Andrew (K.A.) in 1998.

Sir Henry has served as a Director of several public companies and has also served on several Public Boards, Commonwealth Committees and Commonwealth Observer Groups. He has been a part-time Lecturer in the Extra-Mural and Caribbean Studies Programs of the University of the West Indies. He was also awarded the Honorary Degree of Doctor of Laws by the University of the West Indies in 2013.

Sir Henry is an avid reader.

Shares held in Company: NIL

PETER WILLIAMS
Profession: Mechanical Engineer

St. George
Barbados
Not Independent

Skills and Experience
- Engineering & Technical
- Energy & Electric Utility
- Regulatory
- Leadership Experience

Peter Williams is the Managing Director of Light & Power Holdings Ltd., a position he has held since 2011. Immediately prior to this he was Managing Director of The Barbados Light & Power Company Limited, a wholly owned subsidiary of Light & Power Holdings Ltd. Mr. Williams also serves on the Board of Directors of St. Lucia Electricity Services Limited and is currently Chairman of the Caribbean Electric Utility Services Corporation (CARILEC), an association of electric utilities in the Caribbean.

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

Peter enjoys playing golf as well as the violin. He is the founder of Suzuki Music (Barbados).

Shares held in Company: 1160 common shares

SHARON CHRISTOPHER
Profession: Attorney-at-Law

Westmoorings
Trinidad
Director Since: 2012
Independent

Skills and Experience
- Customer Services
- Human Resources & Industrial Relations
- Communications
- Banking
- Legal Knowledge
- Board & Governance Experience
- Leadership Experience

Sharon Christopher is currently the Deputy Chief Executive Officer – Corporate Administration of the First Citizens Group and has significant experience in the financial services sector having served at executive management level in that sector since 1986.

Sharon's experience and training is wide-ranging covering such areas as banking and finance, corporate governance, banking operations, information technology, marketing, corporate security, corporate communications and human resource management.

Sharon is the holder of a Bachelor of Laws Degree from the University of the West Indies and the holder of a Master of Laws Degree from the London School of Economics and Political Science (University of London). She also holds a Legal Education Certificate from the Hugh Wooding Law School from which she graduated as the most outstanding student.

Sharon enjoys reading, walking, art collecting and viewing the performing arts.

Shares held in Company: NIL

TERESA MARSHALL, C.B.E.
Profession: Retired Career Diplomat

Porters
St. James
Barbados
Director Since: 2012
Independent

Skills and Experience
- Government Relations & Political Insight
- Leadership Experience

Teresa Marshall, a career diplomat, retired in November 2010 after a long and distinguished career in the Foreign Service of Barbados. Her last assignment was as Permanent Secretary and Head of the Barbados Foreign Service, becoming the Ministry's longest-serving Permanent Secretary and the first woman to occupy that post.

Teresa is a 1969 Barbados Scholar and a graduate of the University of Bristol in the United Kingdom where she studied French and Spanish. She received specialized training in international relations in Australia, and has also been trained in subjects as diverse as trade promotion, treaty negotiation, peacekeeping and public sector management.

Teresa enjoys photography, swimming, reading and writing.

Shares held in Company: NIL

RICHARD L.V. EDGHILL
Profession: Civil Engineer

Christ Church
Barbados
Director Since: 2003
Independent

Skills and Experience
- Engineering & Technical
- Financial & Investment
- Leadership Experience
- Caribbean Perspectives

Richard Edghill attended primary and secondary school in Barbados before entering the University of Manitoba in 1965 to study Civil Engineering. It was always his dream to become an engineer and he graduated in 1971 with a Masters Degree in Structural Engineering.

Richard is a partner in his family business, Edghill Associates Ltd.

In his spare time Richard plays tennis and enjoys watching cricket.

Shares held in Company: NIL

IAN CARRINGTON
Profession: Accountant

Christ Church
Barbados
Director Since: 2013
Independent

Skills and Experience
- Human Resources & Industrial Relations
- Financial & Investment
- Regulatory
- Government Relations & Political Insight
- International Business & Commerce
- Leadership Experience
- Insurance

Ian Carrington is the Director of the National Insurance – Ministry of Labour and Social Security. Ian has served as Supervisor of Insurance and Director of the Financial Services Commission.

Ian also sits on a number of Boards and has been a Director of St. Lucia Electricity Services Limited and the Barbados National Bank.

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

Ian enjoys swimming and playing a game of cricket and chess.

Shares held in Company: NIL

ROBERT BENNETT
Profession: Electrical Engineer

Nova Scotia
Canada
Director Since: 2013
Not Independent

Skills and Experience
- Customer Service
- Human Resources & Industrial Relations
- Engineering & Technical
- Financial & Investment
- Energy & Electric Utility
- Regulatory
- Business Development
- Board & Government Experience
- Leadership Experience

Robert Bennett was appointed Executive Vice President and Chief Operating Officer of Emera in January 2013. He previously served as President and CEO of Nova Scotia Power Inc. since June 2008, after holding the position of Executive Vice President of Revenue and Sustainability. Rob began his career with Nova Scotia Power in 1988. Before rejoining Nova Scotia Power in September 2007, Rob served for two years as President and Chief Operating Officer of Bangor Hydro Electric Company in Maine.

Rob serves on the Board of Governors of St. Francis Xavier University and Nova Scotia Community College, and is a Director of the Energy Council of Canada and Canadian Centre for Ethics in Public Affairs.

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

Rob is an inventor by nature and enjoys spending time on the ocean.

Shares held in Company: NIL

ERNEST L. GREAVES
Profession: Airline Executive

St. Peter
Barbados
Director Since: 1997

Skills and Experience
- Marketing
- Customer Service
- Human Resources & Industrial Relations
- Communications
- Financial & Investment
- Regulatory
- Government Relations & Political Insight
- International Business & Commerce
- Caribbean Perspectives
- Business Development/Entrepreneur
- Board & Governance Experience
- Leadership Experience

Ernest Greaves was an airline executive for many years. He was trained in every aspect of management and business operation. Ernest has been a Director of The Barbados Light & Power Company Limited since 1970 and of Light & Power Holdings Ltd. since its incorporation in 1997.

Ernest served as Chairman of the Barbados Tourism Authority and the Barbados Marketing Corporation. He was a member of the University of the West Indies Council, a Director of the Barbados Telephone Company and President of the Jaycees.

Ernest holds a Degree from London University.

Ernest enjoys gardening and swimming.

Shares held in Company: NIL

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 and Compensation Committee; and
(iv) the Investment Committee.

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

The Audit Committee

The Audit Committee assists the Board in discharging its oversight responsibilities. In carrying out its functions, it monitors the integrity of the Company's financial statements, reviews the integrity of the internal controls and risk management systems, reviews the internal audit and assurance processes, reviews the external audit processes including the provision of non-audit services, and exercises oversight over the Internal Audit function.

The Audit Committee is responsible for reviewing, monitoring and recommending to the Board for approval, including but not limited to, the audited annual financial statements of the Company; any documents containing the Company's audited financial statements including the Company's Annual Report and the quarterly financial statements; and all related Management's Discussion and Analysis and earnings press releases. The Committee is comprised of a minimum of three (3) independent, non-executive Directors. Current members of the Audit Committee are:

Mr. Ian Carrington (Chairman)
Ms. Sarah R. MacDonald
Mr. Robert Bennett
Mr. Ernest L. Greaves
Mr. Richard L.V. Edghill

The Governance Committee

The Governance Committee is charged with the responsibility of providing the Board with recommendations relating to the establishment and implementation of an efficient system of corporate governance, and with overseeing the Board's compliance with established corporate governance policies, processes, customs and practices. The role of the Committee is to assist the Board in the effective discharge of its responsibilities and includes, but is not limited to, determining the slate of Director nominees for election to the Board; identifying and recommending candidates to fill vacancies on the Board occurring between annual shareholder meetings; ensuring that transparency and accountability is promoted in the Board's pursuit of the Company's vision, values, mission and strategies; and establishing policies and procedures, as may be necessary.

The Committee is appointed by the Board of Light & Power Holdings Ltd. and is comprised of not less than three (3) non-executive Directors of the Company. Current members of the Governance Committee are:

Ms. Sharon L. Christopher (Chairman)
Sir Henry Forde, K.A., Q.C.
Ms. Sarah R. MacDonald

The Human Resources and Compensation Committee

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

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

The Human Resources and Compensation Committee is comprised of four (4) Directors, three (3) of whom are independent Directors. The current Committee members are:

Mr. Ernest L. Greaves (Chairman)
Ms. Sarah R. MacDonald
Mr. Andrew A. Gittens
Ms. Sharon L. Christopher

The Investment Committee

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

The Committee is comprised of six (6) Directors, three (3) of whom are independent Directors. The current members of the Investment Committee are:

Mr. Andrew A. Gittens (Chairman)
Ms. Sarah R. MacDonald
Mr. Christopher G. Huskilson
Mr. Robert Bennett
Mr. Richard L.V. Edghill
Ms. Teresa A. Marshall

Management's Discussion
& Analysis

This discussion and analysis should be read in conjunction with Light & Power Holdings Ltd.'s annual audited consolidated financial statements included in this Annual Report.

As at March 24, 2014

This Management's Discussion & Analysis (MD&A) provides a review of the results of the operations of Light & Power Holdings Ltd. ("LPH" or the "Group") and its primary subsidiaries during the year ended December 31, 2013 and its financial position as at December 31, 2013. Certain multi-year historical financial and statistical information is also presented.

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 are expressed in Barbados dollars. Certain comparative amounts have been reclassified to conform with 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 include 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 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; foreign exchange; regulatory and government decisions, including changes to environmental, financial reporting and tax legislation; loss of market share; labour relations; and availability of labour and management resources.

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

Overview – Light & Power Holdings Ltd. (LPH)

Light & Power Holdings Ltd. (LPH) was founded in 1997 and is publicly traded on the Barbados Stock Exchange.

LPH is majority owned by Emera Inc. ("Emera") of Nova Scotia, Canada, an energy and services company with CAD $8.9 billion in assets and 2013 revenues of CAD $2.2 billion. Emera invests in electricity generation, transmission and distribution, as well as gas transmission and utility energy services. Emera's strategy is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market. Emera is listed on the Toronto Stock Exchange and trades respectively under the symbols EMA.PR.A., EMA.PR.C., and EMA.PR.E.

Nature of the business

The core business of the Group is energy. It conducts its business principally through The Barbados Light & Power Company Limited ("BLPC"), its wholly owned subsidiary which serves over 125,000 customers on the island of Barbados, and Dominica Electricity Services Limited (DOMLEC), a 51.91% subsidiary, which serves approximately 35,000 customers in Dominica. The Group also holds a 19.1% investment in St. Lucia Electricity Services Ltd (LUCELEC) which serves approximately 65,000 customers in St. Lucia.

