

**SECURITIES ACT 2001**

**SECURITIES (ACCOUNTING AND FINANCIAL REPORTS) RULES NO. 1  
OF 2002**

**Schedule 1**

**FORM ECSRC – K**

**ANNUAL REPORT PURSUANT TO SECTION 98 OF THE SECURITIES ACT  
OF 2001**

For the financial year ended 31<sup>st</sup> December 2014

Issuer Registration number: LUCELEC09091964SL

St. Lucia Electricity Services Limited  
(Exact name of reporting issuer as specified in its charter)

Saint Lucia  
(Territory of incorporation)

John Compton Highway, Sans Soucis, Castries, Saint Lucia  
(Address of principal office)

Reporting issuer's:

Telephone number (including area code): 758-457-4400

Fax number: 758-457-4409

Email address: lucelec@candw.lc

(Provide information stipulated in paragraphs 1 to 15 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by  
Sections 98 of the Securities Act of 2001 during the preceding 12 months

Yes  \_\_\_\_\_

No \_\_\_\_\_

Indicate the number of outstanding shares of each of the reporting issuer's  
classes of common stock, as of the date of completion of this report.

<b>CLASS</b>	<b>NUMBER</b>
Ordinary shares	22,400,000
Non-voting ordinary shares	520,000

**SIGNATURES**

Name of Chief Executive Officer

Name of Director:

Trevor M. Louisy

Matthew C. Matruvin

  
Signature

  
Signature

6<sup>th</sup> May 2015  
Date

29<sup>th</sup> April 2015  
Date

## ST. LUCIA ELECTRICITY SERVICES LIMITED

### INFORMATION TO BE INCLUDED IN THE 2014 ANNUAL REPORT TO THE ECSRC

#### 1 **BUSINESS**

The Company is at a critical point in its development as there is limited scope for growth in electricity demand at this time. Demand is largely driven by factors outside of the Company's immediate control, such as the levels of local and foreign investment and Government policies, amongst others. Amidst this business environment, the Government of Saint Lucia's (GOSL) regulatory reform agenda was accelerated with the circulation of various draft amendments to the existing legislation; the Company likewise accelerated its preparations for the new operating environment.

The approved National Energy Policy continued to be the guide for the formulation of development plans for the Company. The Policy, which among other objectives has set targets (20%) for the inclusion of renewable energy into the country's generation portfolio. The Prime Minister in a recent statement indicated that he was increasing that figure to 35%. The GOSL however continued to promote the use of alternative sources of energy, by both businesses and households, to reduce electricity consumption from fossil fuels.

The proposed revision to the Electricity Supply Act (ESA) with the help of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project Office, to set up the National Utilities Regulatory Commission (NURC) which will facilitate the commercial operation of independent renewable energy power producers remained a priority of the Government and is expected to be finalised during 2015. The NURC will be responsible for regulating the local water and electricity sectors. LUCELEC's Regulatory Reform team continued to work towards ensuring full readiness of the Company to respond to the eventual reform of the regulated environment.

During the year LUCELEC's Management Team met to review and update the Strategic Business Plan and the Balanced Scorecard (BSC) report. The Company's other strategic priorities were pursued actively having established internal teams with specific mandates to progress initiatives in relation to System Enhancements, Cost Management & Reduction, improving Human Resource Management, Corporate Diversification and Customer Care. This will no doubt better position the Company to address the upcoming challenges.

The present state of the economy, compounded by the unemployment situation continues to be a threat to the Company's cash flows as

customers are increasingly challenged in meeting their monthly charges. As a result, effective management of customer debt continued to be a priority to reduce exposure.

Annual sales for 2014 decreased by 0.8% (2013 – 0.3% increase). Increases were registered in the Industrial and Street Lights sectors of 0.3% and 1.3%, respectively, while the Domestic, Commercial and Hotel sectors recorded decreases in unit sales of 0.7%, 1.3% and 0.4%, respectively.

In relation to Renewable Energy, the Company continued to explore and analyze the technical, financial, operational and other aspects of renewable energy sources such as wind, solar, municipal solid waste and geothermal as well as other traditional sources like heavy fuel oil and natural gas, as part of the long term strategy to guide its expansion capacity.

Plans are underway for the installation of a 75kW Photovoltaic (PV) system at the Cul de Sac Power Station and discussions have commenced with the Government regarding a 3MW installation in the south of the island.

Additionally, LUCELEC and a wind farm developer have signed a letter of intent to jointly undertake studies towards the development of a 12 MW wind farm. During the year the Company also worked with a geothermal developer, GOSL, and the World Bank to advance work on the exploration for geothermal energy.

The Company commissioned the replacement transformer at the Soufriere substation, whilst work on the replacement transformer at the Praslin substation continued. It is expected that the replacement transformer at the Praslin substation will be commissioned during the first quarter of 2015, allowing the system along the East coast of the Island to be reconfigured to its more normal and optimal configuration. Completion of these two projects is expected to have a favourable impact on system reliability and losses.

Implementation of the Automatic Metering Infrastructure (AMI) continued. This Project involves replacing old electromechanical meters and transitioning more customers to automatic billing. Approximately 80% of the meters have been replaced and the project should be completed around the end of 2016.

## 2 **PROPERTIES**

<b>Property</b>	<b>Productive Capacity</b>	<b>Future Prospects</b>
Cul de Sac Complex	Power Station and Transmission Substation	Completion of development of generation and related activity
Union Complex	Transmission Substation and retired generation station	As existing
Faux a Chaud	NIL	For construction of a sub-station
Soufriere Power Station	Former Power Station	Site to be disposed of or utilised for commercial offices
Vieux Fort Power Station	Former Power Station	Site to be disposed of
Cantonement Complex	Transmission Substation and Technical Office	As existing
Soufriere Substation	Transmission Substation	Upgrade capacity
Reduit Substation	Transmission Substation	As existing
Praslin Substation	Transmission Substation	Upgrade capacity
Castries Substation	Transmission Substation	As existing
Sans Soucis Office	Head Administration Office	Refurbishment of building
Vieux Fort Admin Office	Sub-Office for the south of the island	Refurbishment of building
Monchy	NIL	For construction of a sub-station
Bocage	NIL	For construction of a sub-station

The Company's principal assets are a Power Station Complex at Cul de Sac. This location currently houses ten generators with a total name plate capacity of 86.2MW, the Purchasing and Stores offices and storeroom, Transmission & Distribution offices, Systems Control and Generation offices and control rooms.

The transmission and distribution grid comprises a ring system in the north and south of the island feeding seven (7) sub-stations, which

support a distribution network that virtually spans the length and breadth of the island.

The main administration office building and registered office of the Company is located at John Compton Highway, Sans Soucis, Castries.

In 2014 the Net Book Value of all the Company's Property Plant & Equipment stood at EC\$337.8M, details of which can be found in Note 6 to the Audited Financial Statements attached hereto.

Acquisition of Property, Plant & Equipment during the year amounted to EC\$26.6M representing Automated Metering Infrastructure (AMI), Distributed Automation (DA), Generation and Transmission & Distribution improvements.

### **3 LEGAL PROCEEDINGS**

The Company was the defendant in various legal actions some of which were concluded during the year. In the opinion of Management, after taking appropriate legal advice, the results of such actions will not have a material effect on the Company's financial position. There were no significant pending legal actions against the Company as at the end of the financial year.

If any matter was submitted during the financial years covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

- (a) **The date of the meeting and whether it was an annual or special meeting-**

49<sup>th</sup> Annual Meeting of Shareholders 9th May 2015

- (b) **If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting:**

*Directors retiring by rotation and re-elected at the meeting-*

- Mr. Larry Nath
- Mr. Andre Chastanet
- Mr Peter Williams

- (c) **A brief description of each other matter voted upon at the meeting and states the number of votes cast for or against**

**as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.**

**(d) Annual Meeting of Shareholders**

- (a) To consider and adopt the Directors' Report. – Unanimously accepted
- (b) To consider and adopt the Auditors' Report and the Financial Statements for the year ended 31st December 2013 – unanimously accepted
- (c) To re-appoint the new auditors – PKF Professional Services Inc. unanimously appointed
- (d) To sanction a final dividend in respect of the year ended 31st December 2013 - unanimously accepted
- (e) To elect directors – candidates for re-election were reappointed by unanimous vote.

**(e) A description of the terms of any settlement between the registrant and any other participant.**

**Not applicable**

- (f) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

1. To approve:-

- a) The establishment by St. Lucia Electricity Services Limited of a subsidiary holding company to explore and undertake new business ventures.
- b) The execution by the Company of all documents, instruments and agreements necessary to give effect to the establishing of a subsidiary holding company.
- c) The undertaking of all matters directly or incidentally related to giving effect to a) and b) above.
- d) To approve the Directors of St. Lucia Electricity Services Limited using their discretion to make an appropriation out of the retained profits of the company and to carry to Reserve such sums as they think proper to be allocated for the purpose of LUCELEC's investment in the subsidiary holding company.

Number of issued ordinary shares 22,400,000; number of shares voting at the Special Meeting of 9<sup>th</sup> day of May 2014 17,640,181 the equivalent of 78.75% of the issued ordinary shares.

Set out below is a tally of the number of votes cast for and against each resolution:

Resolution No.	Number of Votes Cast	Number of Votes in Favour	Number of Votes Against	Percentage Votes in favour of the Resolution
a)	17,640,181	17,640,181	Nil	100%
b)	17,640,181	17,640,181	Nil	100%
c)	17,640,181	17,640,181	Nil	100%
d)	17,640,181	17,638,981	1200	99.99%

**4. MARKET FOR REPORTING ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

There were no equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

**5. FINANCIAL STATEMENTS AND SELECTED FINANCIAL DATA**

The audited Financial Statements for the year ended 31<sup>st</sup> December 2014 with comparable results for 2013 as restated are attached.

**6. DISCLOSURE ABOUT RISK FACTORS**

1. The Company has identified certain risks in the process of preparing for the new regulatory framework. To mitigate this risk, a Regulatory Reform team has been established to lead this initiative; the team has developed an action plan that is currently being executed. Training, third party engagements and collaborations are some of the initiatives which were undertaken during the year. LUCELEC's Regulatory Reform team continues to work towards ensuring full readiness of the Company to respond to the eventual form of the regulated environment.



2. Although fuel prices were fairly stable during the first nine months of the year, prices dropped to a record low through to the year end. While the Company's fuel price hedging strategy was successful in reducing price volatility, customers have had to pay more for electricity than they would have had the Company not hedged. This has various unfavourable implications for the Company such as customer dissatisfaction and reputational damage. The Company has been proactive in managing the risks by engaging various stakeholders on the impact of the fall in world oil prices on the fuel surcharge and LUCELEC's fuel price hedging programme. As a result of the significant change in the market, the Company is also considering alternative hedging tools.
3. The Company's rate of return of 10.02% (13.42% in 2013) was within the legislated allowable rate of return bandwidth (10%-14.5%) that does not require the Company to either increase the tariff or provide a rebate for distribution. Any increase in tariffs could have an effect on the reputation of the Company.
4. The Company continued to explore and analyse the next phase of major generation capacity which it estimates will be required by 2019. A suitable location in the south of the island was identified in 2012 and is currently being leased by the Company. There are a number of key factors to be considered in finalising this level of capital investment. The Company faces the risk of delays in the delivery of new energy capacity requirements when required. Timely decisions on these factors are imperative in order to establish a competitive advantage, bearing in mind that the development period can take up to two (2) years.
5. The annual hurricane season between June and November remained a constant risk factor. As far as practicable the Company continued to design its systems to minimise the impact from hurricanes.

Obtaining economical insurance coverage for the Transmission & Distribution (T&D) plant has been a challenge in the past as such the company has established a Self Insurance Fund. As at December 31, 2014 the Fund balance was EC\$24.7M. The Company also has access to a standby credit facility of EC\$10M to meet any emergency asset restoration costs should the need arise. The Net Book Value of the T&D assets were EC\$143.6 Million at the end of the year. Although periodic risk assessments are conducted to ascertain the most likely potential damage from a natural disaster, the Company is faced with

the risk of being under-insured, a critical risk in this hurricane-prone region.

6. With universal access to electricity being achieved in Saint Lucia, the Company's future growth potential is, to a significant extent, due to factors and conditions outside of its direct control. Any new demand is largely driven by factors outside of the Company's immediate control, such as the levels of local and foreign investment, Government policies, and the level of investment in alternative energy sources, amongst others. The Company is therefore faced with the risk of a decrease in demand/sales and a reduction in Shareholders' returns. Management has commenced the process of putting in place the requisite legal, operational and structural systems that will allow the Company to explore other revenue opportunities outside its core business area. Shareholders gave approval to the setting up of a subsidiary holding company in 2014 to implement diversification plans. It is anticipated that some of these plans will come to fruition in 2015.
7. Debt management continued to pose a challenge given the local economic climate leading to a lengthening receivables aging profile, a rise in doubtful collections and a reduction in profitability and shareholders returns. Debt management remained a priority for the Company. With respect to its largest debtor, the Company has entered into a financing arrangement. Contractual monthly payments have been made consistently, since the signing of this agreement. Credit management continued to pose a challenge given the local economic climate. All accounts continue to be monitored on an on-going basis.
8. The Company utilises return on equity as a measure of its performance. As shareholders' equity increases through an increase in retained earnings and profits dwindle, the result is a diminishing return on equity. Management will continue focussing on cost management through increased efficiencies as a means of mitigating this risk. There are also plans to increase its profitability by diversifying its revenue stream.
9. System Losses continued to be a concern for the Company especially given the implications for the cost of electricity, unrecognised revenues and ultimately reduced shareholder returns. In order to mitigate these losses investigations are continually undertaken where significant drops in consumption patterns are noticed, electricity theft cases are prosecuted and sales trends are analysed. Intensive monitoring will continue into 2015.

