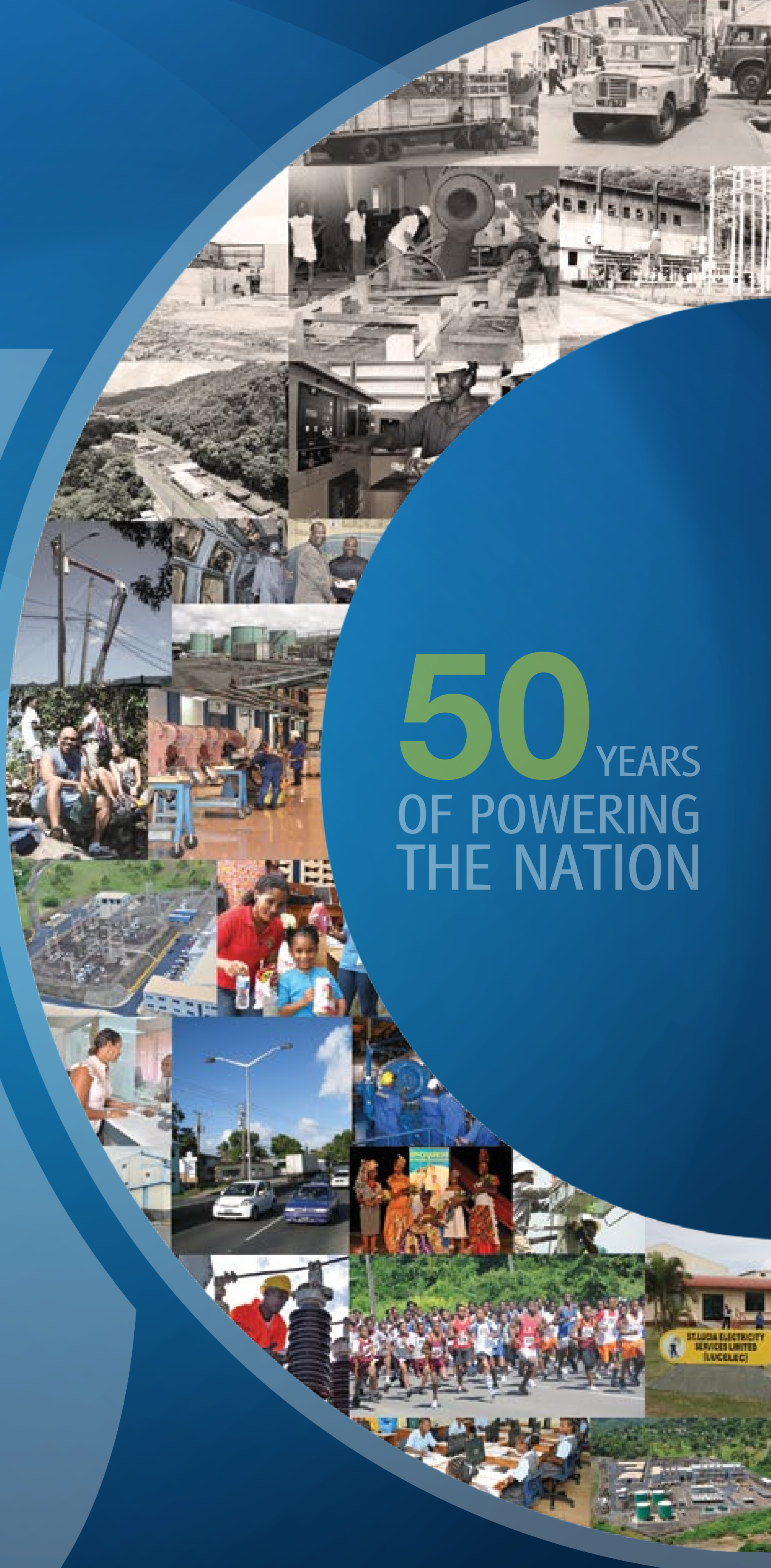

50 YEARS OF POWERING THE NATION

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

ANNUAL REPORT 2014

50 YEARS OF POWERING THE NATION

VISION

To be the energy that powers our nation's success

MISSION

We deliver efficient energy services that are safe, reliable, and environmentally responsible. We meet the expectations of our customers, shareholders and employees and we are a catalyst for social and economic development in St. Lucia.

CORE VALUES

Accountability, Excellence, Caring, Ethics

CORPORATE INFORMATION

REGISTERED OFFICE
LUCELEC Building
Sans Souci, John Compton Highway
Castries, Saint Lucia
Telephone Number: 758-457-4400
Fax Number: 758-457-4409
Email Address: lucelec@candw.lc
Website: www.lucelec.com

ATTORNEYS-AT-LAW
McNamara & Company
20 Micoud Street
Castries, Saint Lucia

AUDITORS
PKF Professional Services
Meridian Place
Choc Estate
P.O. Box Choc 8245
Castries, Saint Lucia

BANKERS
First Caribbean International Bank
Bridge Street
P.O. Box 335/336
Castries, Saint Lucia

Bank of Saint Lucia Ltd.
Bridge Street
P. O. Box 1862
Castries, Saint Lucia

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THEME STATEMENT

"50 YEARS OF POWERING THE NATION"

LUCELEC celebrated its 50th Anniversary in 2014 under the theme, "LUCELEC: 50 Years of Powering the Nation".

Established in 1964, LUCELEC grew out of the consolidation of small electric companies and systems across the country. Since its creation, the company has weathered a number of challenges, gone from a privately owned government entity to a publicly traded company with island-wide facilities and is now regarded as a best practice, model company, with a strong emphasis on customer service, innovation, employee development, and social and economic development.

But the LUCELEC story is so much more. It is about our employees who in the early days of our operations carried their lunch in their pockets and tool bags as they slashed through bush and grime to erect poles and string conductors. These form the backbone of our electrical network which today powers homes and businesses. Now, the tools have changed, but the passion and commitment of the *Team* to building an electricity infrastructure second to none continues to burn brightly.

It is about the jobs we have created by outsourcing aspects of our operations like pole and line maintenance, customer connections, maintenance of street lights, meter reading and bill processing.

It is about our continuous innovation to improve efficiencies, safety, reliability, and remain ahead of the demand for electricity. It is about embracing alternative energy such as wind, solar and geothermal in a responsible way to derive the best benefits for energy security and environmental stewardship.

But most of all it is about the contribution we have made and continue to make to the development of St. Lucian society - in business, education, arts, sports, culture, charity - and the opportunities we have helped to provide for generations of St. Lucians to excel and grow.

We are the energy that powers our nation's success.

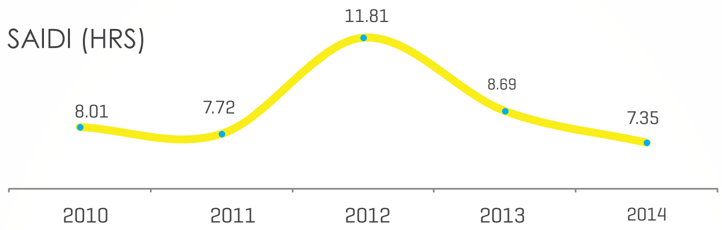
The LUCELEC story is a story of struggle, triumph and vision. It is a St. Lucian success story.