The Group is comprised of the following other key subsidiaries:

- Emera Caribbean Renewables Limited ("ECRL", formally LPH Renewable Energy Limited) which was formed in 2012 to offer customers distributed renewable energy systems.
- LPH Caribbean Holdings Limited ("LPH Caribbean").
- LPH Real Estate Inc. ("LPH Real Estate").
- LPH Telecom Ltd. ("LPH Telcom").

Additionally, BLPC has a self insurance fund called the Barbados Light & Power Limited Self Insurance Fund (SIF).

Overview: Light & Power Holdings Ltd. Subsidiaries

The Barbados Light & Power Company Limited (BLPC)

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

BLPC operates under the Electric Light & Power Act CAP 278 and is regulated under the Fair Trading Commission ("FTC") Act Cap.2000-31 and the Utilities Regulation Act Cap.2000-30. The FTC sets the electricity rates and service standards for electricity customers. BLPC is presently regulated under a cost-of-service model, with rates set to recover prudently incurred costs of providing electricity service to customers, and to provide an appropriate return to investors. The last increase in basic rates for electricity was granted by the FTC in January 2010 and came into effect on March 1, 2010. This increase was the first since 1983. The FTC has approved a Fuel Clause Adjustment ("FCA") mechanism, which allows BLPC to recover fuel expenses from customers through monthly fuel rate adjustments.

LPH Caribbean Holdings Ltd.

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

Dominica Electricity Services Limited (DOMLEC)

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

DOMLEC is a vertically integrated electric utility with a total installed capacity of 20 MW of oil fired and 7 MW of hydro generating capacity with transmission and distribution lines island-wide. Approximately 60% of power generated by the company comes from 2 diesel plants while the remaining 40% comes from 3 hydroelectric power plants.

DOMLEC operates under the Electricity Supply Act of 2006. It is regulated by the Independent Regulatory Commission (IRC). On October 7, 2013 DOMLEC was presented with two new licences, a non-exclusive licence to generate electricity and an exclusive licence to transmit, distribute and supply electricity. Each licence is for 25 years commencing January 1, 2014. DOMLEC is required to absorb 2.5% of total fuel costs under the Electricity Supply Act.

St. Lucia Electricity Services Limited. (LUCELEC)

LUCELEC is a vertically integrated electric utility serving more than 65,000 customers, with an exclusive licence to generate, transmit and distribute electricity on the island of St. Lucia until 2045. The utility has 86 MW of oil fired generating capacity and 1,000 km of electricity transmission and distribution lines. LUCELEC is accounted for as an associated company.

Emera Caribbean Renewables Ltd. (ECRL)

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

LPH Real Estate Inc.

LPH Real Estate was established to pursue real estate ventures associated with its core business. LPH Real Estate holds a 59 acre property at Lower Estate in St. Michael for future commercial development.

LPH Telecom Ltd.

LPH Telecom was established to invest in the telecommunications business. Between 2006 and August 2010, LPH Telecom held a 25% interest in Caribbean Fiber Holdings, owner of TeleBarbados and Antilles Crossing which operated an undersea fiber optic cable link between Barbados and St. Croix. The Group sold its interest in the venture in August 2010.

Self Insurance Fund

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

RESULTS OF OPERATIONS
Group Financial Results

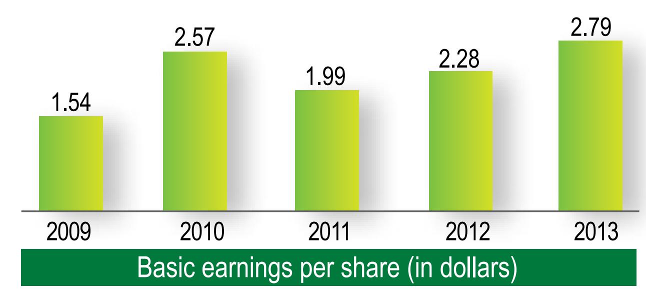
GROUP FINANCIAL HIGHLIGHTS	2013	2012	Variance	Variance
	$M	$M	$M	%
Operating revenue	624.5	593.2	31.3	5.3%
Operating income	53.4	43.4	10.0	23%
Total operating expenses	571.1	549.7	21.4	3.9%
Income before tax	60.6	43.1	17.5	40.6%
Income after tax	54.2	40.2	14 .0	34.8%
Total comprehensive income	55.8	44.6	11.2	25.1%

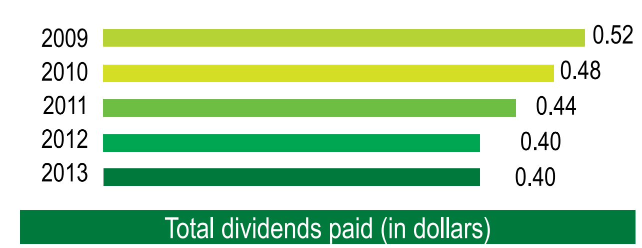
Income

The comprehensive income of the Group increased by $11.2M in 2013 to $55.8M from $44.6M in 2012. This increase is mainly attributable to a gain of $5.4M from the acquisition of DOMLEC, coupled with increased profits from BLPC of $3.4M. This was the net result of a decrease in operating expenses of $4.7M offset by a decrease in revenue from electricity sales in the amount of $1.3M.

Return on equity for 2013 was 7.3% compared to 6.1% for 2012.

Dividends and Payout Ratios

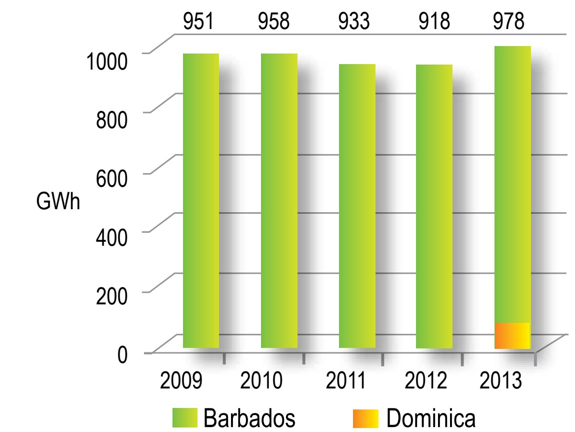




The company achieved basic earnings per share of $2.79 in 2013 compared to $2.28 in 2012 representing a 23% increase.

Total dividends paid increased by 8% to 52 cents in 2013 from 48 cents in 2012.

Electricity Sales



Group sales from electricity increased by 6.5% - 978 GWh in 2013 against 918 GWh in 2012. This increase is due mainly to the acquisition of DOMLEC, which sold 66 GWh post acquisition. In 2013 BLPC continued to experience the effects of the poor economic conditions in the country. This was reflected in the decline in consumer consumption and hence electricity sales decreased by 0.7% or 6 GWh, across the various tariffs. The steady growth in customer owned renewable energy systems is also considered to be a factor in the downward trend. BLPC's customer base increased by 918 (125,012 in 2013 vs.124,094 in 2012).

Total Revenues

	2013			2012		
	BLPC	DOMLEC	Total	BLPC	Variance	Variance
	$M	$M	$M	$M	$M	%
Electric revenue	191.9	33.2	225.1	193.2	31.9	16.5%
Fuel revenue	376.7	19.5	396.2	397.5	(1.3)	0.3%
Misc. revenue	2.8	0.4	3.2	2.5	0.7	29.2%
Operating revenue	571.4	53.1	624.5	593.2	31.3	5.3%

Operating revenues increased year on year by $31.3M - $624.5M in 2013 compared to $593.2M in 2012.

In 2013, the acquisition of DOMLEC contributed $53.0M in revenue. However, this was offset by a reduction in revenue from BLPC of $21.8M which is mainly attributable to a reduction in fuel revenue by $20.8M or 0.5% and electricity sales by $1.3M or 1%.

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

Total Expenses

	2013 $M			
	BLPC	DOMLEC	Other Companies	Total
Fuel Costs	376.7	22.5	-	399.2
Operating expenses	103.7	17.2	11.2	132.1
Depreciation	36.1	3.6	0.1	39.8
Total operating expenses	516.5	43.3	11.3	571.1

	2012 $M				
	BLPC	Other Companies	Total	Variance	Variance %
Fuel Costs	397.5	-	397.5	1.7	0.4%
Operating expenses	104.6	7.8	112.4	19.7	17.5%
Depreciation	39.8	0	39.8	0	0%
Total operating expenses	541.9	7.8	549.7	21.4	3.9%

Total expenses increased year on year by $21.4M to $571.1M in 2013 from $549.7M in 2012. The largest contributor to this increase was the result of the acquisition of DOMLEC in the amount of $43.3M. This increase was offset by the overall decrease in BLPC's fuel cost, operating expenses and depreciation expense. In 2013 BLPC's total expenses were $516.5M against $541.9M in 2012 representing an overall decrease of 4.7%.

Fuel costs

Fuel expense is the greatest contributor to total operating expenses. For BLPC, the cost of fuel in 2013 was lower than in previous years and this is reflected in the average FCA for 2013 being 41.68 cents per KWh compared to 43.84 cents per KWh for 2012. For DOMLEC, the average Fuel Surcharge was 32.77 cents per KWh for 2013. This is lower than BLPC's FCA as DOMLEC produces about 36% of their electricity from hydro and is also required to absorb 2.5% of total fuel costs.

Operating expenses

The increase is due primarily to additional operating expenses as a result of the acquisition of DOMLEC representing $17.2M offset by a marginal decrease in the expenses of BLPC of $0.9M.

Depreciation

In 2013 depreciation studies were carried out in the utility segments of the Group. These resulted in reductions to the rates applied to the various asset categories thus lowering the overall depreciation expense in BLPC by $3.7M and in DOMLEC by $1.9M.

Cash Flow Position & Movements

Group Cash Flow Position	2013 $M	2012 $M	Variance $M	Variance %
Opening cash & cash equivalents	126.8	122.6	4.2	3.4%
Cash providedby/(used in):				
Operating activities	80.5	67.8	12.7	18.7%
Investing activities	(49.5)	(73.1)	23.6	-32.3%
Financing activities	(8.5)	9.5	(18.0)	-189.5%
Closing cash & cash equivalents	149.3	126.8	22.5	17.7%

Cash flows from operating activities

Group operating cash flows increased by $12.7M mainly due to the contribution of DOMLEC's cash flows from operating activities.

Cash flows from investing activities

Group investing outflows decreased by $23.6M ($49.5M vs. $73.1M). This is mainly due to a reduction in investments during 2013 ($20.6M vs. $51.9M) offset by increased additions to property plant and equipment of $6.8M.