10. As a result of a head office decision to reduce their sovereign and sub sovereign debt throughout the Caribbean Region, one of our counterparties rescinded the credit line which supported our fuel hedging activity. This was confirmed in March 2014 and to date remains unchanged. This decision regarding the classification of the Company as sub sovereign may have serious implications for the Company's ability to secure external financing for its capital expansion programs.
11. The local economy has experienced a contraction in its Gross Domestic Product (GDP) averaging -0.2% for the past 5 years. As a result of the persistently weak economic conditions, the GOSL has experienced deterioration in its fiscal position. The Company faces the risk of the imposition of value added tax (VAT) on the electricity services as a source of revenue for the GOSL. The risk implications are increased cost of electricity to customers, customer dissatisfaction, reputational damage and increased debt management costs. Although the Company does not have any control over the imposition of this tax, the Company has conceptualized a communication plan for key stakeholders, intensified its diversification efforts to secure new revenue streams and continues to monitor the situation closely.

## **7 CHANGES IN SECURITIES AND USE OF PROCEEDS**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

Not applicable

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)
- Offer closing date (provide explanation if different from date disclosed in the registration statement)
- Name and address of underwriter(s)
- Amount of expenses incurred in connection with the offer
- Net proceeds of the issue and a schedule of its use
- Payments to associated persons and the purpose for such payments

Not applicable

- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

None.

## **8. DEFAULTS UPON SENIOR SECURITIES**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.
- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

## **9 MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **(1) Liquidity**

The main revenue source of the Company continued to be from the sale of electricity to customers in Saint Lucia which is regulated under the provisions of the Electricity Supply Act (ESA) (as amended). Power is accessible to approximately 99% of St. Lucian households and other establishments.

The capital expenditure programmes of the Company are usually financed by long term bank loans on a competitive tender offer basis. However, Capital programmes for 2014 were funded from operational cash flows.

Other financing options continued to be reviewed including the issuing of additional equity should this become necessary for financing the long term generation expansion plan.

Trends in economic activity and performance were continually monitored to gauge the effects on the Company's operations and where necessary corrective actions taken.

The Company continued to operate under debt covenants stipulated in Security Sharing Agreements (SSA) with its lenders which, among other provisions set the maximum level of debt that the Company is allowed to undertake.

Crude oil prices declined significantly towards the end of the year, resulting in the Company having to pay out collateral to its hedge counterparties for existing contracts. Despite the resulting large cash outflows during 2014, the Company did not exceed its bank overdraft limits.

## (2) **Capital Resources**

The Company had capital commitments at December 31, 2014 of EC\$0.8M primarily relating to the Praslin transformer replacement, and installation of a 200,000 gallon water tank.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing. The position at the end of 2014, compared to 2013, was as follows:-

	<b>2014 EC\$000s</b>	<b>2013 EC\$000s (as restated)</b>
<b>Debt</b>		
Borrowings - Current	15,465	14,878
Borrowings- Long Term	137,726	153,073
	<b>\$153,191</b>	<b>\$167,951</b>
<b>Shareholders' Equity</b>		
Share capital	80,163	80,163
Retained Earnings	130,137	123,613
Retirement Benefit Reserve	4,765	2,448
Self-Insurance Reserve	24,695	21,156
	<b>\$239,760</b>	<b>\$227,380</b>

The Company does not foresee potential violation of those covenants.

### **(3) Results of Operations**

#### **FINANCIAL OPERATIONS**

For the financial year ended 31<sup>st</sup> December 2014, the Company prepared Consolidated Financial Statements and the analysis following is based on the consolidated results of St. Lucia Electricity Services Limited and its two subsidiaries - LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc. The Company has restated the 2013 results to reflect adjustments made in 2014 which relate to prior years.

#### **Sales & Revenues**

Revenue for 2014 was lower than last year's total of \$333.1M by 1.3% (\$4.2M). The reduction was due mainly to the decline in unit sales as well as lower tariffs caused by reductions in fuel prices. The overall average tariff was EC\$0.98, a reduction of 1.0% compared to that of the previous year (EC\$0.99). Movements in the tariff reflected the effect of changes in the price of fuel including charges associated with derivative financial instruments employed by the Company. Fuel costs are passed through to customers with no mark up.

#### **Operating Expenses**

Generation costs (excluding fuel costs) were lower than the previous year by 7.0% primarily due to a reduction in depreciation expense and maintenance costs of the generating plant.

There was no change in the costs relating to transmission and distribution when compared to the prior year. Whilst depreciation costs increased, these were offset by the reduction in maintenance costs of the infrastructure.

Administrative expenditures increased by EC\$1.3M (4.0%) due primarily to an increase in the bad debts provision of \$1.7M. Increases were recorded in other areas associated with the implementation of strategic initiatives, customer requested relocations, and depreciation, partly offset by savings in employee costs, meter reading and debt collection costs.

Finance costs decreased by EC\$1.1M (8.0%), an effect of the reduction in loan balances in accordance with their individual repayment terms.

## **Capital Expenditure**

Expenditure for the year 2014 amounted to EC\$27.7M (2013 - EC\$28.2M) which comprised mainly improvements to the Transmission & Distribution network, the Distributed Automation programme, the Automated Metering Infrastructure and Generator Overhauls.

## **Earnings**

The Consolidated Profit before tax was EC\$37.0M, EC\$2.1M (6.0%) higher than 2013 representing a return on sales of 11.3% (2013 - restated – 10.5%).

Profit after tax in 2014 was EC\$26.8M an increase of EC\$1.5M compared to 2013 as restated.

The effective tax rate remained the same as that of 2013 (27.5%).

Earnings per share for the year was EC\$1.17 (2013 - restated – EC\$1.10) reflecting the higher net profit for the year.

The interim dividend per share is EC\$0.35 (2013 - EC\$0.35). The Board of Directors will make a recommendation to the shareholders on the 2014 final dividend at the Annual Meeting of Shareholders usually held in May of the following year.

The Company achieved a rate of Return on Equity of 11.5% (2013-restated – 11.6%).

The net profit for the year translated to 7.9% return on Fixed Assets (2013 - restated – 7.4%) and 5.2% on Total Assets (2013 - restated – 5.2%).

## **Capital Resources**

Retained Earnings for 2014 increased from EC\$123.60M to EC\$130.1M and the Debt to Equity ratio was 39:61 (2013 – 43:57).

## **Outlook**

Electricity sales for 2015 are forecasted at 329.8 million kWh, 0.60% lower than the 2014 results as it is anticipated that increased energy efficiency and renewable energy initiatives will intensify across all customer sectors. Overall, growth is expected in the Industrial and

Domestic sectors while Commercial, Hotel and Street Light sectors are expected to decline.

While the Company is optimistic about the achievement of the performance targets for 2015 it remains cognisant of the uncertainties surrounding the future regulatory framework and challenges in the local operating environment. With these factors affecting sales, the Company's future performance will depend on continuing its efficiency efforts started in 2014 and deliberate company-wide process improvements.

Financial imperatives for 2015 include:-

- Further technical, operational and other efficiencies across the business with a direct impact on cost management and reduction
- Accounts Receivables reduction
- Debt Refinancing

The Company will continue to focus on the strategic initiatives approved by the Board. These include:

- Network Improvement - replacing the Interbus transformer at Praslin Substations and the deployment of AMI meters.
- Renewable Energy – The first phase (1 MW) of a 3MW Solar PV farm is slated for commissioning in 2015.
- Corporate Diversification – use of the Company's existing asset base and skill sets to expand revenue opportunities. This involves the establishment of a subsidiary holding company, board approval of the by-laws, funding and organisational formation of the holding company.
- New Regulatory Environment – Work in 2015 will involve the finalisation of internal structures and processes to support the new regulatory regime and working with ECERA and the GOSL on the review of the Electricity Supply Act.
- Customer Care – the leveraging of the new CIS system to offer a seamless customer experience. A software upgrade of the newly implemented system is planned for 2015. This will allow the Company to take advantages of functionality improvements and additions, increase business process efficiencies and expand its service offerings to customers.
- HR Strategic Plan – business process reviews to help inform any organisational structure alignment with the new Strategic Business Plan. Emphasis will be placed on leadership training for supervisors and middle management, finalising the performance based incentive pay framework and improved operational efficiencies.



**10 CHANGES IN AND DISAGREEMENTS WITH AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

In accordance with the Company's policy on rotating auditors, at the 48<sup>th</sup> meeting of the shareholders, PKF Professional Services was appointed as the Company's auditors, replacing the firm KPMG.

**11 DIRECTORS AND EXECUTIVE OFFICERS OF THE REPORTING ISSUER**

**EXECUTIVE OFFICERS**

Position: Managing Director

Name: Trevor Louisy

Age: 52 years

Mailing Address: P.O. Box 230, Castries. St. Lucia

Telephone No.: ( 758 ) 457-4400

List of jobs held during past five years. Give brief description of responsibilities. Include names of employers.

*St. Lucia Electricity Services Limited* - Managing Director 2004 to present

Responsible of the management business operations and strategic positioning of LUCELEC

*St. Lucia Electricity Services Ltd.* - Chief Engineer - 1997- December 31, 2003

Responsible for all engineering functions.

Education (degrees, or other academic qualifications, schools attended, and dates)

B. Sc. Electrical Engineering, University of the West Indies

Also a Director of the Company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters: N/A

Position : Financial Controller

Name: Jonothan Edwards

Age: 45 years

Mailing Address: P.O. Box 230. Castries. St. Lucia

Telephone No.: ( 758 ) 457-4400

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

February 2013 to Present – Financial Controller St. Lucia Electricity Services Limited

Consultant – Snr. Finance Manager, Comcel Haiti – Financial Management & Reporting to Parent Company in the USA

VP Finance – Carrier Service, Lime (C&W) – Financial Management of the Carrier Services Division

Education (degrees or other academic qualifications, schools attended, and dates):

Fellow, Association of Chartered Certified Accountants (FCCA)  
Member, Certified General Accountants (CGA)

Also a Director of the company     Yes         No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Position: Business Development Manager

Name: Victor E. Emmanuel

Age: 53 years

Mailing Address: P.O. Box 230, Castries. St. Lucia

Telephone No.: ( 758 ) 457-4400

List of jobs held during past five years. Give brief description of responsibilities. Include names of employers.

St. Lucia Electricity Services Limited – Business Development Manager –  
September 2008 to present  
Responsible for the identification and development of new business ventures for  
the Company

St. Lucia Electricity Services Limited - Chief Engineer – January 2004 to August  
2008  
Responsible for all engineering functions

St. Lucia Electricity Services Limited - Generation Engineer - 1994 – 2003 -  
Responsible for the generation of electricity within the Company

Education (degrees, or other academic qualifications, schools attended, and  
dates)

B. Eng Electrical Engineering, Mc Gill University – 1981-1985

M.Sc. Information System Engineering – UMIST – 1994-1995

Also a Director of the Company [ ] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with  
company matters:

Position: Chief Engineer

Name: Goodwin d' Auvergne

Age: 55 years

Mailing Address: P.O. Box 230

Castries

St. Lucia

Telephone No.: (758 ) 457-4400

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

**St. Lucia Electricity Services Limited:** Chief Engineer 2008 - Present  
Responsible for coordinating the activities of the Engineering Division.

System Control Engineer (1997- 2008) Managed the department charged with ensuring delivery of a safe, efficient and reliable supply of electricity to LUCELEC's customers

Education (degrees, or other qualifications, schools attended and dates):

Qualifications

Bachelor of Science - Electrical Engineering - University of Hartford (1984-1988)

Associates in Applied Science - Electronic Technology - University of Hartford (1982-1984)

Also a Director of the Company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:



Information concerning Non-executive Directors:

Name: Matthew Lincoln Mathurin

Age: 52 years

Position: Director

Mailing Address: C/o National Insurance Corporation  
Francis Compton Building, Waterfront  
Castries St. Lucia

Telephone No.: (758) 452-2808

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

2007 – Present: Director/Chief Executive Officer – National Insurance Corporation – leading organization- Planning and ensuring realisation of organization's goals, performing role of member of NIC's Board, guiding the Board in matters of policy, managing 120 staff members.

Deputy Director NIC with responsibility for Finance Investment and Operations

Education (degrees or other academic qualifications, schools attended, and dates):

2001-2002 MBA –Specialization in Finance (with Distinction) Edinburgh Business School of Heriott Watt University

1983-1985 FCCA Emile Woolf College of Accountancy

Information concerning Non-executive Directors:

Name: Larry Roger Nath<sup>1</sup>

Age: 48 years

Position: Director

Mailing Address: First Citizens Bank Limited,  
9 Queens Park East, Port of Spain, Trinidad, W.I.

Telephone No.: (868) 621-5333 (Direct): (868) 624-3178 ext. 3018:  
(868) 686-0888 (cell)

List Jobs held during the past five years. Give brief description of responsibilities. Include names of employers.

**2012 to Present** – CEO – First Citizens Bank Limited

**2010 to 2012** – Deputy CEO – Banking Operations – First Citizens Bank Limited

**January 2008-April 2010:** FirstCaribbean International Bank (Trinidad & Tobago) Limited

*Managing Director & Head of Corporate Banking:* Responsible for conceptualizing and execution of business development initiatives, with key stakeholders, along with employee engagement.