2014 CORPORATE PERFORMANCE

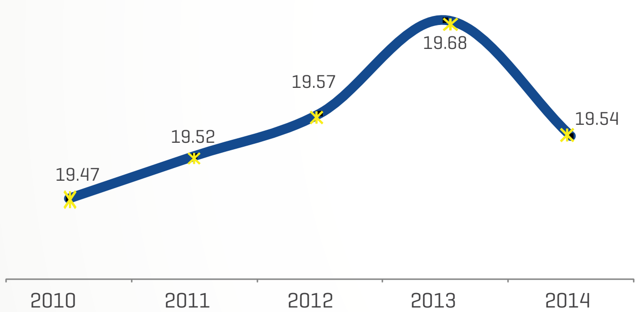
INDICES	MEASURE OF SUCCESS	TARGET	PERFORMANCE
Improve Financial Performance	Profit After Tax /Net Income	$26.2M	$26.8M
	Improved Working Capital	Current Ratio of 1.70	1.9
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.31 kWh/litre	4.30 kWh/litre
	SAID (system average interruption duration index)	9.00 hours	7.34 hours
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items - 85%	83.84%
Improved Cost Effectiveness of Energy Supply	Adding Solar PV to the generation portfolio	75kW PV system commissioned and Supplier selected for utility scale PV - 100%	40%
	Own use reduction	90 LED Street Lights installed at Cul de Sac - 100%	Pilot study on LED Street Lights completed and report prepared
Reduction in System Losses	System Losses	8.61%	8.85%
Improved HR Credibility	Achievement levels of Strategic project plan	Completion of agreed HR deliverables - 90%	84%
Ready for New Regulation	Successful accomplishment of Action Items identified in project plans	Completion rate of Action Items - 90%	80%

5 YEAR OPERATIONAL AND FINANCIAL PERFORMANCE AT A GLANCE

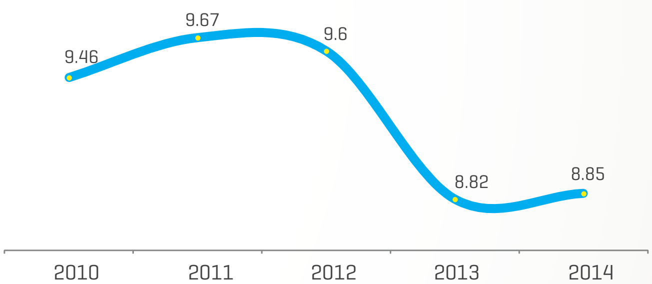
SAIDI (HRS)



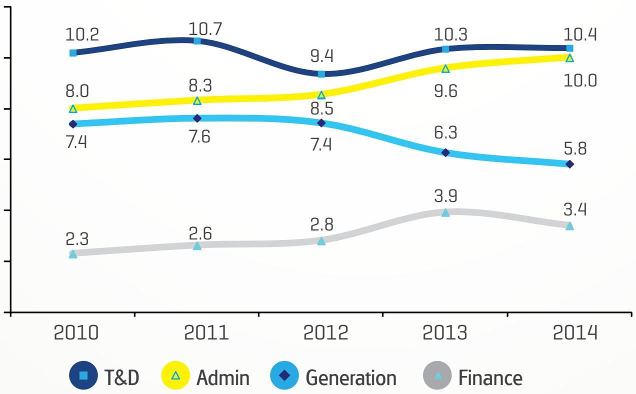
FUEL EFFICIENCY (KWHS/ IMP. GALLON)



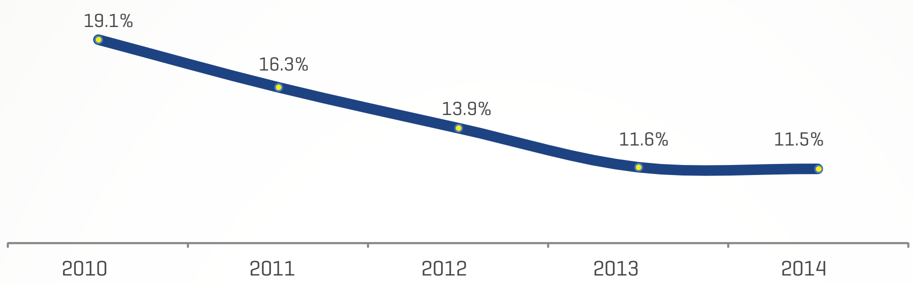
SYSTEM LOSSES (%)



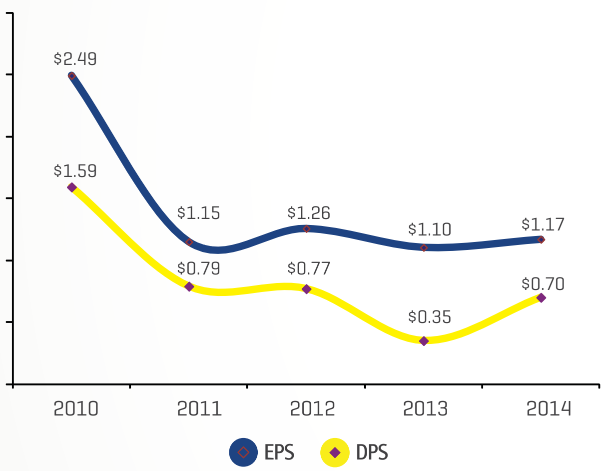
COST PER UNIT (EC CENTS)



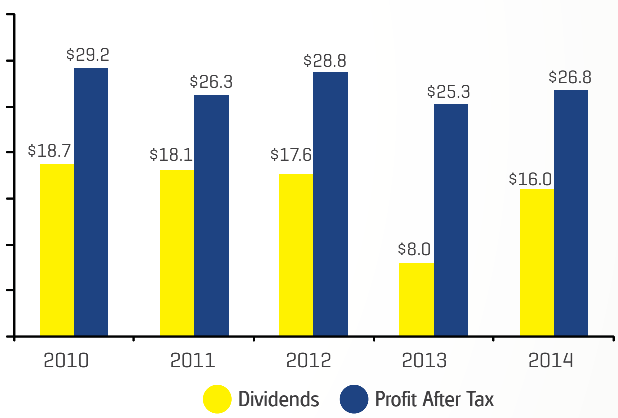
RETURN ON EQUITY



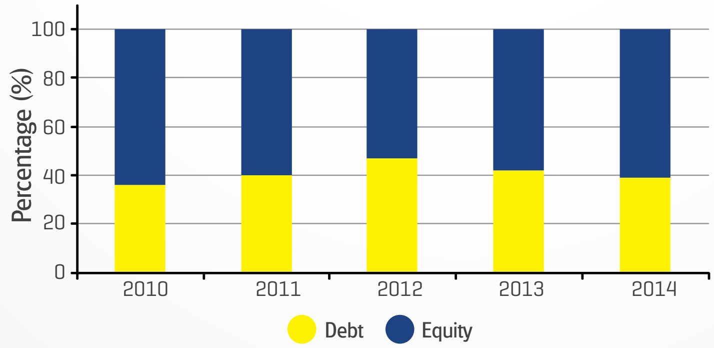
EARNINGS & DIVIDENDS PER SHARE



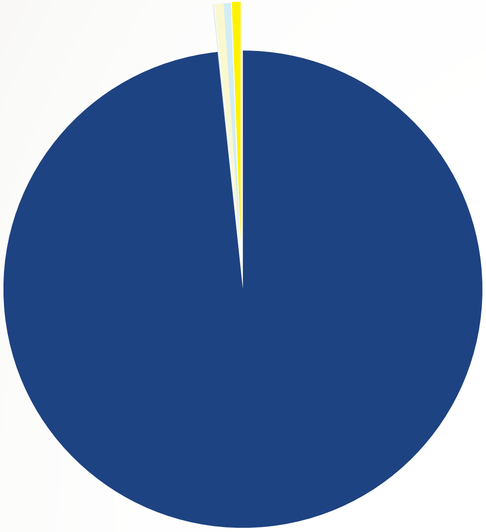
DIVIDENDS/PROFIT AFTER TAX (EC$MILLIONS)



DEBT/EQUITY RATIOS



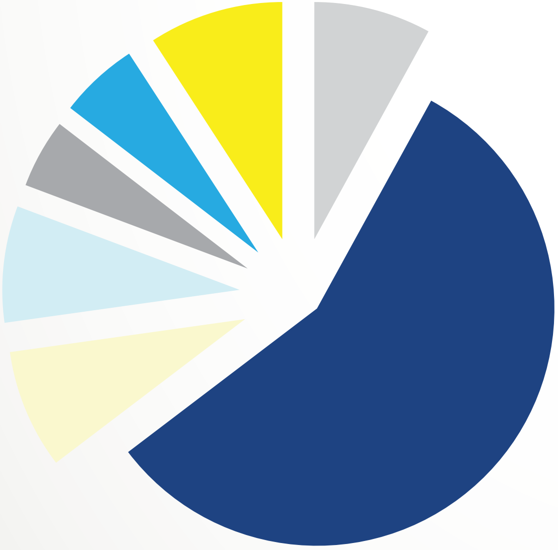
2014 FINANCIAL HIGHLIGHTS



WHERE THE LUCELEC $ CAME FROM

	$	cents
Sale of Electricity	325,218	98.3
Proceeds from disposal of assets	29	0.0
Consumer contributions and deposits	2,016	0.6
Investment income	1,587	0.5
Sundry sales	1,954	0.6
	330,804	100.0