Cash flows from financing activities

Group financing cash flows decreased by $18.0M mainly due to lower debt net cash flows of $16.2M (2013 net debt outflow: $3.9M vs. 2012 net debt inflows: $12.3M).

Net Asset Position

Balance Sheet Account	DOMLEC Contribution $M	Other Movement $M	Total Increase/ (Decrease) $M	Other Movement Explanation
ASSETS				
Property, plant & equipment	94.0	(15.1)	78.9	Representative of capital additions offset by annual depreciation expense
Financial investments available for sale	0	13.9	13.9	Reflects greater financial security additions & higher values
Trade and other receivables	12.7	12.6	25.3	Representative of increased outstanding balances from customers
Inventory	8.0	(1.5)	6.5	Represents lower fuel inventory at BLPC
LIABILITIES				
Borrowings	27.3	5.4	32.7	Increase due to new loan obtained for additional investments net of repayments on existing loans
Customer deposits	2.8	3.3	6.1	Increase due to new deposits and interest on deposits
Trade and other payables	7.9	2.9	11.1	Increase mainly due to outstanding amounts related to ongoing projects

During the year, net assets increased by $72.7M (2013: $797.6M vs. 2012: $724.9M) associated mainly with the assets from the acquisition of DOMLEC.

Group Liquidity & Capital Resources

The Group is financed from two sources:
1. Equity 2013 – 86% (2012 – 88%); and
2. Borrowings from banks in the form of secured debentures 2013 – 14% (2012 – 12%).

The Group also holds customer deposits and benefits from Government manufacturing and investment tax allowances.

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

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

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

Government financing in the form of manufacturing and investment tax credits are deferred and recognized in the statement of income over the useful life of the related BLPC assets. Management does not associate any significant risk with this source of financing.

Transactions with Related Parties

Due to the similar nature of business done by other 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 by BLPC for other companies within the Group. Transactions include, but are not limited to, business development, technical planning, policy preparation & documentation, and financial reporting.

Management is of the view that being a part of the larger Emera group brings several benefits of this nature as well as opportunities yet to be explored. Due to related party transactions at December 31, 2013 were $3.0M compared to $1.5M in 2012.

Accounting Policy Changes

During the year, the group changed its accounting method for major spares from recognizing them as inventory to fixed assets in accordance with clarifications under IAS 16 - Property, Plant & Equipment. The adjustment to the property plant and equipment of the Group was an increase of $13.3M (2012 - $12.1M).

THE BARBADOS LIGHT & POWER COMPANY LIMITED
2013 Results

Financial Highlights	2013 $M	2012 $M	Variance $M	Variance %
Operating revenue	191.9	193.2	(1.3)	-0.7%
Operating income	53.3	49.7	3.6	7.2%
Total operating expenses	516.5	541.9	(25.4)	-4.7%
Income before tax	47.3	42.9	4.4	10.3%
Income after tax	43.4	40.0	3.4	8.5%

Net income

The net income of BLPC increased by $3.4M to $43.4M in 2013 from $40.0M in 2012. This can be attributed to a decrease in depreciation expense by $3.7M due to the application of lower depreciation rates arising from the completion of the Depreciation Study conducted in 2013; a decrease in operating expenses by $1.0M; a reduction in basic revenue by $1.3M; and an increase in finance income by $1.0M. The increase in income before tax also attracted an increase in taxation of $1.0M.

Electricity Sales

Key Statistics	2013	2012	Variance	Variance %
Total customers	125,012	124,094	918	0.7%
Power generated (GWh)	969.9	980.9	(11)	-1.1%
Sales (GWh)	912	918.1	(6.1)	-0.7%
Losses	5.7%	6.2%	-0.5%	-8.1%
Basic earnings per share ($)	0.22	0.20	0.02	10 %

The continued reduction in customer consumption was mainly the result of the economic conditions prevailing in Barbados coupled with the growth in the renewable sector. These factors contributed to a reduction in electricity sales of 0.7%. Although the total number of customers increased marginally by 918, total average usage declined by 1.3% per customer.

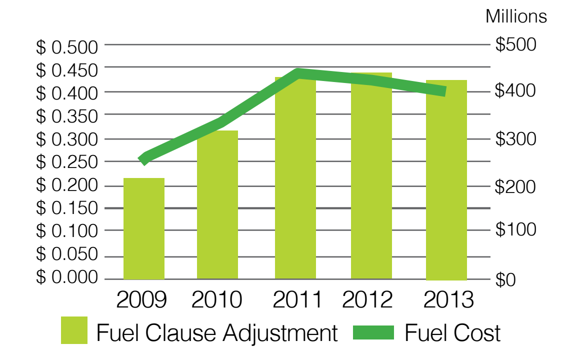
Revenue

The decline in sales is reflected in reduced revenue of $1.3M to $191.9M in 2013 down from $193.2M in 2012. This decline was seen mainly in the commercial sector.

The Company also recorded less revenue from fuel in 2013 - $376.7M against $397.5M.

The Company does not incur any profit or loss on fuel, hence this revenue is offset by identical fuel costs reflected in operating expenses.

Fuel Costs



Fuel costs are recovered through the Fuel Clause Adjustment (FCA). In 2013 total fuel costs decreased by $21.0M (5%) while the average fuel clause adjustment decreased from 43.84 cents in 2012 to 41.68 in 2013. This overall decrease is explained by a 0.3% and 5% decline in fuel usage and prices respectively.

Operating Expenses

Total operating expenses, excluding fuel, decreased by $4.6M. This is mainly due to a reduction in depreciation by $3.7M due to the application of lower depreciation rates following the completion of the Depreciation Study.

Other operating expenses decreased by 1% due to the Company's overall efforts at improving efficiencies to help mitigate the impact of declining revenues.

Cash Flow Position & Movements

BLPC Cash Flow Position	2013 $M	2012 $M	Variance $M	Variance%
Opening cash & cash equivalents	27.1	19.3	2.4	12.4%
Cash provide by/ (used in):				
Operating activities	74.6	75.6	-1.0	-1.3%
Investing activities	-27.5	-26.2	-1.3	5%
Financing activities	-25.0	-47.0	22.0	46.8%
Closing cash & cash equivalents	43.8	21.7	22.1	101.8%

Cash Flows from Operating Activities

Cash flows from operating activities decreased by $1.0M ($74.6M vs. $75.6M) due to increased net profit, trade payables and reduced inventory levels. These were reduced by the increased receivables balances.

Cash Used in Investing Activities

Cash flows used in investing activities increased by $1.3M (-$27.5M vs. -$26.2M). This is due to increased capital expenditures of $0.9M and decreased interest revenue of $0.4M.

Cash Used in Financing Activities

Cash flows used in financing activities decreased of $22.0M (-$25.0M vs.-$47.0M) due to lower dividend payments.

DOMINICA ELECTRICITY SERVICES LTD.

2013 Results

LPH acquired a 51.9% interest in DOMLEC on April 10, 2013. Post acquisition transactions & key statistics are as follows:

Financial Highlights	2013 $M
Operating revenue	53.0
Operating income	9.7
Total operating expenses	43.4
Income before tax	8.2
Income after tax	5.8

Key Statistics	2013
Total customers	35,245
Power generated (GWh)	74.4
Sales (GWh)	65.9
Losses	9%
Basic earnings per share (dollars)	0.63

Electricity Sales & Revenue

2013 Post Acquisition Sales		
Tariff	Electricity Sales (GWh)	Electricity Revenue ($M)
Residential	30.1	14.2
Commercial	34.5	18.3
Other	1.3	0.7
Total	65.9	33.2

DOMLEC made a contribution of 66 GWh in sales representing $33.0M in electric revenue.

Fuel Costs

The cost of fuel in 2013 was $22.5M. Unlike BLPC, DOMLEC absorbs a portion (2.5%) of total fuel costs, making the revenue from fuel of $20.0M less than the total cost.

Total operating expenses, excluding fuel, were $20.9M.

OTHER COMPANIES

The Self Insurance Fund (SIF) contributed $6.8M towards total group profit in 2013 compared to $4.2M in 2012 ($2.6M variance). This increase is attributable to higher finance income by $2.4M and reduced insurance claims and withholding taxes by $0.2M. This portion of group earnings is restricted and is therefore non-distributable to shareholders.

Other contribution to income and expenses came from Emera Caribbean Renewables Ltd (ECRL). After one (1) year in full operation, this Company has experienced gradual growth. During the year ECRL installed 31 solar PV systems totaling 197 kWp, ranging in size from 2-52 kWp.

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 International Financial Reporting Standards (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, 2013.

Risk Management

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

Operational risks

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

The operation of an electric utility is accompanied by the risks associated with fuel management and a variety of equipment that operates at high pressure and temperature, and high voltage. In 2013 BLPC continued to encourage among staff a culture of safety and environmental awareness necessary to maintain its ISO certifications. This was achieved through various programs including the Departmental Safety Objectives; CARILEC Lineman certified training; involvement in the National Marine Oil Spill and Prevention (MOSAP) Response team; and required workplace inspections by all Supervisory and Management Staff. These activities have been instrumental in not only lowering the All Injury Frequency (AIF) Rate from 4.51 in 2012 to 3.14 in 2013 but also improving the responsiveness of staff to the impact their actions have on these issues.

DOMLEC launched a Safety, Health and Environmental Stewardship Awareness program in 2013. This involved installing more safety signage and improving access to safety zones. Several administrative controls and procedures were also implemented to improve and audit existing safety systems, and the fire prevention and detection system was upgraded via the installation of more fire hydrants, chemical fire extinguishers and a fire detection system.

Credit risks

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

Labour risks

An inadequate work force can have detrimental impacts on the operations and profitability of the company. Approximately 70% of LPH's staff (66% BLPC & 75% DOMLEC) is unionised. BLPC is currently negotiating revised remuneration packages and work schedules for shift workers. It is expected that these negotiations will be concluded within the near future.

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

Country risks

The economic conditions in the Caribbean remain challenging. 2013 real GDP growth for Barbados, Dominica and St. Lucia averaged -0.08% while inflation averaged 2.03%.

Regulatory risks

Barbados - The Government of Barbados, with support from the Inter-American Development Bank, embarked on the development of a sustainable energy framework for Barbados. The main prongs of this project are the promotion of energy efficiency and the introduction of renewable sources of energy.

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

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

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

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

Interest rate risks

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

Currency Risks

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

Liquidity Risks

The 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.

Other Risk Considerations

Operating expenses

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

Competition

As customers continue to look for ways to reduce energy costs, the Company must remain efficient and effective while meeting customers' needs to ensure that all entities under the heading of LPH Group can continue to compete successfully.