**June 2006 – December 2007:** FirstCaribbean International Bank (Trinidad & Tobago) Limited

*Head of Corporate & Deputy Managing Director:* Developing inroads in corporate market segment with particular focus on identifying new business opportunities in the oil and gas industry.

Education (degrees or other academic qualifications, schools attended, and dates:

**The Wharton School, University of Pennsylvania – February 2009:**  
*Executive Leadership Program*

**Krannert Graduate School of Management, Purdue University – June 1998:** *Master of Science in Industrial Administration:* PLUS (Preparing Leaders and Stewards) Recipient

**University of Miami, Florida – May 1988:** *Bachelor of Business Administration* : Magna Cum Laude

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<sup>1</sup> Resigned 4<sup>th</sup> December 2014

Information concerning Non-executive Directors:

Name: Dr. Trevor Byer

Age: 73 years

Position: Chairman

Mailing address: Townhouse #5  
Rockley New Road  
Christ Church  
Barbados

Telephone No.: 1-758-285-0377 (C) / 1-246-266-4385

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Director/Partner – Association of Caribbean Energy Specialists (ACES) Energy Consultant

Education (degrees or other academic qualifications, schools attended, and dates):

B.A. (Physics Tripos II (Upper Second) Cambridge University U. K

M.A . (Nuclear Physics) Cambridge University U.K

Ph. D (Nuclear Physics) Cambridge University U.K



Information concerning non-Executive Directors:

Name: Sarah McDonald

Age: 45 years

Position: Director

Mailing Address: P.O. Box F-40888  
Pioneers Way & The Mall  
Freeport, Grand Bahama, Bahamas  
Telephone No: (242) 350-8911/8905

List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.

January 2013 - President, Emera Caribbean Limited: Management oversight of all Emera's Caribbean Assets and business development

June 2011 President and CEO of Grand Bahama Power Company and ICD Utilities Limited

September 2010 CEO Emera Utility Services

September 2006 President & COO Emera Utility Services

Education (degrees or other qualifications, schools attended, and dates):

M.B.A. St. Mary's, Halifax 2002

LL.B. Dalhousie Law School 1992

B.A. University of Kings College, Halifax

Information concerning non-Executive Directors:

**Name:** Sharon L Christopher      Age: 58 years

**Position:** Deputy Chief Executive Officer/ Group Corporate Secretary

**Mailing Address:** #9 Queen's Park East, Port of Spain, Trinidad

**Telephone Nos:** (868) 627 – 8620 (Office) (868) 678 – 7338 (Mobile)

List jobs held during the past five years. Give brief description of responsibilities. Include names of employers.

First Citizens Bank Limited – Deputy Chief Executive Officer / Group Corporate Secretary. Holds Executive Management responsibility for the following areas: Legal, Group Operational Risk & Compliance, Human Resources, Group Facilities Management Services, Security Services, Marketing and Information & Communication Technology.

Education (degrees or other academic qualifications, schools attended, and dates):

London School of Economics & Political Science, University of London – 1980-1981.

Masters of Laws (LLM) Corporate Law

Hugh Wooding Law School – 1978 – 1980, Legal Education of Certificate (LEC)

University of the West Indies, Faculty of Law, Cave Hill, Barbados – 1975-1978,

Bachelors of Law (LL.B) Upper Second Class Honours

Information concerning non-Executive Directors:

Name: Andre Chastanet

Position: Director                      Age: 56 years

Mailing Address:                      P.O. BOX 1665  
    Castries, St. Lucia

Telephone No:                      (758)285-2400

List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.

2004 - 2013

Managing Director Consolidated Foods Limited

Reports to the Board of Directors for operational and strategic direction of Company

Education (degrees or other qualifications, schools attended, and dates):

Chartered Accountant - 1988

Information concerning non-Executive Directors:

Name: Mkabi Onika Walcott

Position: Director

Age: 43 years

Mailing Address: C/o P.O. Box GM 862  
Gablewoods Post Office  
Sunny Acres, Castries

Telephone No: (758) 720-4533

List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.

Saint Lucia Bureau of Standards - Head of Department - Development and implementation of standards, regulatory programs and management of the organization. (2004 – 2011)

Current – Managing Director of QSM Consulting – Quality and systems management and consultant

Education (degrees or other qualifications, schools attended, and dates):

DVM – Doctor of Veterinary Medicine

PMP – Project Management Professional

1999-2005 University of Havana – Veterinary Medicine

2007 – Project Management (PMI)

Lead Auditor – Quality Management Systems  
Lead Auditor – Food Safety Management Systems

Information concerning Non-executive Directors:

Name: Peter W. B. Williams

Position: Director

Age: 59 years

Mailing address: No. 1 Brighton, St. George, Barbados

Telephone No.: (246) 430 4200 (W) (246)436- 4345 (H)

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Managing Director – The Barbados Light & Power Co. Ltd. Responsible to the Board of Directors for all aspects of the operations of the Company

Education (degrees or other academic qualifications, schools attended, and dates):

BSc. – Mechanical Engineering – Manchester University U.K. 1977

MSc. – Power Systems - University of the West Indies 1982

MBA – University of Western Ontario, Canada 1990

Information concerning non-Executive Directors:

Name: Reginald Darius (Dr)

Position: Director

Age: 44

Mailing Address: BW 331, Rodney Bay

Telephone No: (758) (468-5500), (285-0200)

List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.

Permanent Secretary – Ministry of Finance – Government of Saint Lucia (2009 to present)

International Monetary Fund: Sr. Economist (2009-2012) Economist (2005-09)

European Department, Desk Economist Croatia (2010-2012)

- Monitor, analyze and draft policy documents on external, real and monetary sector developments strategic Policy and Review Department (SPR), Advanced and Multilateral Issues Division, 2008-2010)
- Monitor developments, review and comment on country documents on a wide range of countries including; Japan, Philippines, United Kingdom, Portugal, Estonia, Latvia and the GCC
- Maintained modules on global liquidity and monetary policy conditions as input in the vulnerability Exercise for Advanced Economies
- Co-authored SPR policy review note entitled "Oil Price Risk and Outlook"
- Issues Note on Japan- provides background research and analysis of key economic issues.
- SPR Economist: Armenia (2008-2009) and Estonia (2009-2010)
- Participated in the negotiations of SBA program with Armenia with responsibility for the external sector African Department, Desk Economist on Rwanda, (2005-2007)
- Participated in program negotiations with responsibility for external sector (debt sustainability) and the real sector

Education (degrees or other qualifications, schools attended, and dates):

PhD Economics University of Warwick (2006)

Macroeconomics of Open Economies (Exchange Rate Regime  
and Welfare)

M Phil Economics University of Cambridge (1995)

International Macroeconomics, Applied Econometrics

B.Sc. Economics (first class hon.) University of the West Indies (1993)

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT

**Non-Voting Ordinary Shares:**

Government of Saint Lucia	520,000	100%
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**Ordinary Shares:**

Emera (St. Lucia) Limited	4,480,000	20.00
Castries City Council	3,656,818	16.33
First Citizens Bank Limited	4,480,000	20.00
National Insurance Corporation	3,760,720	16.79
Government of St. Lucia	2,785,684	12.44

**14 OTHER INFORMATION**

None

**15 LIST OF EXHIBITS**

LUCELEC 2014 Annual Report  
Audited Financial Statements for the year ended December 31, 2014.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Consolidated Financial Statements

December 31, 2014

(Expressed in Eastern Caribbean Dollars)

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**PKF Professional Services**

Tel. (758) 453 - 2340

Tel. (758) 450 - 7777

Fax (758) 451 - 3079

Email: [admin@pkf.lc](mailto:admin@pkf.lc)**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of St. Lucia Electricity Services Limited

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of St. Lucia Electricity Services Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of changes in equity, consolidated statement of comprehensive income, and consolidated statement of 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.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

**INDEPENDENT AUDITOR'S REPORT (CONT'D)**

To the Shareholders of St. Lucia Electricity Services Limited

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants  
Castries, Saint Lucia  
March 26, 2015

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Consolidated Statement of Financial Position

As at December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

	Notes	2014	2013 Restated	2012 Restated
<b>Assets</b>				
<b>Non-current</b>				
Property, plant and equipment	6	\$ 337,840,026	341,886,290	346,867,858
Intangible assets	7	14,142,279	15,588,719	15,053,991
Retirement benefit assets	8	4,765,000	2,448,000	3,650,000
Available-for-sale financial assets	9	171,532	169,741	167,969
<b>Total non-current assets</b>		<b>356,918,837</b>	<b>360,092,750</b>	<b>365,739,818</b>
<b>Current</b>				
Inventories	10	10,464,809	12,015,942	19,168,529
Trade, other receivables and prepayments	11	129,656,309	82,197,373	77,580,781
Cash and cash equivalents	12	21,561,880	30,819,257	38,159,940
Derivative financial assets	23	-	5,525,392	2,722,062
Income tax receivable		-	-	4,720,905
<b>Total current assets</b>		<b>161,682,998</b>	<b>130,557,964</b>	<b>142,353,217</b>
<b>Total assets</b>		<b>\$ 518,601,835</b>	<b>490,650,714</b>	<b>508,092,035</b>
<b>Shareholders' equity and liabilities</b>				
<b>Shareholders' equity</b>				
Share capital	13	\$ 80,162,792	80,162,792	80,162,792
Retained earnings		130,137,264	123,613,483	109,374,610
Retirement benefit reserve	8	4,765,000	2,448,000	3,650,000
Self insurance reserve	30	24,694,822	21,155,667	17,771,529
<b>Total shareholders' equity</b>		<b>239,759,878</b>	<b>227,379,942</b>	<b>210,958,931</b>
<b>Liabilities</b>				
<b>Non-current</b>				
Borrowings	14	137,725,516	153,072,557	167,797,100
Consumer deposits	15	16,135,158	15,544,985	14,770,880
Deferred tax liabilities	16	38,278,917	37,448,796	37,151,943
Post-employment medical benefit liabilities	17	1,848,959	1,785,970	1,878,198
<b>Total non-current liabilities</b>		<b>193,988,550</b>	<b>207,852,308</b>	<b>221,598,121</b>
<b>Current</b>				
Borrowings	14	15,465,453	14,878,339	15,263,474
Trade and other payables	18	28,423,890	36,015,196	49,173,209
Derivative financial liabilities	23	39,745,776	-	-
Dividends payable		340,182	331,967	11,098,300
Income tax payable		878,106	4,192,962	-
<b>Total current liabilities</b>		<b>84,853,407</b>	<b>55,418,464</b>	<b>75,534,983</b>
<b>Total liabilities</b>		<b>278,841,957</b>	<b>263,270,772</b>	<b>297,133,104</b>
<b>Total shareholders' equity and liabilities</b>		<b>\$ 518,601,835</b>	<b>490,650,714</b>	<b>508,092,035</b>

Approved on behalf of the Board of Directors:

 Director

 Director

The notes on pages 7 to 64 are an integral part of these financial statements.

## **ST. LUCIA ELECTRICITY SERVICES LIMITED**

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<b>Consolidated Statement of Financial Position</b>	<b>3</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>4</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>5</b>
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**ST. LUCIA ELECTRICITY SERVICES LIMITED**

## Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

	Notes	2014	2013 Restated
<b>Revenues</b>			
Energy sales	\$	324,622,263	328,734,649
Fuel surcharge		599,081	1,172,026
Other revenue		3,661,302	3,206,669
		<u>328,882,646</u>	<u>333,113,344</u>
<b>Operating expenses</b>			
Fuel costs		191,557,546	195,797,881
Transmission and distribution		34,609,145	34,606,502
Generation		21,060,780	22,653,127
	26	<u>247,227,471</u>	<u>253,057,510</u>
<b>Gross income</b>		<b>81,655,175</b>	<b>80,055,834</b>
Administrative expenses	26	<u>(33,354,720)</u>	<u>(32,059,772)</u>
<b>Operating profit</b>		<b>48,300,455</b>	<b>47,996,062</b>
Interest income		1,589,465	927,595
Other gains, net	21	<u>67,121</u>	<u>65,857</u>
<b>Profit before finance costs and taxation</b>		<b>49,957,041</b>	<b>48,989,514</b>
Finance costs		<u>(12,956,548)</u>	<u>(14,090,776)</u>
<b>Profit before taxation</b>		<b>37,000,493</b>	<b>34,898,738</b>
Taxation	22	<u>(10,192,086)</u>	<u>(9,584,222)</u>
<b>Net profit for the year</b>		<b><u>26,808,407</u></b>	<b><u>25,314,516</u></b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurements of defined benefit pension plans, net of tax	22	<u>1,615,529</u>	<u>(871,505)</u>
<b>Total comprehensive income for the year</b>		<b>\$ <u>28,423,936</u></b>	<b><u>24,443,011</u></b>
<b>Earnings per share</b>	24	<b>\$ <u>1.17</u></b>	<b><u>1.10</u></b>

*The notes on pages 7 to 64 are an integral part of these financial statements.*

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
 Consolidated Statement of Changes in Equity  
 For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