- Sale of Electricity
- Proceeds from disposal of assets
- Consumer contributions and deposits
- Investment Income
- Sundry Sales



HOW THE LUCELEC $ WAS SPENT

	$	cents
Payroll costs	27,133	8.0
Fuel and lubricants	192,737	56.7
Purchase of fixed assets	27,658	8.1
Debt servicing	26,984	7.9
Dividends	16,036	4.7
Payments to Government	18,330	5.4
Operations	31,183	9.2
	340,061	100.0

- Payroll Costs
- Fuel and Lubricants
- Purchase of Fixed assets
- Debts servicing
- Dividends
- Payments to Government
- Operations

CHAIRMAN'S MESSAGE

2014- LUCELEC'S 50TH ANNIVERSARY

It has been a 'Long-March' from its incorporation in 1964 through the Ordinance which gave LUCELEC sole and exclusive license to generate, transmit and distribute electricity in St. Lucia for an 80 year period. At that point, the company was owned by the Government of St. Lucia, the Castries Town Council, and the Commonwealth Development Corporation (CDC).

That 'Long March' was preceded by a long, though more challenging 'march', with the establishment of the Castries Power Station in 1933 as the first power station in St. Lucia, located at the Castries Market on Jeremie Street. This was followed by the Town of Soufriere being supplied with electricity in 1937 following the installation of a 15 kW Water Wheel and a 10 kW Petter diesel engine on the estate of Mr. Andre Du Boulay. The supply was mainly used for street lighting and a few residential consumers. In 1938, 24-hour electricity began in Castries when the major consumer of electricity was the Government Cold Storage on Bridge Street. It was during that period that the principal towns of Castries, Soufriere and Vieux Fort were the first to be electrified. Anse la Raye was the first village in St. Lucia to be electrified from a 5kW water wheel DC generator installed by the Adjodha Estate with the system operating from 6 - 10p.m.

Ensuring that momentum would not be lost, a decision was made by LUCELEC in 1968, to purchase land for the Union Power Station which was commissioned in 1971. In 1988 construction of LUCELEC's major generation station began at Cul-de-Sac at a total cost of EC$112 million. The station was completed in 1990 with a start-up generation capacity of 12.6MW compared with its 86.2MW in 2014. Yet another major landmark was achieved in 1988 when the 66 kV transmission network was commissioned, thereby establishing a closed circuit round-the-island network, enabling all major towns and many villages to benefit from this advance.

A major landmark was achieved in 1994 when the sale of LUCELEC shares to the public started, arising from the new ownership structure for the company in which shares were traded on the Eastern Caribbean Stock Exchange (ECSE).

The achievements of LUCELEC over the past 50 years have been exceptional not merely by Caribbean standards, but well beyond those of most of the electricity companies in the region. However, "new challenges invariably are just around most corners" and, they have unfolded over the past 3 to 5 years presenting new and more complex challenges both to the company and the St. Lucian economy, well beyond what the company experienced over the past 50 years.

LUCELEC's Major Challenges During the Next 5 Years

There are key challenges facing LUCELEC over the next 5 years.

These are:

i. A new Regulatory Commission is to be established (The National

Utilities Regulatory Commission). The scope, transparency and, above all, the independence of the Commission would be critical in determining the success of both the Commission and LUCELEC in achieving vital common goals. The Commission would be responsible for, inter alia, the determination of tariff structures and levels, quality of service standards, and determining the terms & conditions under which intermittent power is supplied to the grid by wind and PV systems.

ii. Establishment of the Subsidiary Holding Company (SHC). The SHC is a key vehicle through which LUCELEC would diversify its interests as it seeks successful new business ventures primarily in the energy sector. For this initiative to succeed, important components would include the need for some additional skills, a modified organizational structure, and the mobilization of financial resources.

iii. Electricity Interconnections between Neighbouring Countries. This should be a high priority issue for both potential importers and exporters of electricity.

iv. Renewable energy exploration and development to allow for improved energy security and fossil fuel price volatility mitigation.

v. Assessing the potential role of compressed natural gas (as distinct from Liquefied Natural Gas - LNG), as a fuel for electricity generation and in the transport sector (for economies of scale). The key issue in assessing this option for St. Lucia depends on the importation of compressed natural gas from Trinidad either via barges or pipeline and detailed economic and financial analyses to determine the viability of this strategy.

The Challenges Confronting the Global Energy Sector

Over the past 3 to 5 years a key focus of power companies in large and small countries has been the increasing penetration of the intermittent energy systems of photovoltaic (PV) and wind as suppliers to the power transmission and distribution grid, allied with sizeable financial subsidies primarily from developed country governments. There is little doubt that PV and wind systems have a role to play, both in abating the impact of greenhouse gases, as well as in joint venturing with local power and commercial companies to ensure that skills are transferred, thereby enhancing national capacity. In this context, the role of firm power supply is critical for reliability with geothermal and biomass being the primary options.

A major new issue at the global level which has emerged over the past 12 to 14 months has been the collapse of oil and natural gas prices in late 2014. Brent crude oil prices fell to US$45 per barrel (bbl) in January 2015 from US$115/bbl in June 2014,[1] though they have rebounded to about US$60/bbl. The price drop has been occasioned by the increase of 3 million barrels per day in shale oil production in the USA thereby contributing to a significant decline in USA oil imports. Concurrently, the economic slow-down that many of the major economies in Western Europe (UK, France and Germany), in South Asia (India) and in East Asia, (China) have experienced, has in turn led to a decline in their oil imports. Other factors affecting the global supply and demand equation for oil include: oil/gas discoveries and the sizes of these discoveries are declining at an alarming rate,[2] investment in the oil/gas sector is declining, OPEC members[3] are determined to maintain production levels (of 30 million barrels/day) as a strategy to defend their market share, and, low oil prices are forcing a major slow-down in the US shale oil industry due to its high cost of production and its rather rapid rate of production decline. As such, the current global gap between supply and demand will only begin to abate when the present "Contango" situation results in oil demand in the major oil importing countries of the world beginning to recover, thereby potentially triggering an economic recovery. However, this remains the classical "known-unknown".

It is important to recognize that the above challenges facing the global energy sector are very much a core component of the energy challenges facing St. Lucia and LUCELEC.

In concluding, I wish to express my appreciation to the Board, Management and the Staff of LUCELEC for what we have all achieved in the past year, despite the turbulence in the global energy sector. Finally, we have many challenges before us in 2015, but with the drive and commitment that the Board, Management and Staff extend in seeking to achieve certain goals in 2015, the Company is laying the base for further advances and successes by LUCELEC, for at least another 50 years.

Dr. Trevor A Byer
Chairman

[1] Financial Times, February 19, 2015, Alan Greenspan, "OPEC has Ceded to US its Power over Oil Price"
[2] Financial Times, February 15, 2015
[3] Financial Times, February 23, 2015, "Oil Fall May Trigger OPEC Emergency Meeting".

BOARD OF DIRECTORS

DR. TREVOR A. BYER
ACC. DIR. – CHAIRMAN

Dr. Byer is an Energy Consultant. He was appointed to the Board of Directors in December 2008, representing minority shareholders. Dr. Byer holds an MA and PhD in Nuclear Physics from Cambridge University. He is the Chairman of the Board's Strategic Planning and Investments Committee and a Member of the Human Resource Committee.