Economic Outlook

Present Conditions

The Barbadian economy experienced a challenging 2013, contracting by an estimated 0.2% during the year. Inflation fell to 1.9% while the unemployment rate rose to 11.7%. Foreign exchange reserves at the end of the year were the equivalent of fifteen (15) weeks of imports.

Government's finances and sovereign credit conditions further deteriorated during the year as the central government deficit widened to in excess of 8% of GDP and its long-term sovereign rating was further downgraded below investment grade by Standard & Poor's and Moody's Investors Service.

St. Lucia and Dominica achieved modest economic improvements in 2013. Real GDP growth for Dominica improved by 0.62% (2013:-0.52% vs. 2012:-1.14%); while St. Lucia experienced positive GDP growth of 0.25% in 2013 compared to -0.84% in 2012. Dominica's inflation rate increased minimally by 0.17% to 0.66% in 2013 (2012: 0.49%), while St. Lucia's inflation rate decreased to 1.5% from 4.2% in 2012. These improvements can be attributed to growth within the Agriculture and Tourism industries in Dominica and St. Lucia respectively.

Future Prospects

The Barbadian Government's fiscal consolidation program, which includes the announced reduction in government's expenditures, the shrinking of the size of the civil service by 3,000 workers and a two-year wage freeze, are expected to give rise to weak domestic demand. However the Central Bank of Barbados remains optimistic about the prospects for the local economy, and projects that the economy will return to growth during 2014 based on anticipated improvements in the tourism sector and the commencement of a number of major investment projects.

Continued growth is expected for the Dominican and St. Lucian economies within the foreseeable future. The Eastern Caribbean Central Bank expects 2014 GDP growth of 1.22% and 2.08% for Dominica and St. Lucia respectively.

Significant Accounting Policies and Critical Accounting Estimates

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

Objectives and Strategies

The Group's focus in 2014 will be on the following strategic priorities:

- Generation Expansion - investment by BLPC in new dual (diesel and natural gas) fueled generation.
- Renewable energy - further development of the Renewable Energy portfolio through investments in solar photovoltaic and geothermal energy.
- Regulatory environment - preparation for DOMLEC's rate review with the IRC in Dominica and submission by BLPC of various filings (Integrated Resource Plan; Renewable Energy Rider; Service Standards) to the FTC in Barbados.
- Customer Care - to maximize the functionality of the existing CIS system at BLPC and utilize opportunities for further automation of work processes.
- Distribution network - Commence the pilot phase of Advanced Metering Infrastructure (AMI) in Barbados.
- Shared Services - Leverage the expertise that exists across the regional utilities in which we invest to the benefit of customers, employees and shareholders.

Light & Power Holdings Ltd.

Financial Statistics Five Year Summary

	2013 $ 000	2012 $ 000	2011 $ 000	2010 $ 000	2009 $ 000
Property, plant and equipment	**1,357,165**	1,126,402	1,107,118	1,074,542	1,052,658
Less accumulated depreciation	**(699,163)**	(559,392)	(525,470)	(491,131)	(453,688)
Net fixed assets	**658,002**	567,010	581,648	583,411	598,970
Revenue and expenses					
Operating revenue	**624,472**	593,168	607,276	508,139	415,392
Expenses					
Fuel	**(399,234)**	(397,529)	(409,822)	(306,803)	(236,552)
Operating and maintenance	**(131,950)**	(112,320)	(118,434)	(118,698)	(108,415)
Depreciation	**(39,784)**	(39,777)	(39,973)	(38,769)	(38,123)
Loss on exchange	**(113)**	(106)	(120)	(269)	(127)
Operating income	**53,391**	43,436	38,927	43,600	32,175
Finance income	**14,425**	3,971	6,051	4,897	3,651
Income before interest and taxation	**67,816**	47,047	44,978	48,497	35,826
Interest and finance charges	**(10,693)**	(8,164)	(8,402)	(8,692)	(7,972)
Share of gain/(loss) of associated companies	**3,477**	3,897	–	7,543	(1,319)
Income before taxation	**60,600**	43,140	36,576	47,348	26,535
Taxation credit/(charge)	**(6,388)**	(2,896)	(1,240)	(1,702)	920
Net income	**54,212**	40,244	35,366	45,646	27,455
Deduct:					
Preference dividends	–	–	–	–	(27)
Common dividends	**(8,927)**	(8,260)	(7,573)	(6,865)	(6,872)
Transfer to self insurance reserve	**(4,035)**	(1,442)	(2,672)	(5,885)	(8,754)
Reinvested earnings	**41,250**	30,542	25,091	32,896	11,802

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Light & Power Holdings Ltd.

We have audited the accompanying consolidated financial statements of Light & Power Holdings Ltd. which comprise the consolidated balance sheet as at December 31, 2013, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Light & Power Holdings Ltd.** as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
Barbados
March 20, 2014

Financial Statements

Light & Power Holdings Ltd.
Consolidated **Balance Sheet**
As of December 31, 2013
(expressed in thousands of Barbados dollars)

	Notes	2013 $	2012 $
Assets			
Non-current assets			
Property, plant and equipment	5	**658,002**	579,143
Investment in associates	6	**52,974**	53,191
Financial investments - available-for-sale	7	**137,946**	124,071
		848,922	756,405
Current assets			
Cash resources	8	**153,919**	135,810
Trade and other receivables	9	**101,603**	76,339
Corporation tax recoverable		**705**	552
Due by associated companies		**94**	20
Inventories	10	**32,629**	26,143
		288,950	238,864
Total assets		**1,137,872**	995,269
Equity			
Share capital	11	**114,734**	115,606
Other reserves	12	**251,006**	242,601
Non-controlling interests	19	**26,773**	–
Retained earnings		**405,111**	366,643
		797,624	724,850
Non-current liabilities			
Borrowings	13	**109,758**	77,078
Customers' deposits	14	**39,413**	33,338
Deferred credits	15	**42,066**	41,765
Deferred tax liability	16	**41,430**	23,277
		232,667	175,458
Current liabilities			
Trade and other payables	18	**79,416**	68,323
Due to parent companies	20	**3,352**	1,500
Due to related party		**5**	5
Corporation tax payable		**746**	–
Provisions for other liabilities and charges	17	**5,365**	3,624
Current portion of borrowings	13	**18,697**	21,509
		107,581	94,961
Total equity and liabilities		**1,137,872**	995,269

Approved by the Board of Directors on March 20, 2014 and signed on its behalf by:

Sarah MacDonald

Sarah MacDonald - Director

E.L. Greaves

E.L. Greaves - Director

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

Light & Power Holdings Ltd.
Consolidated Statement of **Changes in Equity**
For the year ended December 31, 2013
(expressed in thousands of Barbados dollars)

	Common shares $	Other reserves $	Retained earnings $	Non-controlling Interests $	Total $
Balance at December 31, 2011	116,313	236,846	336,101	–	689,260
Comprehensive income					
Net income for the year	–	–	40,244	–	40,244
Available-for-sale - financial investments	–	4,313	–	–	4,313
Total comprehensive income	–	4,313	40,244	–	44,557
Dividends paid (48¢ per share)	–	–	(8,260)	–	(8,260)
Issue of common shares	590	–	–		590
Repurchase of common shares	(1,297)	–	–	–	(1,297)
Transfer to Self Insurance Fund/reserve	–	1,442	(1,442)	–	–
	(707)	1,442	(9,702)	–	(8,967)
Balance at December 31, 2012	115,606	242,601	366,643	–	724,850
Comprehensive income					
Net income for the year	**–**	**–**	**51,430**	**2,782**	**54,212**
Available-for-sale - financial investments	**–**	**4,370**	**–**	**–**	**4,370**
Total comprehensive income	**–**	**4,370**	**51,430**	**2,782**	**58,582**
Dividends paid (52¢ per share)	**–**	**–**	**(8,927)**	**–**	**(8,927)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**(371)**	**(371)**
Issue of common shares	**419**	**–**	**–**	**–**	**419**
Repurchase of common shares	**(1,291)**	**–**	**–**	**–**	**(1,291)**
Acquisition of DOMLEC	**–**	**–**	**–**	**24,362**	**24,362**
Transfer to Self Insurance Fund/reserve	**–**	**4,035**	**(4,035)**	**–**	**–**
	(872)	**4,035**	**(12,962)**	**23,991**	**14,192**
Balance at December 31, 2013	**114,734**	**251,006**	**405,111**	**26,773**	**797,624**

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

Light & Power Holdings Ltd.
Consolidated Statement of **Comprehensive Income**
For the year ended December 31, 2013
(expressed in thousands of Barbados dollars)

	Notes	2013 $	2012 $
Operating revenue	21	**624,472**	593,168
Operating expenses	22		
Fuel		**399,234**	397,529
Generation		**48,905**	45,543
General		**61,721**	50,097
Distribution		**15,181**	11,723
Insurance		**6,143**	4,957
Depreciation		**39,784**	39,777
Foreign exchange loss		**113**	106
		571,081	549,732
Operating income		**53,391**	43,436
Finance and other income	23	**8,952**	3,971
Gain on bargain acquisition	19	**5,473**	–
Finance and other cost		**(10,693)**	(8,164)
Share of income of associated company	6	**3,477**	3,897
Income before taxation		**60,600**	43,140
Taxation	16	**(6,388)**	(2,896)
Net income for the year		**54,212**	40,244
Other comprehensive income:			
Change in fair value of financial investments available-for-sale	7	**4,370**	4,313
Total comprehensive income for the year		**58,582**	44,557
Attributable to shareholders of the Group		**55,800**	44,557
Non-controlling interests		**2,782**	–
		58,582	44,557
Attributable to shareholders of the Group basic and diluted earnings per share (cents)	25	**279.25**	227.7

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

Light & Power Holdings Ltd.
Consolidated Statement of **Cash Flows**
For the year ended December 31, 2013
(expressed in thousands of Barbados dollars)

