

**The Barbados Light & Power Company Limited**

Non-consolidated Financial Statements

Year ended December 31, 2019  
(Expressed in Barbados Dollars)

# The Barbados Light & Power Company Limited

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholder of the Barbados Light & Power Company Limited**

#### **Report on the Audit of the Non-consolidated Financial Statements**

##### **Opinion**

We have audited the non-consolidated financial statements of The Barbados Light & Power Company Limited (“the Company”), which comprise the non-consolidated balance sheet as at December 31, 2019, and the non-consolidated statement of comprehensive income, non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

##### **Basis for Opinion**

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

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Non-consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the non-consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying non-consolidated financial statements.

##### **Responsibilities of Management for the Non-consolidated Financial Statements**

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

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

## **INDEPENDENT AUDITOR'S REPORT ....continued**

### **To the Shareholder of the Barbados Light & Power Company Limited**

#### **Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements**

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

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

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



## **INDEPENDENT AUDITOR'S REPORT ....continued**

### **To the Shareholder of the Barbados Light & Power Company Limited**

#### **Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements ...continued**

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

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Ernst & Young Ltd*

Barbados  
10 March 2020

# The Barbados Light & Power Company Limited

## Non-consolidated Balance Sheet

As of December 31, 2019

(expressed in Barbados dollars)

	2019	2018
	\$	\$
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment (Note 5)	691,767,064	635,131,290
Right of use asset (Note 19)	11,964,335	-
Non-current trade receivables (Note 7)	-	13,472,773
	<u>703,731,399</u>	<u>648,604,063</u>
<b>Current assets</b>		
Cash and cash equivalents (Note 6)	28,581,379	23,574,061
Trade and other receivables (Note 7)	79,294,529	63,512,818
Due from related parties (Note 16)	96,033	1,427,872
Corporation Tax refundable (Note 13)	240,169	-
Inventories (Note 8)	31,337,505	25,414,285
	<u>139,549,615</u>	<u>113,929,036</u>
<b>Total assets</b>	<u>843,281,014</u>	<u>762,533,099</u>
<b>Equity</b>		
Share capital (Note 9)	200,000,000	200,000,000
Retained earnings	325,262,353	326,820,550
<b>Total equity</b>	<u>525,262,353</u>	<u>526,820,550</u>
<b>Non-current liabilities</b>		
Borrowings (Note 10)	76,677,874	69,808,577
Customers' deposits (Note 11)	46,411,900	45,126,314
Deferred credits (Note 12)	41,240,649	44,431,339
Deferred tax liability (Note 13)	3,823,258	4,084,868
Long-term lease liability (Note 19)	11,497,755	-
	<u>179,651,436</u>	<u>163,451,098</u>
<b>Current liabilities</b>		
Trade and other payables (Note 14)	73,991,741	61,928,640
Provisions for other liabilities and charges (Note 15)	8,957,163	3,679,918
Borrowings (Note 10)	52,813,151	5,485,384
Corporation tax payable (Note 13)	-	1,167,509
Due to related parties (Note 16)	2,017,359	-
Short-term lease liability (Note 19)	587,811	-
	<u>138,367,225</u>	<u>72,261,451</u>
<b>Total liabilities</b>	<u>318,018,661</u>	<u>235,712,549</u>
<b>Total liabilities and equity</b>	<u>843,281,014</u>	<u>762,533,099</u>

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

Approved by the Board of Directors on February 20, 2020.

Director

Director

# The Barbados Light & Power Company Limited

## Non-consolidated Statement of Changes in Equity

Year ended December 31, 2019

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(expressed in Barbados dollars)

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at December 31, 2017</b>	200,000,000	269,415,834	469,415,834
Total comprehensive income for the year	-	69,404,716	69,404,716
Dividends paid (\$0.20 per share)	-	(12,000,000)	(12,000,000)
<b>Balance at December 31, 2018</b>	200,000,000	326,820,550	526,820,550
Total comprehensive income for the year	-	53,441,803	53,441,803
Dividends paid (\$0.92 per share)	-	(55,000,000)	(55,000,000)
<b>Balance at December 31, 2019</b>	<b>200,000,000</b>	<b>325,262,353</b>	<b>525,262,353</b>

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

# The Barbados Light & Power Company Limited

Non-consolidated Statement of Comprehensive Income

Year ended December 31, 2019

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(expressed in Barbados dollars)

	2019 \$	2018 \$
<b>Operating revenue</b> (Note 17)	<b>483,031,907</b>	492,673,056
<b>Operating expenses</b> (Note 18)		
Fuel	279,734,766	292,607,365
Generation	36,490,311	36,295,250
General	47,707,055	39,632,386
Distribution	10,032,448	10,461,787
Depreciation (Note 5)	46,156,736	49,086,418
Depreciation of right of use asset (Note 19)	440,403	-
Insurance	5,803,861	5,173,124
	<b>426,365,580</b>	433,256,330
<b>Operating income</b>	<b>56,666,327</b>	59,416,726
Finance and other income (Note 20)	3,924,456	(618,206)
Finance and other costs	<b>(6,405,161)</b>	(5,634,068)
<b>Income before taxation</b>	<b>54,185,622</b>	53,164,452
Taxation (Note 13)	<b>(743,819)</b>	16,240,264
<b>Net income and total comprehensive income for the year</b>	<b>53,441,803</b>	69,404,716