SHARON CHRISTOPHER

Ms. Sharon Christopher joined the Board of the St. Lucia Electricity Services Limited on January 1, 2011. Ms. Christopher was appointed by First Citizens Bank Limited where she is the Deputy Chief Executive Officer/Group Corporate Secretary. Ms. Christopher holds an LLB (Hons.) a Legal Education certificate (LEC) and an LLM in Corporate Law. She is the Chairman of the Board's Human Resource Committee and a Member of the Governance Committee.

STEPHEN MC NAMARA

Mr. Mc Namara is a Senior Partner with the law firm of Mc Namara & Company, LUCELEC's external legal advisors. He was appointed to the Board on October 27, 2005, representing minority shareholders. Mr. Mc Namara became a Barrister at Law after attending Lincoln's Inn – Inn of Court School of Law. He is the Chairman of the Board's Governance Committee and a member of the Human Resource Committee.

TREVOR M. LOUISY
ACC. DIR. – MANAGING DIRECTOR

Mr. Louisy was appointed to the Board on January 1, 2004 and is the Managing Director of St. Lucia Electricity Services Limited. He holds a BSc in Electrical Engineering and is a member of the Board's Human Resource and Strategic Planning and Investments Committees.

SARAH MACDONALD

Ms. Sarah MacDonald was appointed by Emera (St. Lucia) Limited to the Board of St. Lucia Electricity Services Limited on January 12, 2013. She graduated from Dalhousie Law School, Halifax in 1992 and received her MBA from St. Mary's University, Halifax in 2002. Ms. MacDonald currently serves as President and Chief Executive Officer of both the Grand Bahama Power Company and ICD Utilities Limited, positions she has held since June 2011. In January 2013, she took on the additional responsibilities of President of Emera Caribbean, with management oversight of all Emera's Caribbean assets and business development in the region. Ms. MacDonald is a member of the Governance and Human Resource Committees of the Board.

MATTHEW LINCOLN MATHURIN

ACC. DIR.

Mr. Mathurin is the Director/Chief Executive Officer of the National Insurance Corporation and was appointed to the Board by that organisation on August 29, 2007. He is a Fellow of the Chartered Association of Certified Accountants and holds an MBA (with Distinction) from the Edinburgh Business School of Herriott Watt University. Mr. Mathurin is the Chairman of the Board's Audit and a Member of the Strategic Planning and Investments Committee.

PETER WILLIAMS

Mr. Peter Williams was appointed by Emera (St. Lucia) Limited to the Board of St. Lucia Electricity Services Limited on March 2, 2011. Mr. Williams holds a BSc in Mechanical Engineering, a MSc in Electrical Power Systems and an MBA. He is the Managing Director of Emera (Caribbean) Incorporated. He is a Member of the Board's Audit and Strategic Planning and Investments Committees.

DR. MKABI WALCOTT

Dr. Mkabi Walcott was appointed by the Castries City Council to the Board of St. Lucia Electricity Services Limited on April 2, 2012. She is a Doctor of Veterinary Medicine and a Quality Management Systems Specialist.

ANDRE CHASTANET

O.B.E.

Mr. Andre Chastanet was appointed to the Board of St. Lucia Electricity Services Limited on November 30, 2012. He is a chartered accountant by profession and Fellow of the Association of Certified Chartered Accountants of the United Kingdom. He is a member of the Board's Audit and Strategic Planning and Investments Committees.

DR. REGINALD DARIUS

Dr. Reginald Darius was appointed by the Government of Saint Lucia to the Board of the St. Lucia Electricity Services Limited on October 2, 2012. He is the Permanent Secretary in the Ministry of Finance, Economic Affairs and Social Security. He graduated from the University of the West Indies with first class honours in Economics and holds a Masters degree in Economics from the University of Cambridge, and PhD in Economics from the University of Warwick. He is a member of the Board's Strategic Planning and Investments and Audit Committees.

LARRY NATH

ACC. DIR. (RESIGNED ON DECEMBER 4, 2014)

Mr. Larry Nath joined the Board of St. Lucia Electricity Services Limited on July 27, 2011 and resigned on December 4, 2014. He had been appointed by First Citizens Bank Limited where he held the position of Group Chief Executive Officer. He holds a Bachelor of Business Administration and a Master of Science in Industrial Administration. He was a member of the Board's Audit Committee.

CAROLE ELEUTHERE-JN MARIE

(APPOINTED JANUARY 26, 2015)

Mrs. Carole Eleuthere-Jn Marie was appointed to the Board of St. Lucia Electricity Services Limited on January 26, 2015 by First Citizens Bank Limited. She holds a BSc (Hons.) in Accounting from the University of the West Indies, is a Chartered Accountant by profession and from 1992 a member of the Institute of Chartered Accountants of Saint Lucia. Mrs. Jn. Marie is currently the Regional Manager – Eastern Caribbean and Barbados for First Citizens Investment Services Limited.

DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2014.

Principal Activities

The Company's principal activities consist of the generation, transmission and distribution of electricity. There were no significant changes to the nature of the Company's activities during the year.

Directors

The Directors of the Company since the 49th Annual Shareholders Meeting were:

Non-Executive Directors:

- Dr. Trevor Byer
- Mr. Matthew Lincoln Mathurin
- Mr. Stephen McNamara
- Ms. Sharon Christopher
- Mr. Peter Williams
- Mr. Larry Nath (resigned December 4, 2014)
- Dr. Mkabi Walcott
- Dr. Reginald Darius
- Mr. Andre Chastanet
- Ms. Sarah McDonald
- Carole Eleuthere-Jn Marie (appointed January 26, 2015)

Executive Director:

- Trevor Louisy

Financial Results

The Company sold 331.9 million kWh of electricity a decrease of 0.8% over the previous year attributable to increased energy conservation efforts in all sectors and a slowdown in economic activity. Total revenues were EC$328.9M, a decrease of 1.3% compared to the previous year, mainly attributable to the decline in unit sales as well as lower tariffs caused by reductions in fuel prices.

Net profit for the year was EC$26.8M an increase of 5.9% over the previous year.

The Company achieved Earnings per Share of EC$1.17 which was higher than in 2013 (EC$1.10). [1]

Assets acquired during the year amounted to EC$27.7M mainly related to improvements to the Transmission & Distribution network and expansion of the Automated Metering Infrastructure.

Dividends

The Board of Directors declared a total dividend of $0.70 per ordinary share for 2013. The Company paid an interim dividend in December 2014 of $0.35 per ordinary share.

In 2015, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2014 financial year.

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company during the financial year.

Activities and Other Information

In March 2014, Directors attended a Strategic Planning Session to discuss the strategic positioning of the Company to meet future financial, technical and regulatory challenges.

In August 2014, the Board conducted its Annual Board Evaluation exercise. The primary focus of this session was to assess the progress made in completing the action items generated from the last formal Board Evaluation held in 2012. The Board conducts biennial formal Board Evaluations with the intervening year being used to discuss the progress made on agreed action items.

Also in August 2014, the Directors participated in the internal Board Training Session, which focussed on the understanding of the accounting standards that are applied in preparation of the audited Financial Statements.

Events Subsequent to Balance Sheet Date

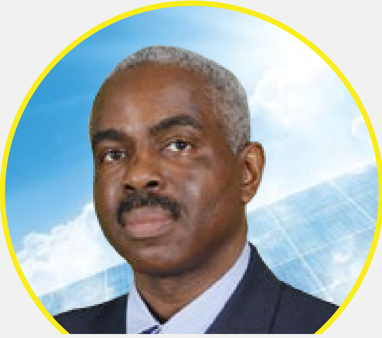
Apart from this and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since December 31, 2014 that have significant effect or may significantly affect the operations of the entity in subsequent financial years, the results of those operations, or the state of affairs of the entity in future years.

By order of the Board of Directors

Gillian S. French
Company Secretary

[1] Restated 2013 results to reflect adjustments made in 2014 which relate to prior years.