	2013 $	2012 $
Cash flows from operating activities		
Income before taxation	**60,600**	43,140
Adjustments for non-cash items		
Share of income of associated company	**(3,477)**	(3,897)
Depreciation	**39,784**	39,777
Loss on foreign exchange	**157**	106
Loss/(gain) on disposal of property, plant and equipment	**153**	(5)
Gain on bargain acquisition	**(5,473)**	–
Investment and interest income	**(6,821)**	(3,976)
Finance and other costs	**10,693**	8,164
Net change in deferred revenue	**(552)**	210
Net change in provisions for other liabilities and charges	**(531)**	(467)
Operating income before working capital changes	**94,533**	83,052
(Increase)/decrease in trade and other receivables	**(11,653)**	525
Decrease in inventories	**3,997**	15,400
Increase/(decrease) in trade and other payables	**5,364**	(11,537)
Change in other assets	**(2,679)**	(12,133)
Increase in due to parent company	**1,852**	807
Increase in due from related party	**(74)**	–
Cash generated from operations	**91,340**	76,114
Interest and finance charges paid	**(9,981)**	(8,133)
Corporation tax paid	**(802)**	(191)
Net cash from operating activities	**80,557**	67,790
Cash flows used in investing activities		
Additions to property, plant and equipment	**(34,085)**	(27,281)
Purchase of financial investments	**(66,912)**	(43,887)
Redemption of financial investments	**59,351**	28,484
Decrease in term deposits	**3,975**	6,080
Decrease in restricted cash - Self Insurance Fund	**385**	6,762
Investment in subsidiary company less cash acquired	**(20,640)**	(51,928)
Proceeds on disposal of property, plant and equipment	**44**	5
Dividends received	**3,651**	2,620
Interest received	**4,690**	6,003
Net cash used in investing activities	**(49,541)**	(73,142)
Cash flows used in financing activities		
Repurchase of common shares	**(1,291)**	(1,297)
Issue of common shares	**419**	590
Dividends paid	**(8,927)**	(8,260)
Dividends paid to non-controlling interests	**(367)**	–
Repayment of borrowings	**(27,732)**	(15,936)
Proceeds from borrowing	**23,880**	28,258
Customers' contributions	**2,179**	2,141
Customers' deposits	**3,336**	4,015
Net cash (used in)/from financing activities	**(8,504)**	9,511
Net increase in cash and cash equivalents	**22,512**	4,159
Cash and cash equivalents - beginning of year	**126,777**	122,618
Cash and cash equivalents - end of year (Note 8)	**149,289**	126,777

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

1 General information

Light & Power Holdings Ltd. ("the Company") was incorporated on October 9, 1997 under the Companies Act, Chapter 308 of the Laws of Barbados and is listed on the Barbados Stock Exchange. The principal activities of the Company and its subsidiaries (including the special purpose entity) ("the Group") include the generation, distribution and supply of electricity, and 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.

The ultimate parent of the Group is Emera Inc., an energy and services company registered in Canada. At December 31, 2013 the ownership stood at 80.3 per cent (2012 - 80.2 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 January 1, 2013. The adoption of the revised standard did not have a significant impact on the financial statements of the Group.

- **IFRS 10, 'Consolidated Financial Statements'.** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard and its amendments have had no effect on the Group's financial position, performance or disclosures.

- **IRFS 12, 'Disclosure of Interests in Other Entities'**, issued in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of IFRS 12 has resulted in more extensive disclosures in the Notes to the Group's financial statements; see Notes 6, 19, 20 & 30 to the financial statements.

- **IFRS 13, 'Fair Value Measurement'** issued in May 2011. The standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative periods before the initial application of the Standard. As a result, the Group has not made any new disclosures for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Light & Power Holdings Ltd.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2013
(expressed in thousands of Barbados dollars)

- **IAS 1, 'Presentation of Financial Statements (amendment)** – Clarification of the requirement for comparative information', issued May 2012.These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements, does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- **IAS 1, 'Presentation of Financial Statements (amendment)** – Presentation of items of Other Comprehensive Income'. The amendment requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section. The categories are 'items that will not be reclassified subsequently to income' and 'items that may be reclassified subsequently to income when specific conditions are met'. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment was effective for annual periods beginning on or after July 1, 2012 and has no effect on the Group's financial position, performance or disclosures.

- **IAS 16, 'Property, Plant and Equipment (amendment) – Servicing Equipment'.** The amendment requires entities to capitalize major spare parts and standby equipment when an entity expects to use them during more than one period or if spare parts and equipment can be used only in connection with an item of property, plant and equipment. The amendment was effective for annual periods beginning on or after January 1, 2013.

  The amendment has resulted in the reclassification of major generation spares from inventory to property, plant and equipment by subsidiaries The Barbados Light & Power Company Limited and Dominica Electricity Services Limited. The adjustment to the property, plant and equipment of the Group was an increase of $13.3 million (2012 - $12.1 million). The corresponding decrease was to inventories. The consolidated balance sheet and the consolidated statement of cash flows as at December 31, 2012 were restated to reflect the impact of the reclassification. There was no material impact on the 2012 consolidated statement of comprehensive income as the spares when classified as inventory were being written down over the life of the associated plant.

- **IAS 28, 'Investments in Associates and Joint Ventures (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

- **IAS 32, 'Financial Instruments: Presentation (amendment)'** amended May 2012. The amendment clarifies that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes. The amendment became effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2013 but not currently relevant to the Group.

- **IFRS 1, 'Government Loans (amendment) – Government Loans with a Below-Market rate of Interest'.**

The amendment has added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to Government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and to Government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

- **IFRS 7, 'Disclosures - Offsetting Financial Assets and Financial Liabilities'** issued December 2011. The amendments to IFRS 7 require an entity to disclose information about rights of set-off and related arrangements. The new disclosures are required for all recognized financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. As the Company does not have any off-setting arrangements in place, the application of the amendment did not have a material impact on the disclosures or on amounts recognized in the financial statements.

- **IFRS 11, 'Joint Arrangements'.** IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The standard is not expected to have an effect on the Company's non-consolidated financial statements. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

- **IAS 19, 'Employee Benefits (Amendment)'.** The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

- **IAS 27, 'Separate Financial Statements (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment became effective for annual periods beginning on or after January 1, 2013.

- **IAS 28, 'Investments in Associates and Joint Ventures (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

- **IAS 34, 'Interim Financial Reporting (amendment) – Interim Reporting of Segment Assets'**, amended May 2012. The amendment clarifies the application of interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments.*

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 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 27, 'Separate Financial Statements', amended in October 2012.** The amendment to the standard is to establish a definition of an investment entity and to clarify the application of the Standard for investment entities. The amendment becomes effective for annual periods beginning on or after January 1, 2014.

It is not anticipated that the standard will have a significant impact on the Group's financial statements.

- ***IAS 32, 'Offsetting Financial Assets and Financial Liabilities',*** effective January 1, 2014. These amendments clarify the meaning of "currently has the enforceable right to set-off" by stating that right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. It is not anticipated that the standard will have a significant impact on the Group's financial statements.

- **IAS 36, 'Impairment of Assets'**, effective January 1, 2014. The overall effect of the amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in recognizing or reversing impairment losses where recoverable amount is based on fair value less costs of disposal and is determined using a present value technique. It is not anticipated that the standard will have a significant impact on the Group's financial statements.

- **IAS 39, 'Financial Instruments: Recognition and Measurement amended'**, effective January 1, 2014. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided the following criteria are met: novation must happen as a consequence of laws or regulations or the introduction of laws or regulations; following the novation, a central counterparty would become the new counterparty to each of the original parties to the derivative and any changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty.

- **IFRS 9, 'Financial instruments'**, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2018 but is available for early adoption. The Company is yet fully to assess IFRS 9's impact. However, initial indications are that it may affect the Company's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

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 30. 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 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 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 exceeds 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.

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 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 other reserve in equity.

2.4 Segment reporting

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

2.5 Property, plant and equipment

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

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

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

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

b) Loans and receivables

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

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.

2.7 Impairment of non-financial assets

Assets that have an indefinite life, e.g. land, are not subject to amortisation 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.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash held in hand and at the 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, other than major spares which are now classified as property, plant and equipment, 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. 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 which case it is recognised in equity. In this case, the tax is also recognised directly in equity.

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

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

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

2.15 Tax credits

Investment and manufacturing credits

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

2.16 Customers' deposits

Subsidiary utility companies normally require commercial and all other customers except residents of their respective countries categorised under the Domestic Service tariff to provide security for payment. However, residents under the Domestic Service tariff may be asked to provide security if they are delinquent in paying their bills. The cash deposit is refunded with accumulated interest when the account is terminated or arrangements are 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 26).

2.20 Share purchase scheme

The employees of the Barbadian subsidiary companies have the option to receive their annual bonus in cash and or common shares of the parent company under General By-Law No. 1, Section 12.1 of the parent 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 performance of each entity. 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, 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.

(expressed in thousands of Barbados dollars)

3 Financial risk management

3.1 Financial instruments by category

At December 31, 2013

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

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

At December 31, 2012

	Loans and receivables $	Available-for-sale $	Total $
Assets as per consolidated balance sheet			
Available-for-sale financial assets	–	124,071	124,071
Trade and other receivables excluding pre-payments	72,867	–	72,867
Cash resources	135,810	–	135,810
Total	208,677	124,071	332,748

	Liabilities at fair value through the profit and loss $	Other financial liabilities at amortised cost $	Total $
Liabilities as per consolidated balance sheet			
Borrowings	–	98,587	98,587
Trade and other payables excluding statutory liabilities	–	61,375	61,375
Customer deposits	–	33,338	33,338
Total	–	193,300	193,300

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$) to limit exposure to fluctuations in foreign currency exchange rates, since there is a fixed exchange rate between the Barbados dollar and United States dollar. Additionally, most purchases are transacted in US$. At December 31, 2013 borrowings of $38.5 million (2012 - $37.4 million) are designated in US$. At December 31, 2013 available-for-sale investments designated in US$ amount to $137.9 million (2012 - $124.1 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, 2013 and December 3, 2012 with all other variables held constant.

	Impact on other components of equity	
	2013 $	2012 $
Equity securities	**1,091**	1,161

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 of changes in commodity (copper, aluminum). Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand.

(expressed in thousands of Barbados dollars)

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

iii) Cash flow and fair value interest rate risk

Interest rate risk is the potential adverse impact on the earnings and economic value of the Group caused by movements in interest rates. The Group's interest bearing assets largely carry fixed interest rates and as such expose it to fair value interest rate risk. At December 31, 2013, 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 $0.5 million (2012 - $0.2 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, 2013 and December 31, 2012 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 following table 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 following 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, 2013					
Assets					
Cash and cash equivalents	**149,288**	**–**	**–**	**–**	**149,288**
Trade and other receivables	**96,991**	**–**	**–**	**–**	**96,991**
Total assets	**246,279**	**–**	**–**	**–**	**246,279**
Liabilities					
Borrowings	**25,016**	**25,553**	**40,501**	**88,097**	**179,167**
Trade and other payables	**79,129**	**–**	**–**	**–**	**79,129**
Customers' deposits	**–**	**39,413**	**–**	**–**	**39,413**
Total liabilities	**104,145**	**64,966**	**40,501**	**88,097**	**297,709**

At December 31, 2012	**Less than 1 year $**	**Between 1 & 2 years $**	**Between 2 & 5 years $**	**Over 5 years $**	**Total $**
Assets					
Cash and cash equivalents	126,777	–	–	–	126,777
Trade and other receivables	74,494	–	–	–	74,494
Total assets	201,271	–	–	–	201,271
Liabilities					
Borrowings	25,835	17,572	23,814	68,299	135,520
Trade and other payables	68,323	–	–	–	68,323
Customers' deposits	–	33,338	–	–	33,338
Total liabilities	94,158	50,910	23,814	68,299	237,181

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

(expressed in thousands of Barbados dollars)

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, 2013. 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, 2013 and December 31, 2012 based on Standard and Poor's or equivalent ratings.