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



# The Barbados Light & Power Company Limited

## Non-consolidated Statement of Cash Flows

Year ended December 31, 2019

(expressed in Barbados dollars)

	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Income before taxation	54,185,622	53,164,452
Adjustments for non-cash items:		
Depreciation (Note 5)	46,156,736	49,086,418
Depreciation of right of use asset (Note 19)	440,403	-
Gain on disposal of property, plant and equipment	(18,043)	(62,894)
Finance income (Note 20)	(389,080)	(350,823)
Finance and other costs	6,405,161	5,634,068
Net change in deferred revenue	(3,190,690)	1,687,162
Net change in provisions for other liabilities and charges	5,277,244	(1,169,636)
<b>Cash flows from operations before working capital changes</b>	<b>108,867,353</b>	<b>107,988,747</b>
Increase in trade and other receivables (Note 7)	(15,781,711)	(2,478,714)
Increase in inventories (Note 8)	(5,923,220)	(4,134,050)
Increase/ (decrease) in trade and other payables (Note 14)	12,063,101	(13,290,185)
Decrease/ (increase) in related party balances (Note 16)	3,349,198	(436,701)
Cash generated from operations	102,574,721	87,649,097
Corporation tax paid (Note 13)	(2,413,107)	(3,339,664)
Interest paid	(7,817,659)	(5,720,068)
Net cash from operating activities	<b>92,343,955</b>	<b>78,589,365</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment (Note 5)	(102,858,507)	(54,201,632)
Proceeds on disposal of property, plant and equipment	51,532	112,999
Decrease/ (increase) in non-current trade receivables (Note 7)	13,472,773	(13,472,773)
Interest received- other	389,080	350,823
Net cash used in investing activities	<b>(88,945,122)</b>	<b>(67,210,583)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	63,351,974	-
Repayment of borrowings (Note 10)	(8,061,583)	(5,067,593)
Dividends paid	(55,000,000)	(12,000,000)
Customers' contributions to property, plant and equipment	32,508	718,133
Customers' deposits (Note 11)	1,285,586	807,962
Net cash from/ (used in) financing activities	<b>1,608,485</b>	<b>(15,541,498)</b>
Net increase/ (decrease) in cash and cash equivalents	<b>5,007,318</b>	<b>(4,162,716)</b>
Cash and cash equivalents – beginning of the year	<b>23,574,061</b>	<b>27,736,777</b>
Cash and equivalents – end of year (Note 6)	<b>28,581,379</b>	<b>23,574,061</b>

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 1. General information

The Barbados Light & Power Company Limited (the “Company”) is a limited liability company incorporated under the Laws of Barbados. The principal activity is that of generation, distribution and supply of electricity. The Company is governed by the Electric Light & Power Act (2013) and regulated by the Fair Trading Commission Act Cap.326B and the Utilities Regulation Act Cap.282.

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

### Parent company

The Barbados Light & Power Company Limited is a wholly-owned subsidiary of Emera (Caribbean) Incorporated, (ECI) a company incorporated under the laws of Barbados.

The ultimate parent of the Company is Emera Inc., an energy and services company registered in Canada. At December 31, 2019 ownership in ECI stood at 100 percent (2018 – 100 percent).

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these non-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

These non-consolidated financial statements of The Barbados Light & Power Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention as issued by the International Accounting Standards Board (IASB).

The preparation of non-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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the non-consolidated financial statements are disclosed in Note 4.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.1 Basis of preparation ...continued

#### 2.1.1 Changes in accounting policy and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of January 1, 2019. Unless otherwise noted, the adoption of the revised standard did not have a significant change on the non-consolidated financial statements of the Company.

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.1 Basis of preparation ...continued

#### 2.1.1 Changes in accounting policy and disclosures ...continued

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

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

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

The company also elected to use the exemptions provided by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value e.g. personal computers or small items of office furniture.

Additional processes and controls were implemented to facilitate the identification, tracking and reporting of potential leases based on the requirements of the standard. Significant updates to systems were not required.

All leases held by the company were classified as operating leases before the adoption of IFRS 16. The adoption of the standard resulted in right of use assets and lease liabilities of \$12.5 million as at January 1, 2019. There was no impact to opening retained earnings as at January 1, 2019 and no material impact on the company's net income or cash flows on adoption of the new standard.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.1 Basis of preparation ...continued

#### 2.1.1 Changes in accounting policy and disclosures ...continued

##### *c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2019 and not early adopted*

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the company's operations. The company has not early adopted the new standards, amendments and interpretations:

- **IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'**, amended October 2018. The amendment revises the definition of 'material'. The new definition states information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment is effective for annual statements beginning on or after January 1 2020 and it is not expected to have an impact on the non-consolidated financial statements.
- **IFRS 3 'Business combinations'**, issued October 2018. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Here the amendments narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. The amendments also added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment will not have an impact on the non-consolidated financial statements of the company.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.2 Non-consolidation

These non-consolidated financial statements contain information about the Company as an individual company. They do not reflect the generally accepted accounting principle of consolidation of the accounts of the Company and the special purpose entity, The Barbados Light & Power Self Insurance Fund. The consolidated financial statements of Emera (Caribbean) Incorporated, its subsidiary companies and the special purpose entity have been prepared in accordance with IFRS for presentation to the shareholder. The consolidated financial statements of ECI are available at the parent's registered office.