TREVOR LOUISY
BSC (ELECTRICAL ENGINEERING), ACC. DIR.
Managing Director



VICTOR EMMANUEL
BENG (ELECTRICAL ENGINEERING),
MSC (INFORMATION SYSTEMS ENGINEERING)
Business Development Manager

JONOTHAN EDWARDS
FCCA, CGA
Financial Controller

GOODWIN D'AUVERGNE
BSC (ELECTRICAL ENGINEERING), MBA (FINANCE)
Chief Engineer

MANAGEMENT TEAM

GARY EUGENE
MENG (ELECTRONICS ENGINEERING)
REGISTERED PROFESSIONAL ENGINEER
System Control Engineer

FRANCIS DANIEL
BSC (ELECTRICAL ENGINEERING)
MPM (PROJECT MANAGEMENT)
Planning Manager

JEVON NATHANIEL
MSC (COMPUTER SCIENCE)
BSC (ELECTRICAL ENGINEERING)
Generation Engineer

GILROY PULTIE
BSC (ELECTRICAL & COMPUTER ENGINEERING), MBA (FINANCE)
Transmission & Distribution Manager

WYNN ALEXANDER
BSC (COMPUTER SCIENCE)
M ENG INTERNETWORKING, DIPFM
Information Systems Manager

NICOLE DUBOULAY
BA (PSYCHOLOGY), MBA (HUMAN RESOURCE MANAGEMENT), MSC (TRAINING AND PERFORMANCE MANAGEMENT), CHRP (CERTIFIED HUMAN RESOURCE PROFESSIONAL)
Human Resource Manager

JENNIFA FLOOD-GEORGE
BSC (MANAGEMENT STUDIES/PSYCHOLOGY)
Customer Service Manager

ROGER JOSEPH
MA (INTERNATIONAL COMMUNICATION & DEVELOPMENT)
DIPLOMA MASS COMMUNICATION
Corporate Communications Manager

GILLIAN FRENCH
LLB (HONS) LEC MRP (TELECOMMUNICATIONS), ACC. DIR., ACIS
General Counsel/Company Secretary

ZIVA PHILLIPS
FCCA, BSC (ECONOMICS AND ACCOUNTING)
Finance and Accounts Manager

CALLIXTA BRANFORD
CGA
Internal Audit Manager

OPERATIONS REVIEW

Corporate Performance

In 2014 St. Lucia Electricity Services Limited (LUCELEC) continued its strategic thrust in five key areas: System Enhancement, Preparation for Regulatory Reform, Customer Care, Strategic Human Resource Development, and Corporate Diversification. The overall objectives remained improving operational excellence and establishing the framework for diversifying revenue streams for improved shareholder value.

The Company exceeded three (3) of the ten (10) targets[1] set at the beginning of the year registering improvements in profit after tax, working capital ratio and reliability (SAIDI).

Targets for fuel efficiency, customer satisfaction, system losses, and the levels of completion on the action plans for human resource development and Regulatory Reform were not achieved, although they were above the threshold performance levels.

The performances in the area of system losses, own use reduction and adding solar PV to the generation portfolio were below threshold.

Sales growth remained flat reflecting the prevailing economic conditions in the country, trends in energy efficiency improvements of consumer equipment, and more efficient use of electricity.

For 2015, the strategic themes remain relevant and given the projection for minimal growth in unit sales, operational excellence, efficiency and cost management will continue to be critical to success.

Operational Performance

After several bouts with nature in recent years, the Company welcomed the absence of major weather systems and the resultant impact on the electricity infrastructure. Despite this respite, the year was no less challenging on the operational front.

[1] See table of 2014 Corporate Targets and Performance on page 7.

The year was characterised by unexpected and new challenges. A major drop in world oil prices in the latter half of the year, uncertainty surrounding the timing of adjustments to the regulatory framework, and complex and unexpectedly lengthy legal and contractual negotiations on some of the renewable energy initiatives, tested the Company's resilience in different ways. These, coupled with ongoing sluggishness in the local economy, continued unavailability of the Soufriere and Praslin substations for most of the year, and cost management imperatives, provided the backdrop for the Company's operational performance in 2014.

It was also a year in which the Company observed its 50th anniversary with a programme of activities that was cognisant of the prevailing conditions in the local economy. Major activities included a Thanksgiving Service and Reception, an Open Day during which students from schools across the island visited the Company's Cul De Sac facility to get an understanding of the scale of operations, and a Christmas Luncheon to celebrate the efforts of current and retired staff who would have contributed to the development and success of the Company.

Technical Operations

In 2014, the Technical Division comprising of the Generation, Transmission and Distribution, and System Control Departments and the Building Services Section sought to maximize operating efficiencies as dictated by the emphasis on cost management while maintaining the highest possible standards of service to LUCELEC's valued customers and the Company's staff.

Generation performance was marked by an increase in overall reliability (SAIDI GEN 0.20) and plant availability (90.82%). The achieved fuel efficiency of 4.30 KWh/litre was marginally less than the target of 4.31 KWh/litre. All maintenance and inspections of the plant were completed as scheduled and the engines continue to operate within the expected manufacturers specifications.

System Reliability (SAIDI) improved to 7.34 hours against a target of 9.0 hours, a significant achievement given the less than optimal configuration of the system due to the unavailability of the Soufriere and Praslin substations for nearly the entire year. The rigorous inspection and maintenance programmes in place, increased ability in working under live conditions, and the distribution automation equipment (auto-reclosers and automated switches) on the system all contributed to reducing both the number and duration of interruptions to customers.

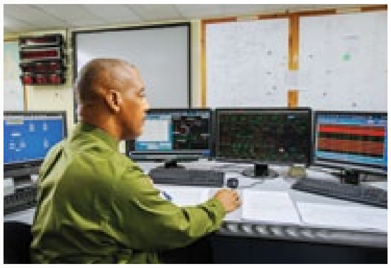
Major projects executed in 2014 included the replacement of the Interbus transformers at Soufriere and Praslin Substations. The Interbus Transformer for the Soufriere Substation was commissioned during the second week of December and has improved the reliability and quality of the supply in that area. The temporary generating station that had been set up at Belle Plaine has been on cold standby since the transformer went into service, restoring tranquility to the environs much to the relief of residents.

The Praslin Substation Interbus Transformer was installed during the year and will be commissioned in February 2015. Work on the total overhaul of the 66,000 volt indoor switchgear at the Castries substation was started and is expected to be completed by the end of February 2015.

7,100 smart meters were deployed bringing the total AMI meter population to 75% of customers, as the Company sought to replace old and problematic meters on the system, and expand its Advanced Metering Infrastructure and automatic billing.

The Technical Division (operations) also succeeded in reducing its operating expenditure by an amount exceeding the target set by the Finance Division without compromising service to customers.

In 2015, LUCELEC's fibre optic terminal equipment will be upgraded to allow the Company to begin to build a much needed communications backbone to support its growing portfolio of core IT systems and infrastructure. Specifically, the new system will enable LUCELEC to take advantage of improvements in technology in terms of increased reliability, bandwidth and expandability.



The replacement of the existing SCADA system with a smart grid platform will also commence in 2015 and will help transform LUCELEC's ability to improve the efficiency, reliability and economics of the production and distribution of electricity. The improvements will be realized over time by leveraging a whole new ensemble of capabilities including real time outage detection, improved data collection, monitoring and alert capabilities, and wireless fault location detection, among others.

Roll out of the Advanced Metering Infrastructure (AMI) will continue to replace old meters and transition more customers to automatic billing. The new transformer at Praslin substation will be commissioned during the first quarter, allowing the system along the East coast to be reconfigured to its more normal and optimal configuration. This is expected to have a favourable impact on system reliability and losses.

On the generation side, three major overhauls are planned for engines G5, G8 and G10 in accordance with the manufacturer's recommendation to ensure continued good fuel efficiencies and mitigate the risks of major engine failures.

Other projects to be undertaken by the Technical Division include improving flood resistance at Union Substation, improvements to the Administration Offices at Sans Souci, and the installation of a 220,000 gallon water tank at the Cul de Sac facility.