	Notes	Share Capital	Retained Earnings	Retirement Benefit Reserve	Self Insurance Reserve	Total
<b>Balance at January 1, 2013</b>		\$ 80,162,792	109,080,010	4,632,000	17,771,529	211,646,331
Prior periods' adjustments-application of accounting standards	33	-	294,600	(982,000)	-	(687,400)
<b>Balance at January 1, 2013 as restated</b>		80,162,792	109,374,610	3,650,000	17,771,529	210,958,931
Total comprehensive income for the year as previously reported		-	24,749,100	-	-	24,749,100
Prior period's adjustments-application of accounting standards	33	-	(306,089)	-	-	(306,089)
<b>Total comprehensive income for the year as restated</b>		-	24,443,011	-	-	24,443,011
Transfer from retirement benefit reserve		-	1,202,000	(1,202,000)	-	-
Transfer to self insurance reserve	30	-	(3,384,138)	-	3,384,138	-
Ordinary dividends	20	-	(8,022,000)	-	-	(8,022,000)
<b>Balance at December 31, 2013 as restated</b>		\$ 80,162,792	123,613,483	2,448,000	21,155,667	227,379,942
<b>Balance at January 1, 2014</b>		80,162,792	123,613,483	2,448,000	21,155,667	227,379,942
Total comprehensive income for the year		-	28,423,936	-	-	28,423,936
Transfer to retirement benefit reserve	30	-	(2,317,000)	2,317,000	-	-
Transfer to self insurance reserve	30	-	(3,539,155)	-	3,539,155	-
Ordinary dividends	20	-	(16,044,000)	-	-	(16,044,000)
<b>Balance at December 31, 2014</b>		\$ 80,162,792	130,137,264	4,765,000	24,694,822	239,759,878

The notes on pages 7 to 64 are an integral part of these financial statements.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**

## Consolidated Statement of Cash Flows

For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

	Notes	2014	2013 Restated
<b>Cash flows from operating activities</b>			
Profit before taxation		\$ 37,000,493	34,898,738
<b>Adjustments for:</b>			
Depreciation	6	30,970,042	30,679,938
Amortisation of intangible assets	7	2,180,034	1,975,969
Finance costs expensed		12,956,548	14,090,776
Interest income		(1,589,465)	(927,595)
Movement in allowance for impairment		2,885,884	1,205,035
Gain on disposal of property, plant and equipment	21	(28,039)	(13,480)
Post-retirement benefits		53,887	(135,235)
Operating profit before working capital changes		84,429,384	81,774,146
Decrease in inventories		1,551,133	7,152,587
Increase in trade, other receivables and prepayments		(11,035,411)	(5,821,627)
Decrease in trade and other payables		(1,628,644)	(15,961,342)
Cash generated from operations		73,316,462	67,143,764
Interest income received		1,586,770	925,823
Finance costs paid		(12,829,710)	(13,921,229)
Income tax paid		(13,369,190)	-
<b>Net cash from operating activities</b>		<u>48,704,332</u>	<u>54,148,358</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	6	(26,571,380)	(25,760,347)
Proceeds from disposal of property, plant and equipment		28,444	15,000
Acquisition of intangible assets	7	(1,086,397)	(2,450,240)
<b>Net cash used in investing activities</b>		<u>(27,629,333)</u>	<u>(28,195,587)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(14,724,543)	(15,052,914)
Dividends paid		(16,035,784)	(18,788,333)
Consumer deposits received (net)		427,951	547,793
<b>Net cash used in financing activities</b>		<u>(30,332,376)</u>	<u>(33,293,454)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(9,257,377)</u>	<u>(7,340,683)</u>
Cash and cash equivalents at beginning of year	12	<u>30,819,257</u>	<u>38,159,940</u>
<b>Cash and cash equivalents at end of year</b>	12	<u>\$ 21,561,880</u>	<u>30,819,257</u>

*The notes on pages 7 to 64 are an integral part of these financial statements.*



## ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

### 1. Incorporation and Principal Activity

St. Lucia Electricity Services Limited (the "Company") was incorporated under the laws of Saint Lucia on November 9, 1964 and re-registered as a public company on August 11, 1994. The Company was continued under the Companies Act 1996 of Saint Lucia on October 22, 1997 and is listed on the Eastern Caribbean Securities Exchange. The Company operates under the Electricity Supply Act, 1994 (as amended) (ESA). The principal activities of the Company and its subsidiaries (the "Group") include the generation, transmission, distribution and sale of electricity, the operation of a self insurance fund and the operation of a trust.

The Group's registered office and principal place of business is situated at Sans Soucis, John Compton Highway, Castries, Saint Lucia.

### 2. Basis of Preparation

#### (a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

An additional statement of financial position at December 31, 2012 is presented in these consolidated financial statements due to the retrospective restatement arising from the correct application of accounting standards as disclosed in Note 33.

The financial statements were approved for issue by the Board of Directors on March 26, 2015.

#### (b) *Basis of measurement*

The consolidated financial statements have been prepared using the historical cost basis except for available-for-sale financial assets and derivative financial instruments that are measured at fair value. The methods used to measure fair value are discussed further in Note 4.

#### (c) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as disclosed in Note 34. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

*(Expressed In Eastern Caribbean Dollars)*

**2. Basis of Preparation (Cont'd)**

*(c) Basis of consolidation (Cont'd)*

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

*(d) Functional and presentation currency*

These consolidated financial statements are presented in Eastern Caribbean dollars, which is the Group's functional currency. All financial information has been rounded to the nearest dollar.

*(e) Use of estimates and judgments*

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3(c)(iii): Estimated useful lives of property, plant and equipment
- Note 3(d)(iii): Estimated useful lives of intangible assets
- Note 3(h): Measurement of defined benefit obligations
- Note 3(i): Estimation of unbilled sales and fuel surcharge
- Note 4: Determination of fair values
- Note 28: Valuation of financial instruments

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) *Foreign currency*

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss respectively).

(b) *Financial instruments*

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise available-for-sale financial assets, trade and other receivables, cash and cash equivalents, borrowings, trade and other payables and consumer deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

*Available-for-sale financial assets*

The Group's investment in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3(f)), and foreign exchange gains and losses on available-for-sale equity instruments (see Note 3(a)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3 (j).

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Continued)

For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(b) Financial instruments (Cont'd)*

*(i) Non-derivative financial instruments (Cont'd)*

*Trade and other receivables*

Trade and other receivables are carried initially at fair value and subsequently measured at amortized cost less a provision for impairment. A provision for impairment of trade and other 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 the receivable. The amount of the provision is recognised in profit or loss. Trade and other receivables, being short term, are not discounted.

*Trade and other payables*

Liabilities for trade and other payables which are normally settled on 30 – 90 day terms and conditions are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

*Borrowings*

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

*Consumer deposits*

Given the long-term nature of the customer relationship in accordance with the provisions of the Electricity Supply Act, 1994 (as amended), customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve months of the date of the statement of financial position).

*(ii) Share capital*

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

(c) *Property, plant and equipment*

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on the disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item and is recognised net within "other gains" in profit or loss.

(ii) *Subsequent expenditure*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.



*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(c) Property, plant and equipment (Cont'd)*

*(iii) Depreciation*

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and way leave rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The annual rates of depreciation for the current and comparative periods are as follows:

	<b>2014</b>	<b>2013</b>
■ Building	<b>2<sup>1</sup>/<sub>2</sub> % - 12<sup>1</sup>/<sub>2</sub> % per annum</b>	2 <sup>1</sup> / <sub>2</sub> % - 12 <sup>1</sup> / <sub>2</sub> % per annum
■ Plant and machinery	<b>4% - 10% per annum</b>	4% - 10% per annum
■ Generator overhauls	<b>33<sup>1</sup>/<sub>3</sub> % per annum</b>	33 <sup>1</sup> / <sub>3</sub> % per annum
■ Motor vehicles	<b>20% - 33<sup>1</sup>/<sub>3</sub> % per annum</b>	20% - 33 <sup>1</sup> / <sub>3</sub> % per annum
■ Furniture and fittings	<b>10% per annum</b>	10% per annum
■ Computer hardware	<b>20% per annum</b>	20% per annum

*(d) Intangible assets*

*(i) Recognition and measurement*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

*(ii) Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

*(iii) Amortization*

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than way leave rights, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the assets (computer software) that are amortized range from five (5) years and eight (8) years.

Amortisation methods, useful lives and residual values are reviewed at each financial year- end and adjusted if appropriate.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(e) Inventories*

Inventories are measured at the lower of cost and replacement value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Allowance is made for slow-moving and damaged goods. Goods in transit are stated at their invoice cost.

*(f) Impairment*

*(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(f) Impairment (Cont'd)*

*(ii) Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*(g) Derivative financial instruments*

The Group holds derivative instruments to manage the volatility of its fuel costs. Further details of derivative financial instruments are disclosed in Note 23.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Management has developed an accounting policy to reflect the economic substance of the effects of engaging in the hedging programme as these costs are passed on to the customer. In developing this policy, management has considered the accounting standards of other standard-setting bodies and accepted industry practice.



*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(g) Derivative financial instruments (Cont'd)*

Changes in the fair value of the derivative financial instruments held by the Group at the reporting date give rise to the recognition of deferred fuel costs. Deferred fuel costs recoverable represent future revenues and/or receivables associated with the hedging costs incurred that will be, or are expected to be, recovered from customers in future periods through the rate-setting process. Deferred fuel costs payable represent future reductions in revenue associated with amounts that will be, or are expected to be refunded to customers through the rate-setting process. The resulting gain or loss is reported in trade and other payables or trade, other receivables and prepayments respectively.

*(h) Employee benefits*

*(i) Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government securities that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in other comprehensive income in the period in which they occur.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(h) Employee benefits (Cont'd)*

*(ii) Pension benefits assumptions*

The present value of the pension obligations depends on a number of factors that are determined by independent qualified actuaries using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the pension obligations and also to determine the expected return on plan assets. In determining the appropriate discount rate, the Group considers the interest rates of the Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Additional information is disclosed in Note 8.

*(iii) Defined contribution plans*

For its defined contribution plan, the Group pays contributions to a privately administered pension insurance plan on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(iv) Termination benefits*

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

If benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Continued)

For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(i) Revenue recognition*

*Sale of energy*

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision for the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is based upon actual information for the preceding months and is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the 12 months preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. Management has developed an accounting policy to reflect the economic substance of the effects of the deferred recovery of these fuel costs from customers. In developing this policy, management has considered the accounting standards of other standard-setting bodies and accepted industry practice. The fuel surcharge adjustment is included in deferred fuel costs until its recovery/rebate in the following month.

*Consumer contributions*

In certain specified circumstances, consumers requiring line extensions for electricity supply are required to contribute the capital cost of the extensions. These contributions are recognised in income in the same period in which the costs are incurred. Contributions in excess of the applicable capital cost of line extensions, where the excess is greater than 5% of the estimated cost of the job, arising mainly as a result of changes to job specifications during the implementation stage, are refundable to the customers upon finalization of the total cost of the job. The capital costs of consumer line extensions are included in property, plant and equipment.

*(j) Finance income and expenses*

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and consumer deposits, and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(k) Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*(l) Earnings per share*

The Group presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(m) New standards, amendments to standards and interpretations*

*(i) New standards, amendments and interpretations effective in the 2014 financial year are as follows:*

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2014 have been adopted in these consolidated financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2014 which do not affect the Group's consolidated financial statements have not been disclosed below.

- *IFRS 10, Consolidated Financial Statements and IFRS 12 Disclosures of Interests in Other Entities* have been applied for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements. Consequential amendments have been made to IFRS 12 to introduce new disclosure requirements for investment entities. As neither the Company nor its subsidiaries are investment entities (assessed based on the criteria set out in IFRS 10), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.
- *IAS 32, Financial Statements: Presentation* has been amended to clarify the requirements relating to the offset of financial asset and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
- *IAS 36, Impairment of Assets* has been amended to remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques which are in line with the disclosures required by *IFRS 13 Fair Value Measurements*. The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(m) New standards, amendments to standards and interpretations (Cont'd)*

*(i) New standards, amendments and interpretations effective in the 2014 financial year are as follows: (Cont'd)*

- *IFRIC 21, Levies* addresses the issue of when to recognize a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this interpretation has had no material impact on the Group's consolidated financial statements.

*(ii) Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows:*

- *IFRS 9, Financial Instruments* issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 to mainly include the impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

(m) *New standards, amendments to standards and interpretations (Cont'd)*

(ii) *Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows: (Cont'd)*

- *IFRS 9, Financial Instruments: (Cont'd)*

*Key requirements of IFRS 9 (Cont'd)*

- All recognised financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and those contractual cash flows are solely payments of principal and interest, are measured at FVTOCI. All other debt instruments and equity instruments are measured at their fair value at the end of the subsequent accounting periods. In addition, entities may make an irrevocable election to present subsequent changes in the fair value of an equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words it is no longer necessary for a credit event to have occurred before credit losses are recognised.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(m) New standards, amendments to standards and interpretations (Cont'd)*

*(ii) Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows: (Cont'd)*

- *IFRS 9, Financial Instruments: (Cont'd)*

*Key requirements of IFRS 9 (Cont'd)*

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

It is anticipated that the application of IFRS 9 in the future may have a material impact on amounts reported in respect to the Group’s financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is undertaken.

- *IFRS 15, Revenue from Contracts with Customers* was issued in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including *IAS 18 Revenue*, *IAS 11 Construction Contracts* and the related interpretations when it becomes effective for annual periods beginning on or after January 1, 2017. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, that is, when control of the goods or services underlying the particular performance obligation is transferred to the customer.