### 2.3 Foreign currency translation

#### *Functional and presentation currency*

Items included in the non-consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The non-consolidated financial statements are presented in Barbados dollars which is also the 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 exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-consolidated statement of comprehensive income.

### 2.4 Property, plant and equipment

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

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

The Company includes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, as part of the cost of that asset once the acquisition or construction period exceeds one year, until the asset is made available for service (Note 2.10).

Contributions received towards construction of electric plant are credited to the cost of work in progress or are shown as deferred credits in the case where construction has been completed.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.4 Property, plant and equipment...continued

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	1% - 10%
Transmission and distribution	2% - 6%
Other	2% - 17%

Capitalised spares are written down over the life of the associated plant using the reducing balance method.

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. Gains and losses on material disposals of motor vehicles and property are determined by comparing proceeds with carrying amounts.

The assets' residual value, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

### 2.5 Financial instruments

#### a) Classification of financial assets

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

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.5 Financial instruments...continued

#### b) Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company considers its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payments are 91 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### c) Derecognition of financial assets

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

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

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



# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.6 Impairment of non-financial assets

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

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

### 2.7 Cash and cash equivalents

Cash and cash equivalents includes cash held in hand, deposits held at call with banks and other short-term highly liquid investments purchased with maturity of three (3) months or less at the date of acquisition.

### 2.8 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 (Note 2.5b). In addition, a provision for discounts based on historical experience and adjusted for forward-looking factors, is created in anticipation of accounts that will be settled prior to the scheduled due date. The amount of the provision is recognised in the non-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 non-consolidated statement of comprehensive income.

### 2.9 Inventories

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.10 Borrowings

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowings are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.11 Trade payables

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

### 2.12 Share capital

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

### 2.13 Taxation

#### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the non-consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in other comprehensive income.

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 reporting 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 non-consolidated financial statements.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.13 Taxation...continued

Deferred income tax is determined using tax rates that have been enacted by the reporting 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 asset can be utilised.

### 2.14 Tax credits

#### Investment and manufacturing tax 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.

### 2.15 Customers' deposits

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

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.16 Revenue recognition

#### *Basic Revenue*

Basic revenues are recognized when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the sale of electricity are recognized at rates approved by the Fair Trading Commission and recorded based on metered usage, which occur on a periodic, systematic basis. At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. The Company's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of megawatt hours ("MWh") delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, weather, line losses and inter-period changes to customer classes.

#### *Fuel Revenue*

Fuel costs are passed to customers through the fuel clause adjustment mechanism which provides the opportunity to recover substantially all fuel costs required for the generation of electricity. The calculation of the fuel charge was approved by the Fair Trading Commission. The Company recognises fuel revenue on the basis of the amount recoverable for the accounting period.

#### *Miscellaneous Revenue*

Miscellaneous revenue is generated from the sale of goods and services which do not form part of the principal activity of generating, distributing and supplying of electricity. This includes pole and landing station rentals, office space rentals and service fees. Service fees are recognised as the various services are provided. Revenue for the rental of poles, landing station and office is recognised when the Company provides the assets for use by the customer or when the various services are provided.

Service fees are recognised as the various services are provided.

#### *Other*

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.17 Employee benefits

The Company operates a fully insured purchased annuity plan pension scheme. This scheme takes the form of a defined benefit scheme and pension costs are accounted for on the basis of contributions payable in the year. The Company pays an annual insurance premium to fund the post-employment benefit plan and will 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.

Since the benefits due to employees have been secured by the 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.

### 2.18 Employee Common Share Purchase Plan

The employees of the Company have the option to purchase the common shares of Emera Inc. Employees may contribute a minimum of \$25 Canadian dollars (CAD) per month or a maximum of \$8,000 CAD per fiscal year. The Company will contribute 20% or 10% at the end of each fiscal quarter depending on the level of investment made by the employee. The company's contribution is recognised as an expense which is included in employee benefits.

### 2.19 Bonus plans

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

### 2.20 Related parties

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

### 2.21 Provisions

Provisions are recognised when the Company 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.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

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

### 2.22 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's non-consolidated financial statements in the period in which the dividends are approved by the Board of Directors.

### 2.23 Leases

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

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

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

The lease liability is subsequently reduced for payments made and increased for interest on the lease liability, using the effective interest method. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. There were no lease reassessments or modifications in 2019.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3. Financial risk management

### 3.1 Financial instruments by category

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

The accounting policies for financial instruments have been applied to the items below:

#### Loans and receivables

	2019	2018
	\$	\$
<b>Assets as per non-consolidated balance sheet</b>		
Non-current receivables (Note 7)	-	13,472,773
Cash and cash equivalents (Note 6)	28,581,379	23,574,061
Trade and other receivables excluding prepayments (Note 7)	61,305,903	57,344,238
	<u>89,887,282</u>	<u>94,391,072</u>

#### Financial liabilities at amortised cost

	2019	2018
	\$	\$
<b>Liabilities as per non-consolidated balance sheet</b>		
Borrowings (Note 10)	130,261,705	75,240,131
Trade and other payables excluding statutory liabilities (Note 14)	69,313,851	55,361,161
Customer deposits (Note 11)	46,411,900	45,126,314
Lease liabilities	12,085,566	-
	<u>258,073,022</u>	<u>175,727,606</u>

### 3.2 Financial risk factors

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

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3. Financial risk management.....*continued*

### 3.1 Financial instruments by category .... *continued*

#### a) *Market risk*

##### i) *Foreign currency risk*

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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising primarily from foreign currency borrowings and purchases of plant, equipment and spares from foreign suppliers.