Update on Strategic Initiatives

The Company's Strategic Business Plan looking towards 2020 identifies eight key strategic themes as the highest priorities for focused action by the Company over the next few years. These are: System Improvement and Enhancements (includes renewable energy), Preparing for Regulatory Reform, Corporate Diversification, Implementation of the Human Resource Strategic Plan, Developing a Culture of Customer Care, Cost Management and Reduction, Development of an Enterprise-wide Risk Management System, and Environmental Stewardship.

For 2014, the emphasis was on five of these themes and the updates on the initiatives associated with those are summarised below. The Company's efforts in these areas are led by various cross functional teams who co-opt additional assistance as required.

System Improvements and Enhancements (including renewable energy)

A Biomass study was commissioned during 2014 as part of the initiative to identify the least cost fuel for the next phase of generation expansion. Biomass technology, if viable, has the potential to generate electricity from energy crops produced locally.

A pilot project was initiated during the year aimed at identifying the most suitable LED lamps to replace the existing high pressure sodium (HPS) lamps at the Cul De Sac facility. Based on this pilot all HPS lamps at the power station compound will be replaced with LED lamps consuming less than half the power of the original HPS lamps.

On the renewable energy front LUCELEC has been working with the Carbon War Room and DNV-GL in developing the RFP for a 3 megawatt (MW) utility scale solar photovoltaic (PV) farm. The first phase of the grid integration study has been completed and the plan is to commission the first 1 MW, covering approximately 5 acres of land, by the end of 2015. Additionally, LUCELEC and a reputable and experienced wind farm developer based in the USA (Wind Tex Energy) have signed an agreement to jointly undertake feasibility studies towards the development of a 12 MW wind farm.

During the year the Company also worked with geothermal developer ORMAT, the GOSL supported by the Clinton Climate Initiative (CCI), and the World Bank to advance work on the search for geothermal energy and to develop the term sheet for a Power Purchase Agreement (PPA) to govern the purchase of electricity produced from the geothermal resource.

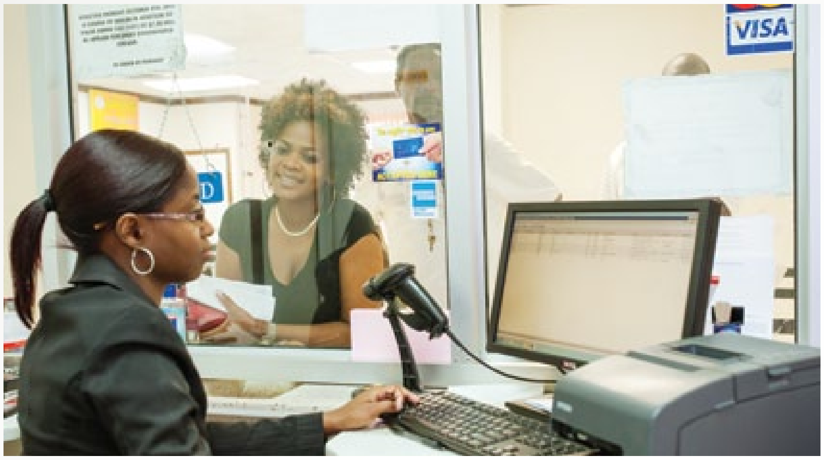
In 2015 the focus will be on the development of a renewable energy (RE) portfolio. To do so the Company will undertake a grid integration study in the first quarter of 2015 to determine the level of intermittent RE and base load RE that can be safely installed on the system. Additionally, efforts will continue with the installation of LED lighting fixtures and other energy efficiency devices at the Cul De Sac compound and other strategic locations to improve operational efficiency. The development of an integrated resource plan (IRP) that will guide the investment activities in the core business of the Company will be undertaken during the course of the year.

Preparing for Regulatory Reform

The Company continued its preparations for the new Regulatory environment primarily through the efforts of the Regulatory Reform Team (RRT). During the year the team pursued a number of initiatives both independently and in collaboration with several agencies including the Ministry of Sustainable Development, the Organisation of Eastern Caribbean States (OECS) Commission in relation to the ECERA initiative, and the Caribbean Electric Utility Service Corporation (CARILEC).

The Company provided feedback on the first and revised drafts of the National Utilities Regulatory Commission (NURC) Bill circulated by the Ministry of Sustainable Development and several of the Company's recommendations were incorporated in the revised draft. The Company also reviewed the existing Electricity Supply Act (ESA) and compiled a list of proposed amendments to be considered during its revision. The final version of a white paper on regulatory reform was also completed and forms the basis for the Company's engagements on the various issues.

The OECS-ECERA initiative gained some renewed momentum with the launching of a number of consultancies by the OECS Commission and the Company provided its input as required. Concerns on the viability of the OECS-ECERA initiative remained as only two OECS countries have committed to this initiative.



The Company assessed the various tariff models in use across the region and identified the most appropriate model based on where the company is in its present stage of development. This will be used as the basis for the Company's position during any tariff review.

As part of its public outreach to educate stakeholders on some of the issues associated with regulatory reform and to encourage them to get more actively involved in the process the Company arranged a number of stakeholder engagements including individual meetings, Town Hall meetings, discussions with private sector associations, media discussions and call-in programmes. These engagements saw Company officials meet with the Governor General, some members of Parliament, the St. Lucia Chamber of Commerce, the St. Lucia Manufacturers Association and the St. Lucia Industrial and Small Business Association.

Additionally, there were a number of training programmes custom designed for the staff primarily at the middle to senior management level and as part of the change management process staff at all levels in the organisation continued to be sensitised about Regulatory Reform and the likely impact on the Company.

In 2015, the Company will continue its engagements with stakeholders, training and sensitisation of staff, its public education programmes through the media, and preparation for rate reviews.

Customer Care

Although the Company fell just short of the 2014 corporate target for customer satisfaction, (83.84% vs 85%), the consistency in achieving a customer satisfaction score above 80% over the past six years reflects not just the quality of service the Company seeks to provide, but also the effort and resources it commits to this measure. At least three separate surveys were conducted during the year, including a Mystery Customer Survey, all of which yielded very favourable results.

A major aspect of this thrust is the regular engagement with customers at all levels to improve understanding of the electricity business and issues that impact upon the Company's business and the supply of electricity to customers. In 2014, the Customer Care Team (CCT) and Regulatory Reform teams combined efforts to achieve their respective objectives simultaneously through a total of five stakeholder engagement meetings convened across the island. These engagements involved primarily business customers through their respective private sector organisations and were well attended as the Company sought to update participants on the company's operations, renewable energy plans and its position on the anticipated changes in the regulatory environment.

The Company's voluntarily imposed Customer Care Charter was reviewed and compared against regulated service standards for CARILEC members such as Jamaica, Dominica and Barbados. The results indicated that LUCELEC's standards were in many instances higher than those set by the regulators in those territories. The CCT also reviewed a draft Consumer Protection Bill and identified a number of opportunities for strengthening of the Company's business procedures and processes. These will be addressed in the coming months.

A campaign to get customers to update their account information and contact details was undertaken in preparation for offering a variety of electronic and online services to customers for their added convenience.

In an attempt to address concerns regarding telephone call handling and processing, the CCT began work on monitoring the volume and nature of calls coming in to the Company's switchboard. The data will inform plans for the introduction of a centralized call centre at LUCELEC.

As is customary every year, the Company expressed its appreciation to customers during Creole Heritage Month in October. Customers visiting the Company's offices were served a variety of creole treats by staff dressed in elegant creole wear, and were entertained with live cultural musical performances.

In 2015, the emphasis will be on continuing engagements with stakeholders, launching some of the online services, implementing a relationship management system for major customers, evaluation of the need for a centralised call centre, and training of staff in the standards of customer care that the Company wishes to provide.

Corporate Diversification

The establishment of a Subsidiary Holding Company (SHC) to pursue other business opportunities was authorized by the shareholders at a Special Meeting in May 2014. Research and documentation of the optimum structure of the SHC, including staffing and potential funding requirements and sources were completed.

Additional business cases were developed during the year and a test charge point, intended to eventually support rapid charging of electric vehicles, was installed in the north of the island.

Projects already conceptualized and for which comprehensive business cases have been developed will be considered for full implementation by the Board of the SHC when it is established during the first quarter of 2015.