It is anticipated that the application of IFRS 15 in the future may have a material impact on amounts reported in respect to the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is undertaken.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Continued)

For the Year Ended December 31, 2014

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*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(m) New standards, amendments to standards and interpretations (Cont'd)*

*(ii) Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows: (Cont'd)*

- *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* have been amended to reflect clarifications of acceptable methods of depreciation and amortization. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:
  - (a) When the intangible asset is expressed as a measure of revenue; or
  - (b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortization for its property, plant and equipment and intangible assets, respectively. It is not anticipated that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

- *IAS 19 Employee Benefits* was amended to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. This amendment is applicable for annual periods beginning on or after July 1, 2014.

It is not anticipated that the application of these amendments will have a significant impact on the Group's consolidated financial statements.

*(Expressed In Eastern Caribbean Dollars)*

**3. Significant Accounting Policies (Cont'd)**

*(m) New standards, amendments to standards and interpretations (Cont'd)*

*(ii) Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows: (Cont'd)*

- *IAS 24, Related Party Disclosures* was amended to clarify that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to the management personnel that is paid through another entity is not required. This amendment is applicable for annual periods beginning on or after July 1, 2014.

It is not anticipated that the application of these amendments will have a material impact on the disclosures in the Group's consolidated financial statements.

**4. Determination of Fair Values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values at the reporting date due to their short-term nature. The fair value of non-derivative financial liabilities for disclosure purposes (Note 28) is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

**4. Determination of Fair Values (Cont'd)**

The following table presents the level, valuation techniques and key inputs of the Group's assets and liabilities that are measured at fair value at the reporting date:

		As at December 31, 2014	As at December 31, 2013	Level	Valuation Techniques and key inputs
<b>Financial Assets</b>					
Available-for-sale	\$	171,532	169,741	2	Quoted prices in an inactive market.
Derivative financial asset	\$	-	5,525,392	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates.
<b>Financial Liability</b>					
Derivative financial liability	\$	39,745,776	-	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates.

*(Expressed In Eastern Caribbean Dollars)*

**5. Financial Risk Management**  
**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and commodity price risk)
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures, and which also reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by the Internal Audit Department, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

*(Expressed In Eastern Caribbean Dollars)*

**5. Financial Risk Management (Cont'd)**

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry in which customers operate, have less of an influence on credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and service terms and conditions are offered.

These payment terms are stipulated under the provisions of the Electricity Supply Act, 1994 (as amended) and include providing discretion to the Group to require a deposit not exceeding an estimated two month's supply of electricity from any consumer as security for sums due from time to time, and which is refundable with interest upon permanent termination of services. Customers that fail to meet the Group's benchmark creditworthiness may have their electricity supply withdrawn or terminated in accordance with the provisions of the Act.

More than 85 percent of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

*Investments*

The Group limits its exposure to credit risk by only investing in liquid securities. Credit risk is minimised by placing investments with reputable financial institutions.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Credit risk is minimised by placing cash and cash equivalents with reputable financial institutions.

*Derivative financial assets*

The Group limits its exposure to credit risk on derivative financial assets by entering into contracts with high credit-quality counterparties and the Group does not expect any counterparties to fail to meet their obligations.



*(Expressed In Eastern Caribbean Dollars)*

**5. Financial Risk Management (Cont'd)**

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- An overdraft facility of EC\$10 Million which is secured. Interest is payable at the rate of 8% per annum.
- A standby credit facility in the amount of EC\$10 Million which will be utilised to restore transmission and distribution assets damaged by hurricane and other natural disasters, should it become necessary. This facility is convertible into a 12-year term instalment loan subject to the necessary approvals. The interest rate is 7.41% on the credit facility and 6.5% if converted into a demand loan.

Liquidity risk of derivative financial instruments is minimised as the Group is required to post collateral when the mark-to-market exposures have surpassed the credit limits agreed with the relevant counterparties.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to currency risk on purchases and borrowings denominated in currencies other than its functional currency. The Group's exposure to currency risk is minimal since most of its obligations are denominated in United States Dollars and the United States dollar has been formally pegged to the Eastern Caribbean Dollar at EC\$2.70 = US\$1.00 since 1976.

There is no significant interest rate risk arising on the Group's available-for-sale financial assets as at December 31, 2014. The Group's only interest-bearing financial liabilities are its borrowings which have fixed rates of interest as disclosed in Note 14.

The Group is not exposed to equity price risk.

**5. Financial Risk Management (Cont'd)**

**Market risk (Cont'd)**

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in commodity prices. Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand. The Group is not exposed to commodity price risk on its derivative financial instruments as, although these instruments are affected by changes in the price of fuel, the changes in the value of these instruments are recoverable from customers as disclosed in Note 3(g).

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors and the senior management. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

*(Expressed In Eastern Caribbean Dollars)*

**5. Financial Risk Management (Cont'd)**

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit after tax divided by average shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Under the terms of the mortgage debenture agreement, the Company's total debt shall not exceed two times its tangible net worth which currently comprises its share capital and retained earnings. The Company was in compliance with this requirement at year-end.

There were no changes in the Group's approach to capital management during the year.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014  
*(Expressed in Eastern Caribbean Dollars)*

**6. Property, Plant and Equipment**

	<u>Cost</u>	<u>Land and Buildings</u>	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Furniture and Fittings</u>	<u>Work in Progress</u>	<u>Total</u>
Balance at January 1, 2013	\$ 89,082,731	646,079,117	3,331,576	13,707,033	32,757,782	784,958,239	
Additions	491,960	8,067,540	400,680	893,695	15,906,472	25,760,347	
Transfers	328,925	27,398,274	-	4,212	(27,731,411)	-	
Reclassifications to intangible assets	(930,338)	-	-	947,603	(69,090)	(51,825)	
Disposals	-	-	(47,000)	(214,408)	-	(261,408)	
Balance at December 31, 2013	88,973,278	681,544,931	3,685,256	15,338,135	20,863,753	810,405,353	
Balance at January 1, 2014	88,973,278	681,544,931	3,685,256	15,338,135	20,863,753	810,405,353	
Additions	1,797,139	1,563,538	122,416	460,945	22,627,342	26,571,380	
Transfers	601,265	25,164,632	-	602,885	(26,368,782)	-	
Reclassifications from intangible assets	-	-	-	-	352,803	352,803	
Disposals	-	-	(159,281)	(8,033)	-	(167,314)	
Balance at December 31, 2014	\$ 91,371,682	708,273,101	3,648,391	16,393,932	17,475,116	837,162,222	
<b>Accumulated Depreciation</b>							
Balance at January 1, 2013	\$ 35,083,401	389,543,810	2,852,360	10,610,810	-	438,090,381	
Charge for the year	2,047,588	27,616,587	225,810	789,953	-	30,679,938	
Reclassifications to intangible assets	(86,532)	-	-	95,164	-	8,632	
Eliminated on disposals	-	-	(47,000)	(212,888)	-	(259,888)	
Balance at December 31, 2013	37,044,457	417,160,397	3,031,170	11,283,039	-	468,519,063	
Balance at January 1, 2014	37,044,457	417,160,397	3,031,170	11,283,039	-	468,519,063	
Charge for the year	2,052,824	27,781,168	311,925	824,125	-	30,970,042	
Eliminated on disposals	-	-	(159,281)	(7,628)	-	(166,909)	
Balance at December 31, 2014	\$ 39,097,281	444,941,565	3,183,814	12,099,536	-	499,322,196	
<b>Carrying Amounts</b>							
At January 1, 2013	\$ 53,999,330	256,535,307	479,216	3,096,223	32,757,782	346,867,858	
At December 31, 2013	\$ 51,928,821	264,384,534	654,086	4,055,096	20,863,753	341,886,290	
At January 1, 2014	\$ 51,928,821	264,384,534	654,086	4,055,096	20,863,753	341,886,290	
At December 31, 2014	\$ 52,274,401	263,331,536	464,577	4,294,396	17,475,116	337,840,026	

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

**6. Property, Plant and Equipment (Cont'd)**

As stated in Note 14, borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking pari passu pursuant to a security sharing agreement, and assignment of insurance policies.

**7. Intangible Assets**

	<u>Information Systems</u>	<u>Way Leave Rights</u>	<u>Work In Progress</u>	<u>Total</u>
<b><u>Cost</u></b>				
Balance at January 1, 2013	\$ 17,845,697	2,473,018	133,000	20,451,715
Additions	346,325	187,945	1,915,970	2,450,240
Transfers	1,832,679	-	(1,832,679)	-
Reclassifications from property, plant and equipment	27,501	24,324	-	51,825
Balance at December 31, 2014	<u>20,052,202</u>	<u>2,685,287</u>	<u>216,291</u>	<u>22,953,780</u>
Balance at January 1, 2014	<b>20,052,202</b>	<b>2,685,287</b>	<b>216,291</b>	<b>22,953,780</b>
Additions	<b>504,970</b>	<b>537,185</b>	<b>44,242</b>	<b>1,086,397</b>
Transfers	<b>141,855</b>	-	<b>(141,855)</b>	-
Reclassifications to property, plant and equipment	-	<b>(352,803)</b>	-	<b>(352,803)</b>
Balance at December 31, 2014	<b>\$ 20,699,027</b>	<b>2,869,669</b>	<b>118,678</b>	<b>23,687,374</b>
<b><u>Accumulated Amortisation</u></b>				
Balance at January 1, 2013	\$ 5,397,724	-	-	5,397,724
Amortised for the year	1,975,969	-	-	1,975,969
Reclassifications to property, plant and equipment	<u>(8,632)</u>	-	-	<u>(8,632)</u>
Balance at December 31, 2013	<u>7,365,061</u>	-	-	<u>7,365,061</u>
Balance at January 1, 2014	<b>7,365,061</b>	-	-	<b>7,365,061</b>
Amortised for the year	<b>2,180,034</b>	-	-	<b>2,180,034</b>
Balance at December 31, 2014	<b>\$ 9,545,095</b>	-	-	<b>9,545,095</b>
<b><u>Carrying Amounts</u></b>				
At January 1, 2013	<u>\$ 12,447,973</u>	<u>2,473,018</u>	<u>133,000</u>	<u>15,053,991</u>
At December 31, 2013	<u>\$ 12,687,141</u>	<u>2,685,287</u>	<u>216,291</u>	<u>15,588,719</u>
At January 1, 2014	<b>\$ 12,687,141</b>	<b>2,685,287</b>	<b>216,291</b>	<b>15,588,719</b>
At December 31, 2014	<b>\$ 11,153,932</b>	<b>2,869,669</b>	<b>118,678</b>	<b>14,142,279</b>

Way leave rights, which have an indefinite life period, allow the Group access to properties owned by third parties for the purpose of installing and maintaining the Group's transmission and distribution network.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

**8. Retirement Benefit Assets**

**Grade I Employees**

The Group contributes to a defined benefit pension scheme with Sagicor Life Inc. for Grade I employees who were employed prior to January 1, 2008.

**Grade II Employees**

The Group contributes to a defined benefit pension scheme for Grade II employees who were employed prior to January 1, 2008 which, up to December 31, 2008, was held with CLICO International Life Insurance Company Limited (“CLICO”). Subsequent fundings to the plan are currently being managed by RBC Investments Management (Caribbean) Limited (Note 31).

The most recent actuarial valuation of these two schemes is dated December 31, 2012. The plans were valued using the “Projected Unit Credit” method of valuation.

**Grade III Employees**

For its senior employees who were employed prior to January 1, 2008, the Group contributes to the regional CDC Caribbean Pension Scheme administered by Sagicor Life Inc.

The most recent actuarial valuation of the plan was completed December 31, 2012.

The plan was valued using the “Projected Unit Credit” method of valuation.

The principal actuarial assumptions used for all schemes were as follows:

	<b>Grade III</b>		<b>Grades I and II</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rates	<b>7.5</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
Future salary increases	<b>4.0</b>	<b>3.5</b>	<b>5.5</b>	<b>5.5</b>
Future pension increases	<b>3.0</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>
Future promotional increases	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
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**8. Retirement Benefit Assets (Cont'd)**

The amounts recognised in the Consolidated Statement of Financial Position for the year are determined as follows:

	Grade III		Grade II		Grade I		Total	
	2014	2013 Restated	2014	2013	2014	2013	2014	2013 Restated
Present value of defined benefit obligations	\$ (22,312,000)	(22,662,000)	(14,583,000)	(13,887,000)	(14,107,000)	(13,395,000)	(51,002,000)	(49,944,000)
Fair value of plans' assets	23,690,000	21,757,000	16,774,000	15,705,000	15,303,000	14,930,000	55,767,000	52,392,000
Defined benefit assets/(liabilities)	\$ 1,378,000	(905,000)	2,191,000	1,818,000	1,196,000	1,535,000	4,765,000	2,448,000

The amount of \$4,765,000 (2013 - \$2,448,000) is recognised as a defined benefit asset as it will be available to the Group to fund a contribution reduction in the future.