Borrowings have been formally fixed to the United States dollar (US\$) to limit exposure to fluctuations in foreign currency exchange rates, since there is a fixed exchange rate between the Barbados dollar and United States dollar. Additionally, most purchases are transacted in United States dollars. At December 31, 2019 borrowings of \$23,656,269 (2018 - \$26,359,842) are denominated in United States dollars.

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

##### ii) *Price risk*

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity (copper, aluminum) prices. Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand. The Company's financial position or performance is currently not vulnerable to this particular risk.



# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3. Financial risk management ...continued

### 3.2 Financial risk factors ... continued

#### a) Market risk ... continued

##### iii) Cash flow and fair value interest rate risk

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

As the Company has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates except as noted below.

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

The Company's borrowings are at fixed rates 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. Movement in the fair value of the Company's borrowings are not reflected in the income statement as they are carried at amortised cost.

The Company's interest rates on deposits and the terms of borrowings are disclosed in Notes 11 and 10, respectively.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

(expressed in Barbados dollars)

## 3. Financial risk management ...continued

### 3.2 Financial risk factors ...continued

#### b) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

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

Management monitors the Company's liquidity reserve which comprises undrawn borrowing facility to meet operational needs so that the Company does not break covenants (where applicable) on its borrowing facilities. Management monitors cash and cash equivalents (Note 6), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations.

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

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>At December 31, 2019</b>					
Borrowings	56,779,909	11,256,479	71,308,345	3,351,974	142,696,707
Trade and other payables	69,313,851	-	-	-	69,313,851
Customers' deposits	-	-	-	46,411,900	46,411,900
Lease liabilities	587,811	561,970	1,612,065	9,323,720	12,085,566
<b>Total liabilities</b>	<b>126,681,571</b>	<b>11,818,449</b>	<b>72,920,410</b>	<b>59,087,594</b>	<b>270,508,024</b>
Non-current trade receivables	-	-	-	-	-
Cash and cash equivalents	28,581,379	-	-	-	28,581,379
Trade and other receivables	79,294,529	-	-	-	79,294,529
<b>Assets held for managing liquidity</b>	<b>107,875,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,875,908</b>

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3 Financial risk management ...continued

### 3.2 Financial risk factors ...continued

#### b) Liquidity risk ...continued

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>At December 31, 2018</b>					
Borrowings	8,803,434	49,637,127	7,140,485	21,175,000	86,756,046
Trade and other payables	55,361,161	-	-	-	55,361,161
Customers' deposits	-	-	-	45,126,314	45,126,314
Total liabilities	<u>64,164,595</u>	<u>49,637,127</u>	<u>7,140,485</u>	<u>66,301,314</u>	<u>187,243,521</u>
Non-current trade receivables	3,848,345	5,131,127	5,093,301	-	14,072,773
Cash and cash equivalents	23,574,061	-	-	-	23,574,061
Trade and other receivables	<u>63,512,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,512,818</u>
Assets held for managing liquidity	<u>90,935,224</u>	<u>5,131,127</u>	<u>5,093,301</u>	<u>-</u>	<u>101,159,652</u>

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3 Financial risk management ...continued

### 3.2 Financial risk factors ...continued

#### c) Credit risk

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

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers, including outstanding receivables and committed transactions. The Company's bank deposits and financial instruments are placed with highly 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 conditions. Management does not believe significant credit risk exists at December 31, 2019. Further analysis of the company's trade receivables is disclosed in Note 7.

The maximum credit risk exposure is as follows:

	2019	2018
	\$	\$
Cash and cash equivalents (Note 6)	28,581,379	23,574,061
Trade and other receivables excluding prepayments (Note 7)	61,305,903	57,344,238
	<hr/>	<hr/>
	<b>89,887,282</b>	<b>80,918,299</b>

#### d) Underinsurance risk

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company, has established a "Self Insurance Fund" ("The Fund") in accordance with the Insurance Act – Insurance 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 Company 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.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3 Financial risk management ...continued

### 3.3 Capital risk management

The Company's objectives when managing capital are to safeguard its' ability to continue as a going concern and maintain an optimal capital structure to reduce the cost of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget annually for review and approval by the Board of Directors. The budget establishes the activities for the upcoming year and estimates costs of these activities.