	2013 $	2012 $
AAA	**3,897**	3,807
AA+	**14,683**	11,021
AA	**7,538**	36,756
AA-	**19,201**	–
A+	**11,410**	–
A	**–**	1,939
	56,729	53,523

d) Underinsurance risk

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

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

At December 31, 2013 financial assets of the Fund included in the consolidated financial statements are as follows:

	2013 $	2012 $
Cash and cash equivalents	**4,630**	9,032
Investments, available-for-sale (Note 7)	**137,946**	124,071
	142,576	133,103

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 an annual budget 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, 2013 and December 31, 2012 were as follows:

	2013 $	2012 $
Shareholder's equity	**797,624**	724,850
Total borrowings (Note 13)	**127,849**	98,242
Debt to equity ratio	**1:6.24**	1:7.38

In accordance with the Trust deed securing certain borrowings, the Group is required to maintain a debt to equity rate of 1:1.25. The Group complied with the requirement under the Trust Deed in 2013 and 2012.

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.

- 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.

(expressed in thousands of Barbados dollars)

The following table presents the group's assets and liabilities that are measured at fair value at December 31, 2013 and December 31, 2012.

	Level 1 $	Level 2 $	Total $
2013			
Assets			
Available-for-sale financial assets			
- Equity securities	**21,837**	**–**	**21,837**
- Debt securities	**–**	**59,380**	**59,380**
- Mutual funds	**–**	**56,729**	**56,729**
	21,837	**116,109**	**137,946**
2012			
Assets			
Available-for-sale financial assets			
- Equity securities	23,227	–	23,227
- Debt securities	–	53,523	53,523
- Mutual funds	–	47,321	47,321
	23,227	100,844	124,071

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

4 Significant accounting judgements, estimates and assumptions

4.1 Critical accounting estimates and assumptions

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

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

4.2 Critical judgements in applying the entity's accounting principles

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

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

b) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial

health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $0.28 million in its 2013 financial statements (2012 - $0.24 million), being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the available-for-sale financial assets to the income statement.

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.

4.3 Change in accounting estimate.

During 2013, subsidiaries The Barbados Light & Power Company Limited ("BLPC") and Dominica Electricity Services Limited ("DOMLEC") commissioned depreciation rate studies. A depreciation rate study reviews and analyses the average service life and remaining lives of property plant and equipment with due consideration given to physical, functional, and economic factors as well as prior practice.

For subsidiary BLPC, the policy is to commission a study every five to seven years and the previous study was completed in 2006. As a result of the study, there were some changes to the depreciation rates used by BLPC in its financial statements as at December 31, 2013 when compared those as at December 31, 2012. The table below shows the new rates as per the study compared to the rates used in 2012. As required by International Accounting Standard 8 – *Accounting policies, Changes in accounting policies & Errors,* the change in rates was applied prospectively from 2013. The impact of the rate change on the statement of comprehensive income for year ended December 31, 2013 was $2.4 million. It is expected that the impact will be consistent in future periods.

Class of Asset	Rates used in 2013	Rates used in 2007-2012
Generation equipment	1%-7%	1%-5%
Transmission & Distribution	2%-5%	2%-6%
General property	2%-17%	2%-17%

DOMLEC's depreciation rate study was in preparation for its pending tariff filing as required by its regulatory body the Independent Regulatory Commission. The impact of the rate change on DOMLEC's statement of comprehensive income for year ended December 31, 2013 was $1.9 million. It is expected that the impact will be consistent in future periods.

(expressed in thousands of Barbados dollars)

5 Property, plant and equipment

	Generation $	Transmission & distribution $	Other $	Work in Progress $	Total $
At December 31, 2013					
Cost	**600,687**	**534,927**	**127,180**	**94,372**	**1,357,166**
Accumulated depreciation	**(367,059)**	**(258,431)**	**(73,674)**	**–**	**(699,164)**
Net book amount	**233,628**	**276,496**	**53,506**	**94,372**	**658,002**
For the year ended December 31, 2013					
Opening net book amount	**205,078**	**237,272**	**43,814**	**92,980**	**597,144**
Additions and transfers	**11,198**	**19,649**	**2,354**	**(492)**	**32,709**
Acquisition of DOMLEC	**33,465**	**36,730**	**11,659**	**1,945**	**83,799**
Retirals	**(407)**	**(54)**	**(23)**	**(61)**	**(545)**
Depreciation charge	**(18,385)**	**(17,101)**	**(4,298)**	**–**	**(39,784)**
Spares adjustment - DOMLEC	**2,679**	**–**	**–**	**–**	**2,679**
Closing net book amount	**233,628**	**276,496**	**53,506**	**94,372**	**658,002**
At December 31, 2012					
Cost	504,263	446,832	102,838	92,980	1,146,913
Accumulated depreciation	(299,182)	(209,562)	(59,025)	–	(567,769)
Net book amount	205,081	237,270	43,813	92,980	579,144
For the year ended December 31, 2012					
Opening net book amount	215,607	242,144	42,637	94,244	594,632
Additions and transfers	5,539	13,390	8,139	(1,264)	25,804
Retirals	30	245	–	–	275
Depreciation charge	(16,095)	(18,509)	(6,963)	–	(41,567)
Closing net book amount	205,081	237,270	43,813	92,980	579,144

No borrowing costs were capitalised during the years 2012 - 2013.

6 Investment in associated company

	2013 $	2012 $
Balance - beginning of year	**53,191**	–
Investment in associate	**–**	49,294
Share of income in associated company	**3,477**	3,897
Dividends received	**(3,694)**	–
Balance - end of year	**52,974**	53,191

During 2012 Light & Power Holdings Ltd. purchased a 100% interest at a purchase price of $51.9 million in Emera St. Lucia Limited, a holding company established to carry the investment in St. Lucia Electricity Services Limited (“LUCELEC”). Light & Power Holdings Ltd. effectively holds 19.1% of the shareholding of LUCELEC as at December 31, 2013 and 2012. LUCELEC is a vertically integrated electric utility company serving more than 60,000 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 as at December 31 2013, LUCELEC would have been carried at $23.9 million in the consolidated financial statements. The results of its principal associates and its assets and liabilities are as follows:

Name	Current Assets $	Non-current Assets $	Current Liabilities $	Non-current Liabilities $
2013	**91,912**	**267,484**	**36,647**	**154,195**
2012	102,346	271,668	53,923	164,378

	Total Revenue $	Net Profit $	Other Comprehensive Income $	Comprehensive Income $
2013	**246,770**	**19,430**	**(646)**	**18,784**
2012	254,854	21,346	634	21,980

(expressed in thousands of Barbados dollars)

7 Financial investments - available-for-sale

	2013 $	2012 $
Balance at beginning of year	**124,071**	106,353
Additions	**66,912**	43,887
Redemptions	**(57,294)**	(30,376)
Unrealised foreign exchange loss	**(113)**	(106)
	133,576	119,758
Change in fair value		
Gains/(losses) recognised in other comprehensive income during the year	**(4,196)**	3,982
Net gains/(losses) transferred from equity to finance income during the year (Note 12)	**8,566**	331
	4,370	4,313
Balance at end of year	**137,946**	124,071

There were no disposals or impairment provisions for financial investments in 2013 or 2012.

Available-for-sale financial assets include the following:

	2013 $	2012 $
Listed securities		
Common Shares	**21,837**	23,227
Mutual funds	**59,380**	47,321
Corporate Bonds, Debentures, Short and Medium term notes	**40,165**	39,289
Government Bonds	**16,564**	14,234
	137,946	124,071

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, 2013 the maturity profile of debt securities is as follows:

	2013 $	2012 $
Maturity within 1 year	**9,831**	21,208
Maturity in 1 - 5 years	**46,898**	32,315
	56,729	53,523

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

	2013 $	2012 $
Cash in hand and at bank	**32,323**	18,711
Short term investments	**116,966**	108,066
Cash and cash equivalents	**149,289**	126,777
Term deposits - Self Insurance Fund	**4,006**	8,024
Cash at bank - Self Insurance Fund	**624**	1,009
Cash resources	**153,919**	135,810

The interest rates on short-term investments range between 1.75% and 2.2% (2012 - 2.5% and 3.44%) 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 2.0% (2012 - 2.8%).

Short term investments of $34.3 million (2012 - $23.5 million) are held by commercial banks as collateral for Group borrowings. As at December 31, 2013, $14.1 million was held by Bank of Nova Scotia (2012 - $23.5 million) while $20.2 million (2012 - Nil) was held by CIBC FirstCaribbean International Bank. Short term deposits held as collateral decrease as principal repayments are made.

The cash and term deposits of $4.6 million (2012 - $9.0 million) held by the Self Insurance Fund are not available for use in the Group's operations.

9 Trade and other receivables

	2013 $	2012 $
Trade receivables	**89,215**	71,469
Less provision for impairment and discounts	**(2,957)**	(1,627)
Trade receivables, net	**86,258**	69,842
Other receivables	**6,715**	3,025
Prepayments	**8,630**	3,472
	101,603	76,339

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:

	2013 $	2012 $
Balance - beginning of year	**1,627**	1,477
Acquisition of DOMLEC	**151**	–
Increase in provision	**1,179**	150
Balance - end of year	**2,957**	1,627

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.

(expressed in thousands of Barbados dollars)

Direct write offs for impaired receivables to the statement of comprehensive income were $0.7 million (2012 - $1.2 million).

The ageing of trade and other receivables is as follows:

	2013 $		2012 $	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
Less than 30 days	**48,122**	**4,879**	43,510	2,487
31 - 60 days	**16,281**	**301**	13,782	149
61 - 90 days	**8,338**	**240**	5,792	7
Over 90 days	**16,474**	**1,295**	8,385	382
	89,215	**6,715**	71,469	3,025

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, 2013, trade receivables of $48.1 million (2012 - $43.5 million) were fully performing.