The Trustees of the pension schemes are precluded from paying out any part of this amount to the Group. The Group has set up a retirement benefit reserve for the same amount which is not available for distribution to shareholders.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
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**8. Retirement Benefit Assets (Cont'd)**

The movements in the defined benefit obligations for the year were as follows:

	Grade III		Grade II		Grade I		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Defined benefit obligations as at January 1,	\$ 22,662,000	20,483,000	13,887,000	13,872,000	13,395,000	12,788,000	49,944,000	47,143,000
Service costs	1,066,000	1,032,000	521,000	537,000	190,000	191,000	1,777,000	1,760,000
Interest costs	1,643,000	1,498,000	939,000	946,000	924,000	888,000	3,506,000	3,332,000
Members' contributions	-	-	218,000	221,000	184,000	195,000	402,000	416,000
Benefits paid	(523,000)	(214,000)	(963,000)	(728,000)	(465,000)	(290,000)	(1,951,000)	(1,232,000)
Re-measurements: experience adjustments	(2,536,000)	(137,000)	(19,000)	(961,000)	(121,000)	(377,000)	(2,676,000)	(1,475,000)
Defined benefit obligations as at December 31,	\$ 22,312,000	22,662,000	14,583,000	13,887,000	14,107,000	13,395,000	51,002,000	49,944,000

The movements in the plans' assets for the year were as follows:

	Grade III		Grade II		Grade I		Total	
	2014	2013 Restated	2014	2013	2014	2013	2014	2013 Restated
Fair value of plan's assets at January 1,	\$ 21,757,000	19,145,000	15,705,000	17,228,000	14,930,000	14,420,000	52,392,000	50,793,000
Contributions paid - employer	1,190,000	1,222,000	453,000	458,000	228,000	243,000	1,871,000	1,923,000
Contributions paid - members	-	-	218,000	221,000	184,000	195,000	402,000	416,000
Interest income	1,611,000	1,444,000	1,087,000	1,202,000	1,041,000	1,012,000	3,739,000	3,658,000
Return on plans' assets, excluding interest income	(238,000)	232,000	338,000	(2,610,000)	(557,000)	(589,000)	(457,000)	(2,967,000)
Benefits paid	(523,000)	(214,000)	(963,000)	(728,000)	(465,000)	(290,000)	(1,951,000)	(1,232,000)
Expense allowance	(107,000)	(72,000)	(64,000)	(66,000)	(58,000)	(61,000)	(229,000)	(199,000)
Fair value of plans' assets at December 31,	\$ 23,690,000	21,757,000	16,774,000	15,705,000	15,303,000	14,930,000	55,767,000	52,392,000



**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
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**8. Retirement Benefit Assets (Cont'd)**

The fair values of the Plans' assets consist of the following:

	Grade III		Grade II		Grade I	
	2014	2013 Restated	2014	2013	2014	2013
Overseas equities	\$ 6,466,710	9,095,973	-	-	-	-
Government issued nominal bonds	6,224,174	5,998,259	7,367,000	7,699,000	-	-
Corporate bonds	2,984,940	3,220,036	-	-	-	-
Cash/money market	2,496,848	2,145,133	1,602,000	471,000	-	-
Other	5,517,328	1,297,599	1,553,000	1,571,000	-	-
Deposit administration account	-	-	6,252,000	5,964,000	15,303,000	14,930,000
	<u>\$ 23,690,000</u>	<u>21,757,000</u>	<u>16,774,000</u>	<u>15,705,000</u>	<u>15,303,000</u>	<u>14,430,000</u>

**Grade I**

The value of the Grade I plan assets was estimated using the face value of the deposit administration contract as at September 30, 2014 provided by the Investment Manager, Sagcor Life Inc. The value of this policy is not quoted and is reliant on Sagcor's financial strength.

**Grade II**

The Grade II plan assets values as at December 31, 2014 were estimated using the asset value as at September 30, 2014 provided by the Plan's Investment Manager, RBC, the residual value of the deposit administrative contract with CLICO as at December 31, 2013 as shown in the Scheme's audited accounts and an estimate of the Plan's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligations. The Investment Manager calculates the fair value of government bonds by discounting expected future proceeds using a constructed yield curve. All of the Plan's government bonds were issued by the governments of countries within Caricom.

The plan assets for the Grades I and II Pension Schemes are invested in a strategy agreed with the Plans' Trustees which is largely driven by statutory constraints and asset availability. There are no asset-liability matching strategies used by the Plans.

**Grade III**

The Grade III plan assets values as at December 31, 2014 were estimated using the asset value as at September 30, 2014 provided by the Plan's Investment Managers, Deutsche Bank and Sagcor Life Inc. The assets held by Deutsche Bank are all quoted in a formal market. There are no asset-liability matching strategies employed by the Plan.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
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**8. Retirement Benefit Assets (Cont'd)**

The actual return on plans' assets for the year was as follows:

	Grade III		Grade II		Grade I		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Return on plans' assets	\$ 1,373,000	1,676,000	1,425,000	(1,408,000)	484,000	423,000	3,282,000	691,000

The amounts recognised in the Consolidated Statement of Comprehensive Income for the year were as follows:

	Grade III		Grade II		Grade I		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Current service costs	\$ 1,066,000	1,032,000	521,000	537,000	190,000	191,000	1,777,000	1,760,000
Administrative expenses	107,000	72,000	64,000	66,000	58,000	61,000	229,000	199,000
Net interest on defined benefit assets	32,000	54,000	(148,000)	(256,000)	(117,000)	(124,000)	(233,000)	(326,000)
Net pension costs	\$ 1,205,000	1,158,000	437,000	347,000	131,000	128,000	1,773,000	1,633,000

Re-measurements recognised in Other Comprehensive Income:

	Grade III		Grade II		Grade I		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Experience (gains)/losses	\$ (2,298,000)	(369,000)	(357,000)	1,649,000	436,000	212,000	(2,219,000)	1,492,000
Total amount recognised in Other Comprehensive Income	\$ (2,298,000)	(369,000)	(357,000)	1,649,000	436,000	212,000	(2,219,000)	1,492,000

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
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**8. Retirement Benefit Assets (Cont'd)**

Reconciliation of opening and closing defined benefit assets/(liabilities):

	Grade III		Grade II		Grade I		Total	
	2014	2013 Restated	2014	2013	2014	2013	2014	2013 Restated
Opening defined benefit assets /(liabilities)	\$ (905,000)	(1,338,000)	1,818,000	3,356,000	1,535,000	1,632,000	2,448,000	3,650,000
Net pension costs	(1,205,000)	(1,158,000)	(437,000)	(347,000)	(131,000)	(128,000)	(1,773,000)	(1,633,000)
Re-measurements recognised in Other Comprehensive Income	2,298,000	369,000	357,000	(1,649,000)	(436,000)	(212,000)	2,219,000	(1,492,000)
Employer contributions paid	1,190,000	1,222,000	453,000	458,000	228,000	243,000	1,871,000	1,923,000
Closing defined benefit assets/(liabilities)	\$ 1,378,000	(905,000)	2,191,000	1,818,000	1,196,000	1,535,000	4,765,000	2,448,000



**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
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*(Expressed In Eastern Caribbean Dollars)*

**8. Retirement Benefit Assets (Cont'd)**

Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2014 would have changed as a result of a change in the assumptions used.

**Grade III**

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (3,671,000)	4,732,000
	0.5% p.a. increase	0.5% p.a. decrease
Future salary increases	\$ 805,000	(763,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2014 by \$38,000.

**Grade II**

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (1,770,000)	2,184,000
Future salary increases	\$ 767,000	(689,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2014 by \$295,000.

**Grade I**

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (1,525,000)	1,975,000
Future salary increases	\$ 1,292,000	(1,093,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2014 by \$189,000.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

**9. Available-for-sale Financial Assets**

	<b>2014</b>	<b>2013</b>
At beginning of year	\$ 169,741	167,969
Additions for year	<u>1,791</u>	<u>1,772</u>
At end of year	<u>\$ 171,532</u>	<u>169,741</u>

The available-for-sale financial assets as at December 31, 2014 had a stated interest rate of 0.8% (2013 - 1.52% to 2%). The above investment is not available for the day-to-day operations of the Group (Note 30).

The Group's exposure to credit, currency and interest rate risks related to the available-for-sale financial assets are disclosed in Note 28.

**10. Inventories**

	<b>2014</b>	<b>2013</b>
Fuel inventories	\$ 2,231,951	2,821,066
Generation spare parts	3,737,367	4,485,446
Transmission, distribution and other spares	<u>6,715,797</u>	<u>6,929,839</u>
	12,685,115	14,236,351
Less: provision for inventory obsolescence	<u>(2,220,306)</u>	<u>(2,220,409)</u>
	<u>\$ 10,464,809</u>	<u>12,015,942</u>

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**11. Trade, Other Receivables and Prepayments**

	<b>2014</b>	<b>2013</b>
Trade receivables due from related parties (Note 25)	\$ 12,837,688	10,518,742
Other trade receivables	53,815,431	56,178,023
Less: provision for impairment of trade receivables	<u>(11,107,101)</u>	<u>(8,445,654)</u>
Trade receivables, net	<u>55,546,018</u>	<u>58,251,111</u>
Other receivables due from related parties (Note 25)	1,214,008	235,654
Other receivables	18,561,055	5,123,046
Less: provision for impairment of other receivables	<u>(563,522)</u>	<u>(339,085)</u>
Other receivables, net	<u>19,211,541</u>	<u>5,019,615</u>
Accrued income	<u>15,595,196</u>	15,570,075
	90,352,755	78,840,801
Deferred fuel costs	38,423,790	-
Prepayments	<u>879,764</u>	<u>3,356,572</u>
	<u>\$ 129,656,309</u>	<u>82,197,373</u>

Included in other receivables is collateral paid in the amount of \$15,093,334 (2013 - Nil) to cover hedge exposures. This collateral is interest-bearing and refundable when exposures fall below the combined value of the credit limit and the amount paid.

Deferred fuel costs relate to the fair value adjustments of derivative financial instruments as disclosed in Note 3(g) and fuel surcharge adjustments as disclosed in Note 3(i).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28.

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**12. Cash and Cash Equivalents**

Cash and cash equivalents comprise:

	2014	2013
Cash at bank and in hand	\$ 1,498,819	4,351,512
Bank overdraft	(5,510,661)	-
Term deposits-restricted	24,565,672	21,160,397
Term deposits-unrestricted	<u>1,008,050</u>	<u>5,307,348</u>
	<u>\$ 21,561,880</u>	<u>30,819,257</u>

The bank overdraft incurred interest at a rate of 8% per annum.

The term deposits earn interest at rates ranging from 1.50% to 3.50% per annum (2013 - 1.00% to 3.75% per annum) and mature between 1 to 3 months after year end (2013 - 1 to 10 months).

Term deposits totalling \$24,565,672 (2013 - \$21,160,397) are not available for the day-to-day operations of the Group (Note 30).

The Group's exposure to credit and currency risk related to cash and cash equivalents are disclosed in Note 28.

**13. Share Capital**

	2014	2013
<i>Authorised:</i>		
Voting ordinary shares of no par value	<u>100,000,000</u>	<u>100,000,000</u>
Ordinary non-voting shares of no par value	<u>800,000</u>	<u>800,000</u>
Preference shares of no par value	<u>1,214,128</u>	<u>1,214,128</u>

	2014	2013
<i>Issued and fully paid</i>		
22,400,000 voting ordinary shares	\$ 77,562,792	77,562,792
520,000 non-voting ordinary shares	<u>2,600,000</u>	<u>2,600,000</u>
	<u>\$ 80,162,792</u>	<u>80,162,792</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Continued)

For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)***14. Borrowings**

	2014	2013
<b>Current</b>		
Bank borrowings	\$ 4,120,893	3,822,932
Related parties	<u>11,344,560</u>	<u>11,055,407</u>
	<u>15,465,453</u>	<u>14,878,339</u>
<b>Non-current</b>		
Bank borrowings	30,735,913	34,856,806
Related parties	<u>106,989,603</u>	<u>118,215,751</u>
	<u>137,725,516</u>	<u>153,072,557</u>
<b>Total borrowings</b>		
Bank borrowings	34,856,806	38,679,738
Related parties (Note 25)	<u>118,334,163</u>	<u>129,271,158</u>
	<u>\$ 153,190,969</u>	<u>167,950,896</u>

Borrowings include loans amounting to \$91,115,751 (2013 - \$95,248,143) that are guaranteed by the Government of Saint Lucia and other bank loans that are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking pari passu pursuant to a security sharing agreement, and assignment of insurance policies.

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For the Year Ended December 31, 2014  
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**14. Borrowings (Cont'd)**

The weighted average effective rates at the date of the statement of financial position were as follows:

	2014	2013
	%	%
Bank borrowings	8.15	8.13
Related parties	<u>7.61</u>	<u>7.60</u>

Maturity of non-current borrowings:

	2014	2013
Between 1 and 2 years	\$ 16,012,844	15,347,041
Between 2 and 5 years	40,377,022	48,342,383
Over 5 years	<u>81,335,650</u>	<u>89,383,133</u>
	<u>\$ 137,725,516</u>	<u>153,072,557</u>

The Group's exposure to interest rate, foreign currency, and liquidity risks related to borrowings is disclosed in Note 28.

**15. Consumer Deposits**

Consumers requesting energy connections are required to pay a deposit that is refundable when the service is terminated. Interest is accrued on these deposits at the rate of 3% (2013 - 3%) per annum.

	2014	2013
Consumer deposits	\$ 12,081,685	11,653,734
Interest accrual	<u>4,053,473</u>	<u>3,891,251</u>
	<u>\$ 16,135,158</u>	<u>15,544,985</u>

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**16. Deferred Tax Liabilities**

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2013 - 30%). The movement on the deferred tax liability account is as follows:

	2014	2013 Restated
At beginning of year	\$ 37,448,796	37,151,943
Recognised in profit and loss (Note 22)	137,752	670,355
Recognised in other comprehensive income (Note 22)	<u>692,369</u>	<u>(373,502)</u>
At end of year	<u>\$ 38,278,917</u>	<u>37,448,796</u>

Deferred tax liabilities are attributed to the following items:

	2014	2013 Restated
Property, plant and equipment	\$ 37,404,105	37,250,187
Retirement benefit assets and liabilities	<u>874,812</u>	<u>198,609</u>
	<u>\$ 38,278,917</u>	<u>37,448,796</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
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For the Year Ended December 31, 2014

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**17. Post-employment Medical Benefit Liabilities**

The Group contributes to a post retirement medical scheme with The Beacon Insurance Co. Limited for all its current employees and retirees.