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

The gearing ratios at December 31, 2019 and December 31, 2018 were as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Total borrowings (Note 10)	<b>130,261,703</b>	75,240,131
Total equity	<b>525,262,353</b>	526,820,550
Debt to equity ratio	<b>20%:80%</b>	13%: 87%

In accordance with the Trust deed securing certain borrowings the Company is required to ensure the ratio does not deteriorate below 50:50. The Company complied with the requirement under the Trust Deed in 2019 and 2018.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 3. Financial risk management ...continued

### 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 Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

## 4. Critical accounting estimates and judgements

### 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 Impairment of financial and non-financial assets

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

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

(expressed in Barbados dollars)

## 5 Property, plant and equipment

	Generation \$	Transmission and distribution \$	Other \$	Work in progress \$	Total \$
<b>For the year ended December 31, 2019</b>					
Opening net book amount	237,559,028	306,051,015	50,225,220	41,296,027	635,131,290
Additions and transfers	26,880,142	38,720,379	5,543,800	32,454,163	103,598,484
Retirals	(877,148)	74,249	(3,075)	-	(805,974)
Depreciation charge	(20,526,852)	(21,402,198)	(4,227,686)	-	(46,156,736)
<b>Closing net book Amount</b>	<b>243,035,170</b>	<b>323,443,445</b>	<b>51,538,259</b>	<b>73,750,190</b>	<b>691,767,064</b>
<b>At December 31, 2019</b>					
Cost	652,119,267	629,184,992	121,223,642	73,750,190	1,476,278,091
Accumulated depreciation	(409,084,097)	(305,741,547)	(69,685,383)	-	(784,511,027)
<b>Net book amount</b>	<b>243,035,170</b>	<b>323,443,445</b>	<b>51,538,259</b>	<b>73,750,190</b>	<b>691,767,064</b>
<b>For the year ended December 31, 2018</b>					
Opening net book amount	222,013,463	309,381,517	46,415,276	52,974,058	630,784,314
Additions and transfers	38,332,977	20,373,264	7,834,212	(11,678,031)	54,862,422
Retirals	(1,466,822)	40,346	(2,552)	-	(1,429,028)
Depreciation charge	(21,320,590)	(23,744,112)	(4,021,716)	-	(49,086,418)
<b>Closing net book amount</b>	<b>237,559,028</b>	<b>306,051,015</b>	<b>50,225,220</b>	<b>41,296,027</b>	<b>635,131,290</b>
<b>At December 31, 2018</b>					
Cost	636,324,673	602,874,820	116,306,673	41,296,027	1,396,802,193
Accumulated depreciation	(398,765,645)	(296,823,805)	(66,081,453)	-	(761,670,903)
<b>Net book amount</b>	<b>237,559,028</b>	<b>306,051,015</b>	<b>50,225,220</b>	<b>41,296,027</b>	<b>635,131,290</b>

No interest was capitalised in the years 2019 or 2018.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 6. Cash and cash equivalents

	2019 \$	2018 \$
Cash in hand and at bank	27,628,242	22,620,924
Short term bank deposits	953,137	953,137
	<hr/>	<hr/>
Cash in hand and at bank	<b>28,581,379</b>	<b>23,574,061</b>

## 7. Trade and other receivables

The amount disclosed as non-current was raised in the ordinary course of business and represents amounts agreed to be repaid after 12 months.

	2019 \$	2018 \$
Non-current trade receivables	-	14,072,733
Less: allowance for expected credit losses and discounts	-	(600,000)
	<hr/>	<hr/>
Non-current trade receivables, net	-	13,472,773
	<hr/>	<hr/>
	2019 \$	2018 \$
Trade receivables	52,083,220	55,373,784
Less: allowance for expected credit losses and discounts	(1,442,000)	(1,408,000)
	<hr/>	<hr/>
Trade receivables, net	50,641,220	53,965,784
Other receivables	10,664,683	3,378,454
Prepayments	17,988,626	6,168,580
	<hr/>	<hr/>
	<b>79,294,529</b>	<b>63,512,818</b>

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



# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

(expressed in Barbados dollars)

## 7. Trade and other receivables...continued

The movement in the allowance for expected credit losses and discounts was as follows:

	2019 \$	2018 \$
Balance - beginning of period	1,408,000	1,648,000
Increase/ (decrease) allowance for expected credit losses and discounts	<u>34,000</u>	<u>(240,000)</u>
Balance - end of period	<u>1,442,000</u>	<u>1,408,000</u>

Based on the historic trend and expected performance of customers, the Company believes that the above allowance for doubtful receivables sufficiently covers the risk of default. Direct write offs for impaired receivables to the non-consolidated statement of comprehensive income were \$467,684 (2018 - \$309,501).

The ageing of trade and other receivables is as follows:

	2019			2018		
	Trade receivables \$	Other receivables \$	Expected credit losses \$	Trade receivables \$	Other receivables \$	Expected credit losses \$
Less than 30 days	33,933,704	8,999,813	298,615	29,467,738	2,521,757	333,362
31 - 60 days	8,349,424	323,448	73,475	10,244,593	239,719	115,895
61 - 90 days	3,728,415	191,522	32,810	3,481,592	255,822	39,386
Over 90 days	6,071,677	1,149,900	53,431	12,179,861	361,156	137,788
	<u>52,083,220</u>	<u>10,664,683</u>	<u>458,331</u>	<u>55,373,784</u>	<u>3,378,454</u>	<u>626,431</u>

As of December 31, 2019, trade receivables and other receivables of \$42,933,517 (2018 - \$31,989,495) were fully performing.

Due to the nature of the business and based on historical information, some trade receivables that are more than 61 days past due are not considered impaired. As of December 31, 2019, trade and other receivables of \$11,141,514 (2018 - \$16,278,431) were past due but not impaired.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 8. Inventories

	2019	2018
	\$	\$
Fuel	10,202,630	10,425,778
Materials and spares	18,663,998	12,885,186
Goods in transit	2,470,877	2,103,321
	<u>31,337,505</u>	<u>25,414,285</u>

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of \$0 (2018 - 161,627).