Human Resources (HR) Strategic Plan

There were two outstanding Human Resources Initiatives which were actioned during the year. These were leadership training for senior and middle management and the review of the organisation structure. The project plan for the leadership training initiative was fully executed by the end of the year, with the senior management completing their programme and the professional staff and section heads cohorts commencing the introductory courses. Although efforts were made to progress the organisation structure review, the project plan was not completed by the end of the year due to challenges in the selection of a project management consultant.

Industrial Relations

During 2014, the Company and the Civil Service Association, the union representing junior employees remained at a stalemate position regarding the outstanding Union Agreement. The matter was escalated to the Labour Commissioner but despite several discussions the issue remained unresolved at the end of the year.

Negotiations with the National Workers Union (NWU) representing supervisors and professional staff in Grades 4-6 and Grades 7-9 (i.e. middle management) continued during the year with twenty one (21) meetings being held in total. At the end of the year all of the common clauses had been discussed and there was agreement on five of these. The outstanding matter of the bargaining units was not resolved by year end.

Both sets of negotiations will have to receive some additional impetus in 2015.

Financial Operations

This year 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. Details of these adjustments are in the audited financial statements which are appended to this report (See Note 33 in the Audited Financial Statements).

Sales & Revenues

The Company's sales for 2014 declined by 0.8% compared to a growth rate of 0.3% in 2013. The decline in sales is attributed to increased energy efficiency in all sectors and to some extent a slowdown in economic activity which impacted the commercial sector sales. 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.

Revenue 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 reflect 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.

The average fuel cost per gallon for the year was EC$9.81, a reduction of 1.7% compared to fuel cost of EC$9.98 per gallon in 2013.

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. While depreciation costs increased, these were offset by the reduction in maintenance costs of the infrastructure.

Administrative expenditures increased by EC$1.3M (4.0%) mainly due 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.

Profit

Profit before Tax of EC$37M, was higher than the previous year's EC$34.9M by 6.0%. This was due to the reduction in operating and finance costs despite the increase in administrative costs and reduced revenues.

Profit after tax was EC$26.8M an increase of 5.9% over the previous year's achievement of EC$25.3M.

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

The company achieved a rate of Return on Equity (ROE) of 11.5% (2013 – 11.6%). There was a slight reduction in the rate as the Company's net assets did not

generate a proportionately higher profit after tax.

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

Retained Earnings increased from EC$123.6M to EC$130.1M and the Debt to Equity ratio was 39:61 (2013 – 43:57).

The Company's shares traded $22 per share, resulting in a price earnings (P/E) ratio of 18.8 times (2013 – 22.7 times).

Capital Expenditure

Expenditure for the year amounted to EC$27.7M (2013–EC$28.2M) comprising mainly of improvements to the Transmission & Distribution network and continuation of the Automated Metering Infrastructure Project.

Working Capital Management

The Company recorded Days Sales Outstanding (DSO) of 72 days, consistent with that of 2013. Last year the Company entered into a financing arrangement with its largest debtor. This arrangement has been working well as payments are being made consistently. Credit management continues to pose a challenge given the local economic conditions. Other accounts continue to be monitored on an on-going basis.

Capital Financing

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.

Credit Rating

A credit rating exercise was conducted by CariCRIS, the Caribbean credit rating agency at the end of 2014. The Company expects to receive the results of the rating exercise by the end of the first quarter of 2015. In the previous year, CariCRIS reaffirmed the Company's credit rating of CariBBB (Adequate), consistent with that of the Government of Saint Lucia.

Risk Management

The Company maintains a Risk Register which, on a continuous basis captures all identified risks to the Company and progress on mitigation measures. This register is reviewed by the Audit subcommittee of the Board at its regular meetings during the course of the year.

Fuel Hedging

The Company continued its fuel hedge programme on a twelve month rolling basis for 75% of estimated volumes utilising Fixed Price Swaps. In 2014, the Company achieved its objective of stable fuel prices and was able to charge its customers an equally stable price of electricity over the period.

Shareholders' Equity

The Company's shares closed at EC$22. The issued ordinary share capital of the Company now stands at 22,920,000 shares.

Formation of New Subsidiary - LUCELEC Cap-Ins. Inc.

In 2012 the Board approved the formation of a non-profit company to carry out the business of the self-insurance of the Company's transmission and distribution assets. The Company was incorporated on December 29, 2014 and is a wholly owned subsidiary of St. Lucia Electricity Services Limited.

At December 31, 2014 LUCELEC Cap-Ins Inc. had net assets of $24.7M. These represent funds held in restricted accounts of the Parent Company and will be transferred to the subsidiary in 2015. The fund's investment portfolio comprised of regional investment grade securities, and short term deposits at local banks.

LUCELEC Trust Company Inc.

LUCELEC Trust Company Inc. was established on October 14, 2005 as a non-profit company, funded through a Deed of Covenant between LUCELEC, as the donor and the Trust. The Fund was set up for the purpose of providing financial assistance or purchasing items and/or property to aid any legitimate non-political entity, charitable, educational and sporting body by way of donations. At December 31, 2014, the Company held net assets of $0.5M.

Outlook

Electricity sales for 2015 are forecasted at 329.8 million kWh, 0.60% lower than the 2014 results as increased energy efficiency and renewable energy initiatives intensify across all 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:-

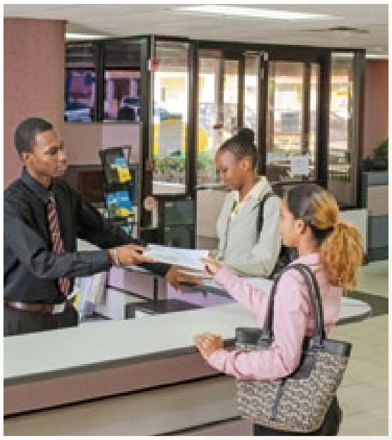
- Further technical, operational and other efficiencies across the business with a direct impact on cost management and reduction
- Accounts Receivables reduction
- Debt Refinancing

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 replacement of faulty meters alongside 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- becoming experts in regulatory frameworks for small island utility companies. 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 advantage of functionality improvements and additions, increase business process efficiencies and expand its service offerings to customers.
- HR Strategic Plan – reviewing the organisational structure to align with the new strategic direction. Emphasis will be placed on leadership training for supervisors and middle management, finalising the performance based incentive pay framework and improved operational efficiencies.

Conclusion

Continuing uncertainties in the regulatory and economic operating environments have been exacerbated by even greater unpredictability in the world oil markets and make long range planning extremely risky. Nonetheless, the Company understands its responsibility and changing role for meeting the country's demand for electricity. The Company will continue to balance its pursuit of operational excellence with prudent planning taking into consideration the realities of the prevailing socio-economic conditions.



CORPORATE SOCIAL RESPONSIBILITY

Some of LUCELEC's Corporate Social Responsibility would have been covered in the preceding sections of this report as the Company embraces the concept of Corporate Social Responsibility in its broadest sense and considers sustainable development as a whole. This is reflected in its organizational governance, respect for human rights, labour practices, care for the environment and consumer issues, fair operating practices, and community involvement and development. This section focuses on the Company's environmental sustainability and corporate philanthropy and details how, through its various interventions, it is powering the nation's success.

Environmental Responsibility

The Company takes active steps within its operations to minimise its impact on the environment. In 2014, the Company achieved its target of zero oil spills. The Company also expanded use of shielded conductors in wooded areas to minimise tree trimming, and initiated two projects to reduce its own consumption of electricity in the conduct of its business – the replacement of high pressure sodium street lamps and compact fluorescent lighting fixtures at its Cul De Sac facility with LED fixtures that consume approximately 50% less power.

LUCELEC also actively supports several initiatives that promote environmental sustainability in its various forms including the St. Lucia National Trust Youth Environment Forum (YEF), and the Caribbean Student Environmental Alliance's Rainforest Reef Camp that teaches young people how to clean up and protect watersheds and coral reefs within their respective communities.

The Company also undertook several tree planting exercises in collaboration with the National Trust and the Forestry Department to reinforce and stabilise river banks at various locations across the island.