As of December 31, 2013, trade and other receivables of $42.9 million (2012 - $28.5 million) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

	2013 $		2012 $	
	Trade receivables $	**Other receivables $**	**Trade receivables $**	**Other receivables $**
31 - 60 days	**16,281**	**301**	13,782	149
61 - 90 days	**8,338**	**240**	5,792	7
Over 90 days	**16,474**	**1,295**	8,385	382
	41,093	**1,836**	27,959	538

10 Inventories

	2013 $	2012 $
Fuel	**11,056**	12,769
Materials and spares	**20,944**	12,454
Goods in transit	**629**	920
	32,629	26,143

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 (2012 - $3.8 million).

11 Share capital

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

Issued

	2013 $	2012 $
17,168,583 (2012 - 17,201,893) common shares	**114,734**	115,606

	2013		2012	
	No.	**$**	**No.**	**$**
Common shares				
Shares outstanding				
- beginning of year	**17,201,893**	**115,606**	17,228,816	116,313
Repurchased during the year	**(49,607)**	**(1,291)**	(49,877)	(1,297)
Issued during the year	**16,297**	**419**	22,954	590
Balance - end of year	**17,168,583**	**114,734**	17,201,893	115,606

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

49,607 common shares were repurchased during the year at $25.70 per share (2012 – $25.70 per share).

12 Other reserves

	2013 $	2012 $
i) Capital reserve		
Balance - beginning and end of year	**109,522**	109,522
ii) Self Insurance Fund		
Balance - beginning of year	**133,079**	127,324
Transfer from retained earnings	**4,035**	1,442
(Loss)/gain recognised recognised in other comprehensive income during the year	**(4,196)**	3,982
Net gains transferred from equity to finance income during the year (Note 7)	**8,566**	331
Balance - end of year	**141,484**	133,079
Total other reserves	**251,006**	242,601

(expressed in thousands of Barbados dollars)

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

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

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

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

13 Borrowings

	2013 $	2012 $
Royal Bank of Canada BDS$19,174 (2012 - BDS$20,804) repayable by 2021 in monthly instalments of blended principal and interest at a rate of 6.5%.	**19,174**	20,804
Bank of Nova Scotia US$7,100 (2012 – US$11,833) repayable by 2015 in semi-annual instalments of blended principal and interest rate of 2.37%	**14,129**	23,459
First Caribbean International Bank (Bahamas) Ltd. US$10,100 repayable by 2028 in semi-annual instalments of blended principal and interest at a rate of 4.05%	**20,099**	–
European Investment Bank - Protocol 111 Repaid in 2013 (2012 - US$3,894)	**–**	7,896
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
First Caribbean International Bank (Cayman) Ltd. US$2,000 (2012 - US$3,000) repayable by 2015 in semi-annual instalments of $0.5 million at a rate of 5.985%.	**4,055**	6,083
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
National Commercial Bank of Dominica EC$41,025 repayable by 2021 in monthly instalments of blended principal at an interest rate of 5.75%	**30,392**	–
Total long term borrowings excluding preference shares	**127,849**	98,242
Redeemable 5.5% cumulative redeemable preference shares interest payable semi-annually	**500**	500
Add: Accrued interest on long term loans	**325**	125
Less: Issue costs of long term loans	**(219)**	(280)
Total long term borrowings	**128,455**	98,587
Less: Current portion including accrued interest	**(18,697)**	(21,509)
Non-current portion	**109,758**	77,078

Barbadian dollar borrowings and the First Caribbean International Bank (Cayman) Ltd. United States dollar loan are secured under a Debenture Trust Deed, which creates a first and floating charge on the present and future property of subsidiary company The Barbados Light & Power Company Limited. The Debenture Trust Deed restricts the subsidiary company from issuing debentures ranking pari passu with the floating charge created, unless The Barbados Light & 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 2013 and 2012.

United States borrowings from The Bank of Nova Scotia and First Caribbean International Bank (Bahamas) Ltd. are secured by collateral in the form of short term deposits held by the lending institution. Funds held as collateral were $34.4 million as at December 31, 2013 (2012 - $23.7 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 European Investment Bank loan was guaranteed by the Government of Barbados.

The holders of the redeemable 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:

	2013 $	2012 $
Less than 1 year	**18,141**	25,683
Between 1 and 2 years	**13,741**	13,097
Between 2 and 5 years	**23,117**	7,972
Over 5 years	**72,850**	51,490
Total	**127,849**	98,242

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

	Carrying amount		Fair value	
	2013 $	2012 $	2013 $	2012 $
Borrowings	**109,433**	76,953	**110,956**	74,295

The fair values are based on cash flows discounted using a rate based on the most recent borrowing rate of 6.85% (2012 - 6.85%) for Barbadian dollar denominated borrowings, 4.31% (2012 – 2.37%) for United States dollar denominated borrowings and 5.75% for Eastern Caribbean dollar denominated borrowings.

(expressed in thousands of Barbados dollars)

14 Customers' deposits

Commercial and non-resident customers are required to pay a security deposit for energy connections that 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 (2012 - 8% per annum). For subsidiary Dominica Electricity Services Limited, interest accrued at a rate of 3% per annum.

	2013 $	2012 $
Balance - beginning of year	**33,338**	29,323
New deposits	**2,476**	3,362
Acquisition of DOMLEC	**2,739**	–
Deposits refunded	**(1,942)**	(1,624)
Net interest	**2,802**	2,277
Balance - end of year	**39,413**	33,338

15 Deferred credits

	2013 $	2012 $
Accumulated investment tax credit	**19,186**	19,938
Accumulated manufacturing tax credit	**19,615**	20,020
Customer contributions for work not yet started	**2,766**	1,700
Deferred Revenue – other	**499**	107
	42,066	41,765

16 Taxation

a) Corporation tax expense

	2013 $	2012 $
Current taxation	**1,190**	–
Deferred tax	**5,148**	2,896
Taxation charge	**6,388**	2,896

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:

	2013 $	2012 $
Income before taxation	**60,600**	43,140
Corporation tax at 25% (2012 - 25%)	**15,150**	10,785
Effect of different tax rate in subsidiary 15% (2012 - 15%)	**(4,728)**	(4,288)
Effect of different tax rate in subsidiary 30%	**412**	–
Depreciation on assets not qualifying for capital allowances	**70**	74
Tourism development fund allowance	**(21)**	(21)
Environmental allowance	**(2)**	(5)
Tax loss on which the deferred tax asset is not recognised	**1,461**	1,275
Share of gain of associated company	**(869)**	(974)
Expenses not subject to tax	**(48)**	(4)
Income not subject to tax	**(1,030)**	(361)
Manufacturing allowance	**(1,698)**	(2,644)
Investment allowance	**(926)**	(940)
Loss/(gain) on sale not subject to tax	**47**	(1)
Gain on acquisition not subject to tax	**(1,368)**	–
Under provision	**(62)**	–
Tax charge for the year	**6,388**	2,896

b) Corporation tax payable

	2013 $	2012 $
Opening payable	**–**	–
Acquisition of DOMLEC	**260**	–
Taxation	**6,388**	2,896
Deferred tax	**(5,148)**	(2,896)
Taxes paid	**(754)**	–
Corporation tax payable	**746**	–

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% (2012 - 15%) for subsidiary company Barbados Light & Power Company Limited and 30% for subsidiary company Dominica Electricity Services Limited. The movement on the account is as follows:

(expressed in thousands of Barbados dollars)

	2013 $	2012 $
Balance - beginning of year	**23,277**	20,381
Acquisition of DOMLEC	**13,005**	–
Transfer to the income statement - current year charge	**5,148**	2,896
Balance - end of year	**41,430**	23,277

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

	2013 $	2012 $
Accelerated tax depreciation	**250,672**	184,414
Taxed provisions	**(21,896)**	(20,632)
Unutilised tax losses	**–**	(8,602)
	228,776	155,180
Deferred tax liability at corporation tax rate 15% (2012 - 15%)	**27,203**	23,277
Deferred tax liability at corporation tax rate 30%	**14,227**	–
Deferred tax liability	**41,430**	23,277

The Group has a deferred tax asset of $3.1 million (2012 - $2.7 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).

d) Tax losses

The group has tax losses of $12.4 million (2012 - $19.4 million) (of which all (2012 - $10.8 million) has not been recognised) available to be carried forward and applied against future taxable income. The losses are as computed by the Group in their tax returns. The losses and their expiry dates are as follows:

Income Year $	Losses b/fwd $	Incurred $	Losses utilised/expired $	Losses c/fwd $	Expiry date
2004	13	–	13	–	2013
2005	981	–	–	981	2014
2006	916	–	–	916	2015
2007	362	–	–	362	2016
2008	9,243	–	(8,603)	640	2017
2009	841	–	–	841	2018
2010	1,034	–	–	1,034	2019
2011	1,779	–	–	1,779	2020
2012	4,263	–	–	4,263	2021
2013	**–**	**5,055**	**(3,509)**	**1,546**	**2022**
	19,432	**5,055**	**(12,099)**	**12,362**	

17 Provisions for other liabilities and charges

	Bonuses and Compensation 2013 $	Bonuses and Compensation 2012 $
At beginning of year	**3,624**	4,091
Acquisition of DOMLEC	**524**	–
Charged to income		
- Additional provisions	**5,338**	4,990
- Unused amounts reversed	**(781)**	(1,012)
Used during year	**(3,340)**	(4,445)
At end of year	**5,365**	3,624

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

	2013 $	2012 $
Trade payables	**43,126**	36,302
Accrued expenses	**28,848**	25,073
Social security and other taxes	**7,442**	6,948
	79,416	68,323

19 Acquisition of Dominica Electricity Services Limited

On April 10, 2013 the Group acquired a 51.91% interest in Dominica Electricity Services Limited ("DOMLEC"). DOMLEC is the sole electric utility in the Commonwealth of Dominica, serving 34,000 customers. DOMLEC operates in a fully liberalised sector and its principal activities include the generation, distribution and transmission of electricity. DOMLEC is listed on the Eastern Caribbean Securities Exchange and falls under the jurisdiction of the Eastern Caribbean Regulatory Commission. The Group acquired DOMLEC as part of its strategy to build a Caribbean business focused on growth in the regional energy and utility markets.

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

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

(expressed in thousands of Barbados dollars)

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

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

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

From the date of acquisition, DOMLEC has contributed $53.0 million of revenue and $8.2 million to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $73.3 million and the profit before tax from continuing operations for the Group would have been $9.6 million.

20 Due to parent companies

Amounts due to parent companies include $2.2 million due to Emera Inc. the ultimate parent (2012 - $1.2 million) and $1.2 million due to Emera Caribbean Ltd. an indirect parent (2012 - Nil). These amounts represent expenses paid on the Group's behalf by the respective entities.