## 9. Share capital

The share capital in the Company is represented by:

### 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

### Issued

	2019	2018
	\$	\$
60,000,000 (2018 - 60,000,000) common shares	<u>200,000,000</u>	<u>200,000,000</u>

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

(expressed in Barbados dollars)

## 10. Borrowings

	2019 \$	2018 \$
Bank of Nova Scotia USD 11,665,632 (2018 - USD 12,997,847) repayable in 2020 Interest is payable at a rate of 4.5% per annum	<b>23,656,269</b>	26,359,842
National Insurance Board - Debenture Stock Certificates (Total facility BDS\$20,000,000) repayable by 2020 Interest is payable semi-annually at a rate of 4.25% per annum	<b>20,000,000</b>	20,000,000
Royal Bank of Canada BBD 6,253,462 (2018 - BBD 8,880,289) repayable by 2022 In monthly installments of blended principal at 4% interest rate per annum	<b>6,253,462</b>	8,880,289
National Insurance Board - Debenture Stock Certificates (Total facility BDS\$20,000,000) repayable by 2025 Interest is payable semi-annually at a rate of 5.875% per annum	<b>20,000,000</b>	20,000,000
Bank of Nova Scotia BDS\$57,000,000 repayable by 2024 Interest is payable semi-annually at a rate of 2.25%	<b>57,000,000</b>	-
Government of Barbados LED Streetlight BDS\$3,351,974 repayable by 2029 Unsecured, Interest rate 0%	<b>3,351,974</b>	-
Total borrowings	<b>130,261,705</b>	75,240,131
Less transactions costs	<b>(1,194,481)</b>	(101,154)
Accrued interest	<b>423,801</b>	154,984
	<b>129,491,025</b>	75,293,961
Less current portion	<b>(52,813,151)</b>	(5,485,384)
Total long term borrowings repayable after one year	<b>76,677,874</b>	69,808,577

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 10. Borrowings ...continued

With the exception of the Government of Barbados LED streetlight loan, all long term loans are secured under a Debenture Trust Deed, which creates a first and floating charge on the Company's property, present and future. The Debenture Trust Deed restricts the Company from issuing debentures ranking pari passu with the floating charge created, unless the Company can meet the earnings coverage ratio and the equity/debt ratio set out in the Trust Deed. The Company 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 Company for 2019 and 2018.

The maturity of borrowings is as follows:

	2019	2018
	\$	\$
Less than 1 year	52,389,352	5,330,400
Between 1 and 2 years	8,895,380	46,389,352
Between 2 and 5 years	65,624,999	3,520,379
Over 5 years	3,351,974	20,000,000
Total	<u>130,261,705</u>	<u>75,240,131</u>

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

	<u>Carrying amount</u>		<u>Fair value</u>	
	2019	2018	2019	2018
	\$	\$	\$	\$
Borrowings	<u>77,872,355</u>	69,909,731	<u>50,754,528</u>	70,440,666

The fair value of current borrowings approximates their carrying value as the impact of discounting is not significant. The fair value is based on cash flows discounted using a rate based on the average borrowing rates of 4.18% (2018 - 4.66%).

As at December 31, 2019, the company had undrawn loan facilities with the Bank of Nova Scotia for \$110,000,000 (2018 - \$60,000,000).

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 11. Customers' deposits

Commercial and non-resident customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. Interest accrues on these deposits at a rate of 3.5% (2018 – 3.5%) per annum.

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance - beginning of year	<b>45,126,314</b>	44,318,352
New deposits	<b>2,053,591</b>	1,677,676
Deposits refunded	<b>(2,134,906)</b>	(2,236,659)
Net interest	<b>1,366,901</b>	1,366,945
	<hr/>	<hr/>
Balance - end of year	<b>46,411,900</b>	45,126,314

## 12. Deferred credits

	<b>2019</b>	<b>2018</b>
	\$	\$
Accumulated investment tax credit (Note 20)	<b>18,609,793</b>	20,026,540
Accumulated manufacturing tax credit (Note 20)	<b>19,740,451</b>	21,546,902
Customer contributions for work not yet started	<b>2,890,405</b>	2,857,897
	<hr/>	<hr/>
	<b>41,240,649</b>	44,431,339

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 13. Taxation

In December 2018, the Government of Barbados signed the Income Tax Amendment Act into legislation. The legislation reduces the company's tax rate from 15% in 2018 to approximately 2.63% in 2019 based on a sliding scale of 1% to 5.5%. As a result, BLPC recognized \$19 million in 2018 as a result of the remeasurement of its deferred income tax liability. In addition to the rate change, the new legislation removes investment allowances from the list of allowable deductions for tax purposes. The new legislation became effective January 1, 2019.