The principal actuarial assumptions used for all schemes were as follows:

	<u>Grade III</u>		<u>Grades I and II</u>	
	2014	2013	2014	2013
	%	%	%	%
Discount rates	7.5	7.0	7.0	7.0
Medical expense increase	5.0	4.5	5.0	5.0

The amounts recognised in the Consolidated Statement of Financial Position at December 31, 2014 are determined as follows:

	<u>Grade III</u>		<u>Grade II &amp; I</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Present value of defined benefit obligations	\$ 483,959	420,970	1,365,000	1,365,000	1,848,959	1,785,970
Fair value of plans' assets	-	-	-	-	-	-
Post retirement liabilities	\$ <u>483,959</u>	<u>420,970</u>	<u>1,365,000</u>	<u>1,365,000</u>	<u>1,848,959</u>	<u>1,785,970</u>



**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

*(Expressed In Eastern Caribbean Dollars)*

**17. Post-employment Medical Benefit Liabilities (Cont'd)**

The movements in the post retirement benefit obligations for the year were as follows:

	Grade III		Grades II & I		Total	
	2014	2013	2014	2013	2014	2013
Defined benefit obligations as at January 1,	\$ 420,970	393,198	1,365,000	1,485,000	1,785,970	1,878,198
Current service costs	26,778	24,487	40,000	36,000	66,778	60,487
Interest costs	31,166	29,071	94,000	103,000	125,166	132,071
Benefits paid	(5,056)	(4,793)	(35,000)	(33,000)	(40,056)	(37,793)
Re-measurements: experience adjustments	10,101	(20,993)	(99,000)	(226,000)	(88,899)	(246,993)
Defined benefit obligations as at December 31,	\$ 483,959	420,970	1,365,000	1,365,000	1,848,959	1,785,970

The amounts recognised in the Consolidated Statement of Comprehensive Income for the year were as follows:

	Grade III		Grades II & I		Total	
	2014	2013	2014	2013	2014	2013
Current service costs	\$ 26,778	24,487	40,000	36,000	66,778	60,487
Interest on defined benefit obligations	31,166	29,071	94,000	103,000	125,166	132,071
Net pension costs	\$ 57,943	53,558	134,000	139,000	191,943	192,558

Re-measurements recognised in Other Comprehensive Income:

	Grade III		Grades II & I		Total	
	2014	2013	2014	2013	2014	2013
Experience losses/(gains)	\$ 10,101	(20,993)	(99,000)	(226,000)	(88,899)	(246,993)
Total amount recognised in Other Comprehensive Income	\$ 10,101	(20,993)	(99,000)	(226,000)	(88,899)	(246,993)

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
Notes to Consolidated Financial Statements (Continued)  
For the Year Ended December 31, 2014

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**17. Post-employment Medical Benefit Liabilities (Cont'd)**

Reconciliation of opening and closing defined benefit liabilities:

	Grade III		Grades II & I		Total	
	2014	2013	2014	2013	2014	2013
Opening defined benefit liabilities	\$ 420,970	393,198	(1,365,000)	1,485,000	1,785,970	1,878,198
Net pension costs	57,943	53,558	134,000	139,000	191,943	192,558
Re-measurements recognised in Other Comprehensive Income	10,101	(20,993)	(99,000)	(226,000)	(88,899)	(246,993)
Benefits paid	(5,056)	(4,793)	(35,000)	(33,000)	(40,056)	(37,793)
Closing defined benefit liabilities	\$ 483,959	420,970	(1,365,000)	(1,365,000)	1,848,959	1,785,970

Sensitivity Analysis:

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2014 would have changed as a result of a change in the assumptions used.

**Grade III**

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (86,000)	113,000
Medical expense increases	\$ 112,000	(87,000)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2014 by \$1,000.

**Grades I & II**

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (208,000)	269,000
Medical expense increases	\$ 272,000	(213,000)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2014 by \$48,000.

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**18. Trade and Other Payables**

	2014	2013 Restated
Trade payables	\$ 14,939,668	19,687,729
Accrued expenses	6,347,487	3,877,214
Other payables	<u>7,136,735</u>	<u>6,487,591</u>
	28,423,890	30,052,534
Deferred fuel costs	-	5,962,662
	<u>\$ 28,423,890</u>	<u>36,015,196</u>

Deferred fuel costs represents the fair values of derivative financial instruments as disclosed in Note 3(g) and fuel surcharge adjustments as disclosed in Note 3(i).

The Group's exposure to foreign currency and liquidity risks related to trade and other payables is disclosed in Note 28.

**19. Tariff Reduction**

In accordance with the provisions of the Electricity Supply Amendment Act Nos. 12 of 2006 and 13 of 2006, a mechanism was put into effect for the computation of the Allowable Rate of Return, based on a predetermined range of Return on Average Contributed Capital.

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market. This was equal to a range of 9.5% to 14.5% in respect of 2014 (2013 – 9.5% to 14.5%). This return is subject to a minimum rate of 10%.

In the event that the actual Rate of Return exceeds the Allowable Rate of Return, 50% of the amount in excess of the maximum of the range will be distributed proportionately to hotel and industrial consumers as a decrease in the basic energy rate based on the total kilowatt hours consumed in the preceding calendar year. The Minister may also, by Order, apply the decrease in the basic energy rate to consumers or groups of consumers in need of special protection.

In the event that the actual Rate of Return falls below the minimum of 10%, provision is also made for the upward adjustment of the basic energy rate.

As the actual Rate of Return fell below the Allowable Rate of Return for the year ended December 31, 2014, no appropriation will be made.

**20. Ordinary Dividends**

	2014	2013
Interim 2014 - \$0.35 (2013 - \$0.35) per share	\$ 8,022,000	8,022,000
Final 2013 - \$0.35 per share	<u>8,022,000</u>	-
	<u>\$ 16,044,000</u>	<u>8,022,000</u>

The final dividend for the year 2014 had not been declared as at December 31, 2014.

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**21. Other Gains, Net**

	2014	2013
Gain on disposal of property, plant and equipment	\$ 28,039	13,480
Foreign exchange gain	<u>39,082</u>	<u>52,377</u>
	<u>\$ 67,121</u>	<u>65,857</u>

**22. Taxation**

	2014	2013 Restated
Current tax	\$ 10,054,334	8,913,867
Deferred tax (Note 16)	<u>137,752</u>	<u>670,355</u>
	<u>\$ 10,192,086</u>	<u>9,584,222</u>

Reconciliation of the applicable tax charge to the effective tax charges:

	2014	2013 Restated
Profit before taxation	\$ 37,000,493	34,898,738
Tax at the statutory rate of 30% (2013 - 30%)	11,100,148	10,469,622
Tax effect of non-deductible expense	101,344	182,183
Tax effect of self insurance appropriation	<u>(1,009,406)</u>	<u>(1,067,583)</u>
Actual tax charge	<u>\$ 10,192,086</u>	<u>9,584,222</u>

Deferred tax on each component of other comprehensive income is as follows:

	<u>2014</u>			<u>2013</u>		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Re-measurement of defined benefit pension plans	\$ 2,307,898	(692,369)	<u>1,615,529</u>	(1,245,007)	373,502	<u>(871,505)</u>
Total other comprehensive income	<u>\$ 2,307,898</u>	<u>(692,369)</u>	<u>1,615,529</u>	<u>(1,245,007)</u>	<u>373,502</u>	<u>(871,505)</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
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**23. Fuel Price Hedging**

The underlying strategy and imperative related to the Group's objective is to reduce, in some measure, the price volatility to its customers caused by the existing arrangements whereby fuel is purchased on a regular basis at market prices. The Group has only been authorised to use Fixed Price Swaps in its programme during the period to cover the related contracts.

The Board of Directors, as part of the hedging strategy, approved a rolling 12 month hedging program that commenced in January 2012 utilising Fixed Price Swaps covering 75% of estimated monthly volumes.

Under the provisions of the Electricity Supply Act (as amended) 1994, fuel prices are passed through to customers at cost.

The fair value of these fixed price swaps at year end as disclosed on the Consolidated Statement of Financial Position as Derivative Financial (Liabilities)/Assets are as follow:

	2014	2013
<i>Derivative financial instruments</i>		
Fixed Price Swaps	\$ <u>(39,745,776)</u>	<u>5,525,392</u>

**24. Earnings Per Share**

Earnings per share of \$1.17 (2013 - \$1.10) have been calculated by dividing the profit for the year of \$26,808,407 (2013 - \$25,314,516) by the weighted average number of shares outstanding during the year of 22,920,000 (2013 - 22,920,000).

**25. Related Parties**

*(a) Identification of related party*

A party is related to the Group if:

(i) Directly or indirectly the party:

- Controls, is controlled by, or is under common control with the Group
- Has an interest in the Group that gives it significant influence over the Group or
- Has joint control over the Group,

(ii) The party is a member of the key management personnel of the Group,

(iii) The party is a close member of the family of any individual referred to in (i) or (ii),

(iv) The party is a post-employment benefit plan for the benefit of employees of the Group or any Group that is a related party of the Group.

*(b) Related party transactions and balances*

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, or commercial terms and conditions.

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**25. Related Parties (Cont'd)**

*Transactions with key management personnel*

In addition to their salaries, the Group also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

	2014	2013
Short-term employee benefits	\$ 3,855,367	3,563,783
Post-employment benefits	724,035	625,332
Directors' remuneration	<u>340,022</u>	<u>316,140</u>
	<u>\$ 4,919,424</u>	<u>4,505,255</u>

A few key management personnel hold positions in other entities that result in them having significant influence over the financial or operating policies of those entities.

The aggregate value of transactions and outstanding balances relating to those entities were as follows:

Director/Shareholder Company	Transactions	Transaction Value	
		2014	2013
Stephen McNamara    McNamara & Co.	Legal fees	\$ 37,386	62,862
	Payments on behalf of third parties	\$ 75,948	406,904

The Group is controlled by the following entities:

	2014	2013
	%	%
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	16.79	16.79
Castries City Council	16.33	16.33
Government of Saint Lucia	<u>12.44</u>	<u>12.44</u>
	<u>85.56</u>	<u>85.56</u>

The remaining 14.44% (2013 - 14.44%) of the shares are widely held.



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**25. Related Parties (Cont'd)**

**Transactions with related parties**

Transactions with shareholders during the year were as follows:

Supply of services

	2014	2013
National Insurance Corporation	\$ 3,204,231	3,200,563
Castries City Council	1,837,302	1,880,280
Government of Saint Lucia	<u>28,274,607</u>	<u>29,265,527</u>
	<u>\$ 33,316,140</u>	<u>34,346,370</u>

The Government of Saint Lucia receives a 10% discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

Balances at the year end arising from supply of electricity services to related parties during the year (Note 11) were as follows:

	2014	2013
National Insurance Corporation	\$ 265,351	292,973
Castries City Council	859,715	155,318
Government of Saint Lucia	<u>11,712,622</u>	<u>10,070,451</u>
	<u>\$ 12,837,688</u>	<u>10,518,742</u>

Other Services

Balances at the year end arising from supply of other services to related parties during the year (Note 11) were as follows:

	2014	2013
Government of Saint Lucia	\$ <u>1,214,008</u>	<u>235,654</u>

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**25. Related Parties (Cont'd)**

**Transactions with related parties (Cont'd)**

Loans from shareholders

Movements in loans from shareholders for the year and their balances at December 31, 2013 were as follows:

	2014	2013
<b>National Insurance Corporation</b>		
At beginning of year	\$ 95,248,143	100,017,120
Repayments during year	<u>(11,161,578)</u>	<u>(12,112,418)</u>
	84,086,565	87,904,702
Interest expense	<u>7,029,186</u>	<u>7,343,441</u>
At end of year	<u>\$ 91,115,751</u>	<u>95,248,143</u>

	2014	2013
<b>First Citizens Bank Limited</b>		
At beginning of year	\$ 34,023,015	40,827,618
Repayments during year	<u>(9,457,016)</u>	<u>(9,591,451)</u>
	24,565,999	31,236,167
Interest expense	<u>2,652,413</u>	<u>2,786,848</u>
At end of year	<u>\$ 27,218,412</u>	<u>34,023,015</u>

The above loans are fully secured (Note 14).

**Finance costs**

Details of the related finance costs are as follows:

	2014	2013
National Insurance Corporation	\$ 7,029,186	7,343,441
First Citizens Bank Limited	<u>2,652,413</u>	<u>2,786,848</u>
	<u>\$ 9,681,599</u>	<u>10,130,289</u>

These charges are included in the finance costs of \$12,956,548 (2013 - \$14,090,776) disclosed in the Statement of Comprehensive Income.