21 Segment information

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

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

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

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 year ended December 31, 2013 is as follows:

	BLPC $	**Self insurance $**	**Holding Company**	**DOMLEC $**	**Other Companies $**	**Total 2013 $**
Segment revenue	**571,446**	**–**	**–**	**53,026**	**–**	**624,472**
Inter-segment revenue	–	–	–	–	–	–
Revenue from external customers	**571,446**	**–**	**–**	**53,026**	**–**	**624,472**
Inter-segment transfers	(1,600)	(1,600)	–	–	–	–
Investment income	615	3,638	2,001	–	440	6,694
EBT	47,282	4,035	12,981	8,248	7,469	80,015
Depreciation	36,075	–	41	3,651	17	39,784
Interest expense	7,833	–	27	1,359	1,474	10,693
Income tax credit	3,926	–	–	2,462	–	6,388
Share of income from associate company	–	–	3,477	–	–	3,477
Segment profit	**43,356**	**4,035**	**12,981**	**5,785**	**7,469**	**73,626**
Total assets	**717,921**	**142,577**	**240,662**	**113,535**	**165,001**	**1,379,696**
Property, plant and equipment	560,608	–	191	87,931	12,376	661,406
Total liabilities	**243,389**	**1,091**	**4,305**	**57,861**	**36,096**	**342,942**

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

- LPH Real Estate Limited
- LPH Renewable Energy Limited
- LPH Caribbean Limited
- Emera St. Lucia Limited
- Dominica Power Holdings Ltd.

(expressed in thousands of Barbados dollars)

The segment information for the year ended December 31, 2012 is as follows:

	BLPC $	Self insurance $	Holding Company $	Other Companies $	Total 2013 $
Segment revenue	**593,168**	**–**	**–**	**–**	**593,168**
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	**593,168**	**–**	**–**	**–**	**593,168**
Inter-segment transfers	(1,600)	1,600	–	–	–
Investment income	975	1,199	–	–	2,174
EBT	42,881	1,442	37,751	(831)	81,243
Depreciation	39,765	–	12	–	39,777
Interest expense	7,635	–	27	501	8,163
Income tax credit	2,896	–	–	–	2,896
Share of income from associate company	–	–	3,897	–	3,897
Segment profit	**39,985**	**1,442**	**37,751**	**(831)**	**78,347**
Total assets	**693,578**	**133,103**	**235,472**	**117,240**	**1,179,393**
Property, plant and equipment	569,835	–	99	12,313	582,247
Total liabilities	**244,401**	**22**	**2,297**	**23,699**	**270,419**

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

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

	2013 $	2012 $
Reportable segments	**80,015**	81,243
Share of income of associated company	**3,477**	3,897
Gain on bargain acquisition	**5,473**	–
Eliminations	**(28,365)**	(42,000)
Income before taxation	**60,600**	3,140

The amounts provided to the BOD 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.

	2013 $	2012 $
Segment assets for reportable segments	**1,379,696**	1,179,393
Eliminations	**(242,824)**	(184,124)
Total assets per consolidated balance sheet	**1,137,872**	995,269

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

	2013 $	2012 $
Reported segment liabilities for reportable segments	**342,742**	270,419
Unallocated:		
Eliminations	**(2,493)**	–
Total liabilities per consolidated balance sheet	**340,248**	270,419

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:

	2013 $	2012 $
Large power	**121,643**	126,831
Secondary voltage power	**206,350**	216,950
Domestic service	**205,016**	187,366
General service	**37,785**	39,281
Street lighting	**8,446**	6,807
Commercial	**29,063**	–
Time of use	**13,073**	13,489
Miscellaneous	**3096**	2,444
Total revenue	**624,472**	593,168

Revenue of approximately $80.7M (2012 - $82.4 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.

22 Expenses by nature

	2013 $	2012 $
Fuel	**399,234**	397,529
Maintenance of plant	**23,120**	18,367
Employee benefits (excluding amounts charged to capital projects)	**57,177**	51,546
Depreciation	**39,784**	39,777
Insurance	**6,143**	4,957
Other expenses	**45,623**	37,556
Total operating expenses	**571,081**	549,732

Employee benefits comprise:

	2013 $	2012 $
Wages and salaries	**50,677**	47,315
Social security costs	**2,893**	2,575
Pension (note 26)	**7,994**	7,403
Other benefits and share discount	**2,805**	1,175
	64,369	58,468
Allocated as follows:		
Operating expenses	**57,177**	51,546
Capitalised	**7,192**	6,922
	64,369	58,468

23 Finance and other income

Finance and other income is comprised as follows:

	2013 $	2012 $
Finance income:		
Investment income - Self Insurance Fund	**3,638**	1,199
Interest income	**3,056**	2,777
	6,694	3,976
Other income:		
Revenue – Other	**1,101**	154
Manufacturer's and investment tax credit (Note 2.15)	**1,157**	(159)
Finance and other income	**8,952**	3,971

Light & Power Holdings Ltd.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2013
(expressed in thousands of Barbados dollars)

24 Related party transactions

Key management compensation

	2013 $	2012 $
Salaries and other short term benefits	**4,845**	6,273
Directors' fees	**202**	133
Pension	**762**	833
Share discount	**36**	49
	5,845	7,288

Other related party transactions

During the year the Group engaged in transactions with its ultimate parent Emera Inc. as well as with intermediate parent Emera Caribbean Ltd. These transactions involved the rendering of services to the Group by Emera Inc. as well as the settlement of liabilities on the Group's behalf. Total transactions with Emera Inc. totalled $2.6 million for 2013 (2012 - $2.7 million. Transactions with Emera Caribbean Ltd. involved the settlement of liabilities of $1.2 million (2012 – Nil) on the Group's behalf.

During 2013 the Group also had transactions with Grand Bahama Power Company a related company which is not a member of the Group. Transactions with Grand Bahama Power involved the settlement of liabilities by the Group on the Company's behalf. Transactions with Grand Bahama Power in the current year totalled $74 thousand (2012 – Nil).

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

	2013 $	2012 $
Due to Emera Inc. (Note 20)	**2,181**	1,500
Due to Emera Caribbean Ltd. (Note 20)	**1,171**	–
Due from Grand Bahama Power Company	**74**	–

The amounts outstanding are unsecured 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.

25 Earnings per share

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

	2013 $	2012 $
Net income for the year	**54,212**	40,244
Less: Income from Self Insurance Fund - restricted	**(3,496)**	(1,008)
Less: Income attributable to non-controlling interests	**(2,782)**	–
Profit attributable to equity holders of the Company	**47,937**	39,236
Weighted average number of common shares	**17,165,489**	17,230,340
Basic earnings per share (cents)	**279.25**	227.7

(expressed in thousands of Barbados dollars)

26 Retirement benefits

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

a) pay the employee benefits directly when they fall due; or
b) pay for the benefits if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.

In light of the above, and due to the fact that benefits due to employees would have been secured by the prior payment of premiums, and the insurer has sole responsibility for paying the benefits, the plan has been accounted for as if it were a defined contribution plan as allowed by IAS 19. Subsidiary Dominica Electricity Services Limited operates a defined contribution plan. Pension cost to the Group for the year was $8.0 million (2012 - $7.4 million)

27 Bank overdraft facilities

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

Subsidiary company Dominica Electricity Services Limited entered into a credit agreement with National Bank of Dominica on October 24, 2011 to create a loan facility in the maximum aggregate principal amount of $83.6 million. Included under the facility is an overdraft facility with a limit of EC$3 million.

28 Capital commitments

The Group has budgeted capital expenditure of $115.1 million (2012- $29.9 million) for the 2014 income year of which $9.5 million (2012- $5.8 million) was contracted for at December 31, 2013.

29 Contingent liabilities

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

30 Subsidiary companies

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

31 Subsequent events

In February 2014 the Directors declared a dividend of fourteen cents (14¢) per share to be paid on March 14, 2014.

Corporate Information

Board of Directors

Ms. Sarah R. MacDonald	- Executive Chairman
Mr. Peter W.B. Williams	- Managing Director
Mr. Robert Bennett	- Director
Mr. Ian Carrington	- Director
Ms. Sharon L. Christopher	- Director
Mr. Richard L.V. Edghill	- Director
Sir Henry deB. Forde, K.A., Q.C.	- Director
Mr. Andrew A. Gittens	- Director
Mr. Ernest L. Greaves	- Director
Mr. Christopher G. Huskilson	- Director
Ms. Teresa A. Marshall	- Director

Company Officers

Mr. Peter W.B. Williams	- Managing Director
Mr. Hutson R. Best	- Chief Financial Officer
Ms. Kathy-Ann M. Christian	- Company Secretary & Legal Counsel

Management team

Mr. Peter W.B. Williams	- Managing Director
Mr. Hutson Best	- Chief Financial Officer
Mr. Wayne Yearwood	- Manager Energy Services
Ms. Kathy-Ann M. Christian	- Company Secretary & Legal Counsel

Committees:

Governance Committee
Ms. Sharon L. Christopher
Mr. Richard L.V. Edghill
Sir Henry deB. Forde, K.A., Q.C.
Ms. Sarah R. MacDonald

Audit Committee
Mr. Ian Carrington
Ms. Sarah R. MacDonald
Mr. Ernest L. Greaves
Mr. Richard L.V. Edghill
Mr. Robert Bennett

Investment Committee
Mr. Andrew A. Gittens
Mr. Richard L.V. Edghill
Ms.Teresa A. Marshall
Mr. Christopher G. Huskilson
Ms. Sarah R. MacDonald
Mr. Robert Bennett

Human Resources and Compensation Committee
Mr. Ernest L. Greaves
Mr. Andrew A. Gittens
Ms. Sarah R. MacDonald
Ms. Sharon L. Christopher

Auditors
Ernst & Young

Attorneys-At-Law
Clarke Gittens Farmer
Carrington & Sealy

Bankers
RBC Royal Bank (Barbados) Ltd.

Registrar & Transfer Agent
The Barbados Central Securities Depository

Dividend Payments
The Board of Directors sets the record and payment dates for quarterly dividends.

In February 2014 the Directors declared a dividend of fourteen cents (14¢) per share that was paid on March 14, 2014.

Projected record dates for the remainder of 2014 are May, August 24 and November 23.

Projected payment dates for dividends declared during the remainder of 2014 are June 13, September 15 and December 15.

Common Stock
The common shares of Light & Power Holdings Ltd. are listed and traded on the Barbados Stock Exchange Inc.

Registered Office
Garrison Hill
St. Michael
Barbados

Notes

Notes

Light & Power Holdings Ltd.

Garrison Hill, Garrison, St. Michael, Barbados