### a) Corporation tax expense

	2019	2018
	\$	\$
Current tax	1,005,429	2,838,290
Deferred tax credit	<u>(261,610)</u>	<u>(19,078,554)</u>
Tax charge / (credit)	<u>743,819</u>	<u>(16,240,264)</u>

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 5.5% (2018 -15%) for the following reasons:

	2019	2018
	\$	\$
Income before taxation	<u>54,185,622</u>	<u>53,164,452</u>
Corporation tax at 5.5% (2018 - 15%)	2,980,209	7,974,668
Depreciation on assets not qualifying for capital allowances	36,227	94,726
Manufacturing allowance net of deferred portion	(99,355)	(3,583,667)
Investment tax credit net of deferred portion	(77,921)	(1,541,318)
Effect of reduction in tax rate for deferred tax liability	(472,273)	(19,184,673)
Effect of difference in deferred tax rate verses theoretical rate	(285,360)	-
Effect of Sliding Scale Rate	(1,361,930)	-
Depreciation on right of use asset	<u>24,222</u>	<u>-</u>
Tax charge / (credit)	<u>743,819</u>	<u>(16,240,264)</u>

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 13. Taxation ...continued

### b) Corporation tax payable

	2019	2018
	\$	\$
Balance-beginning of year	1,167,509	1,668,882
Taxation charge	1,005,429	2,838,291
Taxes paid (net)	(2,413,107)	(3,339,664)
Corporation tax (receivable)/ payable	<u>(240,169)</u>	<u>1,167,509</u>

### c) Deferred tax liability

The net deferred tax liability is calculated in full on temporary differences under the liability method using a average effective tax rate of 2.34% (2018 - 2.63%). This rate was calculated based on future estimated tax expense and taxable income. The movement on the account is as follows:

	2019	2018
	\$	\$
Balance - beginning of year	4,084,868	23,163,422
Transfer to the non-consolidated statement of comprehensive income – current year credit	<u>(261,610)</u>	<u>(19,078,554)</u>
Balance - end of year	<u>3,823,258</u>	<u>4,084,868</u>

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

	2019	2018
	\$	\$
Accelerated tax depreciation	190,144,874	181,928,970
Taxed provisions	<u>(25,996,004)</u>	<u>(26,798,705)</u>
	<u>164,148,870</u>	<u>155,130,265</u>
Deferred tax liability at corporation tax rate 2.34% (2018 - 2.63%)	<u>3,823,258</u>	<u>4,084,868</u>

Accelerated tax depreciation and taxed provisions have no expiry dates.

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 14. Trade and other payables

	2019	2018
	\$	\$
Trade payables	29,942,865	23,189,028
Accrued expenses	39,370,986	32,172,133
Social security and other taxes	4,677,890	6,567,479
	<u>73,991,741</u>	<u>61,928,640</u>

## 15. Provisions for other liabilities and charges

	2019	2018
	\$	\$
<b>At beginning of year</b>	3,679,918	4,849,555
Additional provisions	11,618,328	3,199,724
Paid during the year	(6,341,083)	(4,369,361)
<b>At end of year</b>	<u>8,957,163</u>	<u>3,679,918</u>

The provision for other liability and charges relate to employee benefits and other customer related costs.

## 16. Related party transactions – Unsecured, interest free and repayable on demand

The Company is controlled by Emera (Caribbean) Incorporated, (the Parent) which owns 100% of the Company's shares.

- i) The following transactions occurred with related parties:  
Key management compensation:

	2019	2018
	\$	\$
Salaries and other short term benefits	2,247,773	2,109,368
Pension	297,174	285,192
Directors' Fees	50,000	75,000
	<u>2,594,947</u>	<u>2,469,560</u>



# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

(expressed in Barbados dollars)

## 16. Related party transactions...continued

### ii) Year end balances arising from the above transactions:

	2019	2018
	\$	\$
<b>Due from related parties</b>		
Due from Grand Bahamas Power Company	-	6,962
Due from Emera Caribbean Renewables Limited	<b>96,033</b>	-
Due from Emera (Caribbean) Incorporated	-	1,412,319
Due from Emera Inc.	-	8,591
	<b>96,033</b>	<b>1,427,872</b>
<b>Due to related parties</b>		
Due to Emera Inc.	<b>15,410</b>	-
Due to Emera (Caribbean) Incorporated	<b>2,001,950</b>	-
	<b>2,017,360</b>	-

## 17. Operating revenue

An analysis of revenue by customer base is detailed as follows:

	2019	2018
	\$	\$
Large power	<b>97,764,976</b>	101,661,615
Secondary voltage power	<b>171,402,298</b>	177,493,171
Domestic service	<b>160,719,298</b>	160,703,663
General service	<b>30,041,991</b>	31,215,212
Street lighting	<b>5,922,344</b>	5,789,575
Time of use	<b>10,100,221</b>	11,126,176
Miscellaneous	<b>7,080,779</b>	4,683,644
<b>Total revenue</b>	<b>483,031,907</b>	<b>492,673,056</b>

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

(expressed in Barbados dollars)

## 18. Expenses by nature

	2019	2018
	\$	\$
Fuel	279,734,766	292,607,365
Depreciation (Note 5)	46,156,736	49,086,418
Depreciation of right of use asset	440,403	-
Maintenance of plant	14,991,081	14,726,521
Employee benefits (excluding amounts capitalised)	38,450,905	38,223,658
Insurance	5,803,861	5,173,124
Other expenses	40,787,828	33,439,244
	<hr/>	<hr/>
Total operating expenses	426,365,580	433,256,330

### Employee benefits comprise:

	2019	2018
	\$	\$
Wages and salaries	39,035,508	38,700,807
Social security costs	2,638,027	2,324,363
Pension expense (Note 2)	5,556,378	5,308,697
Other benefits including share discount	840,845	951,081
	<hr/>	<hr/>
	48,070,758	47,284,948

Allocated as follows:

	2019	2018
	\$	\$
Operating expenses	38,450,905	38,223,658
Capitalised	9,619,853	9,061,290
	<hr/>	<hr/>
	48,070,758	47,284,948

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 19. Leases

The Company has leases for land and commercial space. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Current leases have remaining lease terms of 3 years to 28 years.