	2014	2013
<u>Lease Charges</u>		
Government of Saint Lucia	<u>\$ 33,334</u>	<u>100,000</u>



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**26. Expenses by Nature**

	<b>2014</b>	<b>2013 Restated</b>
Fuel costs	\$ 191,557,546	195,797,881
Depreciation on property, plant and equipment	30,970,042	30,679,938
Amortisation of intangible assets	2,180,034	1,975,969
Repairs and maintenance	9,672,517	11,184,466
Employee benefit expenses (Note 27)	27,769,624	28,137,916
Other operating expenses	<u>18,432,428</u>	<u>17,341,112</u>
	<u>\$ 280,582,191</u>	<u>285,117,282</u>
Operating expenses	\$ 247,227,471	253,057,510
Administrative expenses	<u>33,354,720</u>	<u>32,059,772</u>
	<u>\$ 280,582,191</u>	<u>285,117,282</u>

**27. Employee Benefit Expenses**

	<b>2014</b>	<b>2013</b>
Wages and salaries	\$ 20,765,606	21,436,966
Pension contributions	2,153,304	2,151,776
Medical contributions	576,376	503,803
Other employee benefits	<u>4,274,338</u>	<u>4,045,371</u>
	<u>\$ 27,769,624</u>	<u>28,137,916</u>

The number of permanent employees at December 31, 2014 was 249 (2013 - 247).

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**28. Financial Instruments**

**Credit risk**

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Carrying Amounts	
		2014	2013
Available-for-sale financial assets	9	\$ 171,532	169,741
Trade and other receivables	11	90,352,755	78,840,801
Cash and cash equivalents	12	21,561,880	30,819,257
Derivative financial assets		-	5,525,392
		<u>\$ 112,086,167</u>	<u>115,355,191</u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying Amounts	
	2014	2013
Business, before deducting provision	\$ 50,849,032	51,419,256
Residential, before deducting provision	15,804,087	15,277,509
	<u>\$ 66,653,119</u>	<u>66,696,765</u>

Impairment losses:

The aging of trade receivables at the reporting date was:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	\$ 24,037,290	-	24,879,042	-
Past due 30-60 days	13,087,862	-	13,326,826	-
Past due 60-90 days	5,513,162	-	5,731,870	-
Over 90 days	24,014,805	11,107,101	22,759,027	8,445,654
	<u>\$ 66,653,119</u>	<u>11,107,101</u>	<u>66,696,765</u>	<u>8,445,654</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014	2013
Balance at January 1,	\$ 8,445,654	7,154,293
Impairment loss recognised	2,661,447	1,291,361
Balance at December 31,	<u>\$ 11,107,101</u>	<u>8,445,654</u>

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off against the financial asset directly.

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**28. Financial Instruments (Cont'd)**

**Liquidity risk**

The following are the contractual maturities of financial liabilities including estimated interest payments:  
**December 31, 2014**

Non-derivative financial liabilities	Carrying amounts	Contractual cash flows			
		Under 1 year	1-2 years	2-5 years	>5 years
Secured loans	\$ (153,190,969)	(222,870,562)	(26,007,447)	(63,224,223)	(107,144,342)
Trade and other payables	(28,423,890)	(28,423,890)	-	-	-
	\$ (181,614,859)	(251,294,452)	(26,007,447)	(63,224,223)	(107,144,342)
<b>Derivative financial liabilities</b>					
Derivative financial liabilities	\$ (39,745,776)	(39,745,776)	-	-	-

**December 31, 2013**

Non-derivative financial liabilities	Carrying amounts	Contractual cash flows			
		Under 1 year	1-2 years	2-5 years	>5 years
Secured loans	\$ (167,950,896)	(249,856,253)	(26,494,550)	(74,629,740)	(121,746,272)
Trade and other payables	(30,052,534)	(30,052,534)	-	-	-
	\$ (198,003,430)	(279,908,787)	(26,494,550)	(74,629,740)	(121,746,272)

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**28. Financial Instruments (Cont'd)**

**Fair values**

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	<b>Carrying amounts as at December 31, 2014</b>	<b>Fair values as at December 31, 2014</b>	<b>Carrying amounts as at December 31, 2013</b>	<b>Fair values as at December 31, 2013</b>
Available-for- sale financial assets	\$ 171,532	171,532	169,741	169,741
Trade and other receivables	90,352,755	90,352,755	78,840,801	78,840,801
Cash and cash equivalents	21,561,880	21,561,880	30,819,257	30,819,257
Derivative financial (liabilities)/assets	(39,745,776)	(39,745,776)	5,525,392	5,525,392
Secured borrowings	(153,190,969)	(153,531,414)	(167,950,896)	(168,344,654)
Trade and other payables	(28,423,890)	(28,423,890)	(30,052,534)	(30,052,534)
	<u>\$ (109,274,468)</u>	<u>(109,614,913)</u>	<u>(82,648,239)</u>	<u>(83,041,997)</u>

The basis of determining fair values is disclosed in Note 4.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flow are based on the market interest rates at the reporting date.

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**29. Commitments**

Capital commitments

Group had capital commitments at December 31, 2014 of \$843,511 (2013 - \$2,449,853).

Operating lease commitment

(i) *Union premises*

The future aggregate minimum lease payments on the operating lease is as follows:

	2014	2013
Not later than 1 year	\$ -	100,000
Later than 1 year and not later than 5 years	-	400,000
More than 5 years	-	200,000
	<u>\$ -</u>	<u>700,000</u>

The operating lease, which commenced in 2001 for a term of twenty years, was terminated April 30, 2014.

(ii) *Motor vehicles and property*

The Group entered into lease agreements for company vehicles for management staff and into property agreements for office premises.

The future aggregate minimum lease payments on the leases are as follows:

	2014	2013
Not later than 1 year	\$ 678,909	716,004
Later than 1 year and not later than 5 years	<u>1,385,206</u>	<u>1,398,366</u>
	<u>\$ 2,064,115</u>	<u>2,114,370</u>

Fuel hedging

On December 31, 2014, the Group received a request for collateral by one of its counterparties of EC\$7,317,000, payment of which was made in the subsequent period.

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**30. Self Insurance Reserve**

Because of the difficulty experienced by the Group in obtaining adequate and reasonably priced commercial insurance coverage primarily on its Transmission and Distribution (T&D) assets, the Board of Directors gave approval for the establishment of a Self Insurance Fund to provide coverage for its T&D assets in the first instance, in the event of natural disasters or similar catastrophic events. From 2008, the Group therefore ceased commercial insurance cover of its T&D assets and undertook on an annual basis, to provide for insurance cover and to place amounts into the fund which will be independently managed under the terms of a registered Trust Deed.

During 2011 the Company received formal notification from the Registrar of Insurances of approval in principle, subject to certain conditions, for the establishment of the fund in accordance with the Insurance Act of Saint Lucia. Payments into the fund are exempted from income tax under authority of Statutory Instrument No. 172 of 2007. LUCELEC Cap-Ins. Inc. was incorporated on December 31, 2014 to manage the Self Insurance Fund. This subsidiary company has established a reserve which is not available for distribution to the shareholders.

The Group also obtained, and the Board of Directors approved, an independent report on a fund investment policy to ensure its long term sustainability.

The fund balance as at December 31, 2014 is \$24,737,204 (2013 - \$21,330,139), of which \$24,565,672 (2013 - \$21,160,397) (Note 12) included in cash and cash equivalents have been invested in local financial institutions in short-term liquid financial instruments. The balance of \$171,532 (2013 - \$169,741) (Note 9) disclosed as available-for-sale financial assets represents fund amounts invested in the Unit Trust Corporation of Trinidad and Tobago.

The Group also has access to a line of credit in the amount of \$10 Million which will be used, if required, in the event of damage to the T&D assets as disclosed in Note 5 (Liquidity Risk) to these financial statements.

The movements in the Self Insurance Reserve were as follows:

	2014	2013
Balance at January 1,	\$ 21,155,667	17,771,529
Transferred from retained earnings	<u>3,539,155</u>	<u>3,384,138</u>
Balance at December 31,	<u>\$ 24,694,822</u>	<u>21,155,667</u>



**31. CLICO Investment-Grade II Pension Scheme**

The Group contributes to a Defined Benefit pension scheme for Grade II employees who were employed prior to January 1, 2008. Up to December 31, 2008, this scheme was invested in a deposit administration contract with CLICO International Life Insurance Limited ("CLICO"). In addition, the scheme had purchased individual annuity policies from CLICO to secure pensions in payment.

On January 30, 2009, in accordance with the terms of the deposit administration contract between the CLICO and the scheme's trustees, the trustees with the consent of the Group served notice on CLICO to terminate the contract. Under the terms of the contract, CLICO is required to repay the value of the deposit administration contract in monthly instalments of \$250,000, and interest is accrued on the residual balance at a rate of 5% per annum. These monthly instalments were paid to the scheme's new investment manager (RBC Investment Management (Caribbean) Limited) up until October 2010 when payments stopped. The estimated residual balance of the fund held with CLICO at December 31, 2014 was \$6.252 Million (2013 - \$5.964 Million). In addition, the estimated value of the immediate annuity policies that the scheme holds with CLICO was \$1.553 Million as at December 31, 2014 (2013 - \$1.571 Million). The total value of the scheme's investment in CLICO was therefore \$7.805 Million as at December 31, 2014 (2013 - \$7.535 Million).

Contributions remitted to the scheme since 2008 have been paid to the scheme's new investment manager, RBC Investment Management (Caribbean) Limited.

During 2011, the trustees also initiated legal action and obtained judgment against CLICO from the High Court of Justice (Saint Lucia) of the Eastern Caribbean Supreme Court in respect of the fund balance due to the Scheme. Subsequent to the judgment, the operations of CLICO in Barbados and the Eastern Caribbean were placed under Judicial Management and this may affect CLICO's ability to honour its financial obligations to the Grade II pension scheme.

As at December 31, 2014, the computation of the present value of the pension obligations as required by IAS 19 are reliant on the value placed on the Scheme's investments with CLICO. The Judicial Manager of CLICO has received sanction from the High Court of Barbados to pursue a restructuring plan for the company. The proposed plan will result in a write down in value of all policyholders' liabilities to match the estimated value of the company's net available assets. The restructured policyholder liabilities and all the assets of the company will be transferred to a new company which will be separately governed and managed. Currently, the quantitative effects of this proposed plan is uncertain. To date, a 25% impairment loss has been taken into consideration in the computation of the Group's asset on the Consolidated Statement of Financial Position for the pension plans and its annual net pension cost as required by IAS 19.

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**32. Contingent Liability**

The Group has been named a defendant to a number of claims as at December 31, 2014. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that their defenses to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation and (ii) does not believe that the ultimate outcome of this litigation will significantly impair the Group's financial condition. Payments if any, arising from these claims will be recorded in the period that the payment is made.

**33. Prior Periods' Adjustments**

**Application of Accounting Standards**

*Retirement Benefit Assets*

In 2012, the investment income recorded for the Grade III Pension Scheme was overstated. The financial statements of 2012 and 2013 have been restated to correct this error. The effect of this restatement is summarized below:

	<b>Effect on 2013</b>	<b>Effect on 2012</b>
<b>Statement of Financial Position</b>		
Decrease in retirement benefit assets	\$ (982,000)	(982,000)
Decrease in deferred tax liabilities	294,600	294,600
Decrease in net assets	<u>\$ (687,400)</u>	<u>(687,400)</u>
Increase in retained earnings	\$ (294,600)	(294,600)
Decrease in retirement benefit reserve	982,000	982,000
Decrease in shareholders' equity	<u>\$ 687,400</u>	<u>687,400</u>

There was no effect on earnings per share at December 31, 2013.



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**33. Prior Periods' Adjustments (Cont'd)**

**Application of Accounting Standards (Cont'd)**

*Deferred fuel costs*

In the prior periods, the fair values of the fixed price hedging contracts were not recorded in the financial statements. In addition, fuel surcharge cost adjustments were not deferred until recovery from customers. The financial statements of 2012 and 2013 have been restated to correct these errors. The effect of this restatement is summarized below:

	Effect on 2013	
<b>Statement of Comprehensive Income</b>		
Increase in fuel costs	\$ (437,270)	
Decrease in current tax	131,181	
Decrease in net income and total comprehensive income	<u>\$ (306,089)</u>	
	Effect on 2013	Effect on 2012
<b>Statement of Financial Position</b>		
Increase in derivative financial assets	\$ 5,525,392	2,722,062
Increase in trade and other payables	(5,962,662)	(2,722,062)
Decrease in income tax payable	131,181	-
Decrease in net assets	<u>\$ (306,089)</u>	<u>-</u>
Decrease in retained earnings	306,089	
Decrease in shareholders' equity	<u>\$ 306,089</u>	

There was a decrease in earnings per share at December 31, 2013 of \$0.02.

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**33. Prior Periods' Adjustments (Cont'd)**

**Application of Accounting Standards (Cont'd)**

The net effect of the above restatements is summarized below:

	Effect on 2013	
<b>Statement of Comprehensive Income</b>		
Increase in fuel costs	\$ (437,270)	
Decrease in current tax	131,181	
Decrease in net income and total comprehensive income	<u>\$ (306,089)</u>	
	Effect on 2013	Effect on 2012
<b>Statement of Financial Position</b>		
Decrease in retirement benefit assets	\$ (982,000)	(982,000)
Increase in derivative financial assets	5,525,392	2,722,062
Decrease in deferred tax liabilities	294,600	294,600
Increase in trade and other payables	(5,962,662)	(2,722,062)
Decrease in income tax payable	131,181	-
Decrease in net assets	<u>\$ (993,489)</u>	<u>(687,400)</u>
Decrease/(increase) in retained earnings	\$ 11,489	(294,600)
Decrease in retirement benefit reserve	982,000	982,000
Decrease in shareholders' equity	<u>\$ 993,489</u>	<u>687,400</u>

There was a decrease in earnings per share at December 31, 2013 of \$0.02.

**34. Subsidiary Companies**

	Country of incorporation	Equity %
LUCELEC Cap-Ins. Inc.	Saint Lucia	100
LUCELEC Trust Company Inc.	Saint Lucia	100

**35. Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.