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

	Right-of-use Assets	
	Land	Lease liability
	\$	\$
As at January 1, 2019	12,404,738	12,404,738
Additions	-	-
Depreciation expense	(440,403)	-
Interest expense	-	275,828
Payments	-	(59,500)
Accrued	-	(535,500)
As at December 31, 2019	<u>11,964,335</u>	<u>12,085,566</u>

No right-of-use assets were subleased and there were no variable lease payments or sale-and-lease-back transactions for the year ended December 31, 2019. The following amounts were recognised within general expenses in the statement of comprehensive income:

	2019	2018
	\$	\$
Expense relating to short-term leases	265,800	228,700

The maturity of lease liabilities is as follows:

	2019	2018
	\$	\$
Less than 1 year	587,811	-
Between 1 and 2 years	561,970	-
Between 2 and 5 years	1,612,065	-
Over 5 years	<u>9,323,720</u>	-
Total	<u>12,085,566</u>	-

# The Barbados Light & Power Company Limited

Notes to the Non-consolidated Financial Statements

Year ended December 31, 2019

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(expressed in Barbados dollars)

## 20. Finance and other income

Finance and other income is comprised as follows:

	2019	2018
	\$	\$
Finance income	389,080	350,823
Other income	312,178	-
Deferred investment tax credit	1,416,748	(146,358)
Deferred manufacturing tax credit	1,806,450	(822,671)
	<u>3,924,456</u>	<u>(618,206)</u>

## 21. Retirement benefits

Pension expense for the year amounted to \$5,556,378 (2018 - \$5,308,697).

## 22. Bank Overdraft facilities

The Company renewed its agreement with Royal Bank of Canada on March 14, 2013 to create a debenture for \$15,000,000. This was issued in accordance with the provisions of the Debenture Trust Deed (Note 10) to secure overdraft facilities granted to the Company.

## 23. Commitments

### a) Capital commitments

The Company has \$90,414,490 (2018 - \$14,406,222) in capital commitments as at December 31, 2019.

### b) Standby Letter of Credit

The company has a standby letter of credit in the amount of \$27.8 million USD. This letter of credit is for a term of one year and can be renewed annually as required.

## 24. Contingent liabilities

The Company is contingently liable in respect of various claims brought during the normal course of business. The amounts are considered negligible and are usually covered by insurance.

# The Barbados Light & Power Company Limited

## Operating Statistics

Year ended December 31, 2019

(expressed in Barbados dollars)

		2019	2018	2017	2016	2015	2014
<b>GENERATING PLANT (Megawatts)</b>							
Installed capacity	Steam	40.0	40.0	40.0	40.0	40.0	40.0
	Diesel	125.1	113.1	113.1	113.1	113.1	113.1
	Gas turbine	86.0	86.0	86.0	86.0	86.0	86.0
	Solar PV	10.0	10.0	10.0	10.0	-	-
	<b>TOTAL</b>	<b>261.1</b>	<b>249.1</b>	<b>249.1</b>	<b>249.1</b>	<b>239.1</b>	<b>239.1</b>
<b>PEAK DEMAND</b>		150.5	152.3	159.1	157.3	155.2	152.4
<b>GENERATION AND SALES (GWh)</b>							
Gross generation	Steam	25.0	192.6	109.2	142.7	207.0	176.5
	Diesel	683.5	604.8	648.9	622.1	667.7	643.6
	Gas turbine	284.0	196.5	244.8	254.7	135.7	177.6
	Temp. Gen	0.0	-	6.0	-	-	-
	Solar PV	18.9	18.3	18.0	8.9	-	-
	Battery	1.8	2.7	-	-	-	-
	<b>TOTAL</b>	<b>1,013.2</b>	<b>1,014.9</b>	<b>1,026.9</b>	<b>1,028.4</b>	<b>1,010.4</b>	<b>997.7</b>
Net generation		1,013.7	996.2	1009.1	989.6	986.5	963.8
Sales (GWh's)	Domestic	328.9	319.8	324.1	321.0	307	300.7
	Commercial	618.8	622.7	619.9	622.7	608	599.6
	<b>TOTAL</b>	<b>947.7</b>	<b>942.5</b>	<b>944.0</b>	<b>943.7</b>	<b>915</b>	<b>900.3</b>
Load factor (%)		79.4	78.0	75.1	76.4	75.6	75.1
Losses (%)		6.68	5.2	6.2	6.9	6.9	6.2
<b>NUMBER OF CUSTOMERS AT YEAR END</b>							
	Domestic	114,550	113,654	112,054	109,947	109,181	108,767
	Commercial	16,308	16,331	17,058	16,425	17,009	17,224
		<b>130,858</b>	<b>129,985</b>	<b>129,112</b>	<b>126,372</b>	<b>126,190</b>	<b>125,991</b>
<b>No. of Streetlights</b>		32,886	32,432	32,550	30,884	30,886	28,361