Corporate Philanthropy

LUCELEC has two main vehicles through which the Company manages its corporate philanthropy. Support for businesses, for-profit events and activities, and organisations that are not registered as non-profit is provided directly through LUCELEC. Support for registered non-profit organisations and events and activities that are not money-making is provided under the ambit of the LUCELEC Trust Company Inc., a non-profit company funded through a Deed of Covenant between the St. Lucia Electricity Services Limited (LUCELEC) as the Donor and the Trust. It was set up expressly for the purpose of providing financial assistance or purchasing items and/or property to aid any legitimate non-political entity falling within the following categories: religious, charitable, medical, educational institution, sporting body, fund of a public character approved by Cabinet, and the Loan Fund established under the Further Education (Loan Fund) Act.

As always the Company pursued a wide ranging Corporate Social Responsibility programme which gave priority to initiatives supporting increased economic activity, early childhood education and school feeding programmes. Information on some of the sponsorships and donations made during 2014 are provided below.

Tourism

LUCELEC's continued support for tourism related initiatives reflects the Company's appreciation of the vital role that the sector plays as one of the main drivers of economic activity in the country. LUCELEC supported events that help develop and nurture the industry such as the tourism public speaking competition and staff recognition awards at the various tourism enterprises. The Company also supported St. Lucia's Team to the Taste of the Caribbean Culinary Competition, and the annual Atlantic Rally for Cruisers (ARC), events that form part of the island's destination marketing efforts.

In the same vein the Company continues to be a major sponsor of the St. Lucia Jazz and Arts Festival at Pigeon Island Main Stage and several community jazz shows in other parts of the island - Tea Time Jazz (at La Place Carenage), Jazz on the Bay (Marigot Bay), Jazz in the South, Soufriere Jazz, Jazz on the Grill, and Fond d'Or Jazz – helping to ensure that the St. Lucia Jazz and Arts Festival achieves its objectives and spurs economic activity.

Business

In 2014, the St. Lucia Manufacturers' Association Quality Awards Programme, the St. Lucia Chamber of Commerce Industry & Agriculture's St. Lucia Business Awards, St. Lucia Industrial & Small Business Association's (SLISBA) National Small, Medium & Micro Enterprise Awards, and the Inaugural Saint Lucia Investment Forum organised by the island's investment development agency, all received funding support from LUCELEC. All these events seek to develop and grow the private sector, especially in the push towards international standards of products and service excellence and the development of new business, and LUCELEC sees its support for these initiatives as a fulfilment of its commitment to being a catalyst for economic development in its quest to power the nation's success.

Education

LUCELEC believes that education is the foundation on which the nation's success is built, and in 2014 the focus was on powering Early Childhood Education and School Feeding Programmes, as the Company sought to make interventions early on in the students' life cycle where many of the problems being manifested in the higher grades have their genesis. To this end, funding assistance was provided for a remedial reading programme for students in the early stages of primary to improve literacy, to provide books to schools and promote literacy, and for a pilot project aimed at revamping the national schools feeding programme for which the Company was recognised for its leadership role.

At the national level, the Company supported the Ministry of Education's

Awards of Excellence Ceremony that recognises outstanding academic achievements across the school system and continues to be the main sponsor of the National Science & Technology Fair that seeks to popularise science and technology and help students use their knowledge of science to devise solutions to national problems.

At the secondary and tertiary levels, the Company continued to support graduation exercises, language immersion trips and practicums for students and annual sports meets. The Company also provided a scholarship for a top science student to participate in the Caribbean Science Foundation's Student Programme for Innovation in Science and Engineering (SPISE), where young gifted minds from across the Caribbean spend four weeks together sharpening their skills in science and engineering. Contributions were made also to the Sir John Compton Memorial Fund which provides scholarships for secondary school education to students whose parents cannot afford to meet the cost of their secondary education.

LUCELEC also assisted St. Mary's College in putting in appropriate infrastructure to support the Technical Drawing programme at the school as it seeks to expand its offerings to students. The Company also continues to be the major sponsor of the Junior Achievement Programme at the Choiseul Secondary School and with the Company's help the school continues to perform very well and win awards in the national programme.

Arts & Culture

LUCELEC was also active in Arts and Culture as the Company sought to contribute not only to the propagation of St. Lucia's culture, but also to provide critical support to the development of cultural products to help jump start the country's fledgling cultural industries. The Laborie Development Foundation got assistance for its Kolasyon Nwel celebrations; the Folk Research Centre (FRC) got support for the Jennes Kwéyòl Pageant which encourages secondary school students to celebrate the island's creole heritage, and for its Woulelaba traditional cricket tournament; and the Cultural Development Foundation (CDF) received support for the National Arts Festival (ArtReach) involving a series of visual and performing arts and training workshops across several communities.

Similarly, several calypso tents, Junior Panorama, the Rise Film Festival for local film producers, and the Ministry of Tourism, Heritage and Creative Industries' Swawé Kwéyòl Sent Lisi received varying levels of assistance from LUCELEC.

Sports

LUCELEC provides a great deal of support to sport as it is a fundamental aspect of school and community life. The company assists clubs and associations with participation in and the hosting of local, regional and international tournaments. It assists individual schools and the education districts with putting on their respective annual meets as well. The overall aim is to contribute meaningfully to the development of sport on the island and to provide avenues for young people to develop their respective talents and to excel.

LUCELEC was the main sponsor for the National School Sports programme which included inter-school competitions in football, netball, basketball, cricket, athletics and tennis. The Company provided funding support to national sporting associations to either host or participate in local and regional tournaments including a Grass Roots Tennis Programme for primary school students, the National Inter-District T20 Cricket tournament, the OECS Swimming Championships, the St. Lucia Squash Open, the OECS Bridge Tournament, the St. Lucia Volleyball Association's hosting of the Male & Female World Championship Qualifiers, the Rockets Athletics Emerging Elite Coaches Camp, and the Richfond Valley Volleyball Extravaganza to introduce and popularise the sport in the East Coast community.

Funding for the Castries Football Council's 8-week Youth Football Fiesta as well as for summer camps for underprivileged children and for the differently abled continued.

Youth at Risk/Youth Development

Several interventions to assist youth at risk were supported during 2014. Many of these were youth camps during the Easter and summer vacations in an effort to keep these youth occupied with productive activity and to provide opportunities that they may not otherwise have had. The various homes for youth at risk also received assistance from LUCELEC including the Ministry of Human Services foster care programme, the Holy Family Children's Home, the Dunnottar School and the Upton Gardens Girls Centre.

Health & Wellness

Consistent with LUCELEC's own focus on safety, health and wellness for its employees, the Company extended its support to the wider community in those areas as well. The Company supports the National Community Foundation with an annual donation to support persons seeking assistance with medical interventions. The Company also supported various health and wellness organisations and support groups such as the St. Lucia Diabetes & Hypertensive Association, Faces of Cancer, and the Friends of the Mentally Challenged, with various activities to create awareness of health issues and provide services and support to vulnerable groups and individuals.

Charitable Contributions

For many a trip to the cinema is no big deal and part of the routine of entertainment that is enjoyed. But for several children in the foster care programme of the Ministry of Human Services it is an outing that adds a new dimension to a life that has known little but hardship. Similarly, the National Council of and for Persons with Disabilities hosts an annual Camp Lajwa where for a few days it takes some of the persons with disabilities, particularly those who are generally house-bound, on various outings to experience the outdoors and other aspects of St. Lucian life. Simple as they are, it is activities such as these that light a spark of hope and love in the hearts and souls of many who live on the fringes of a normal existence. And it is activities such as these that LUCELEC continues to support each year because it understands how powerful an impact such simple gestures can have on people's lives and how much value they add to the relationship that LUCELEC enjoys with the community.

Other agencies with a similar charitable mandate also get assistance from LUCELEC in meeting the needs of their respective clientele. There is the St Lucia Crisis Centre, the St. Lucia Blind Welfare Association, the Salvation Army, the Ex-Service Men and Women's League, the various Rotary Clubs, the Friends of St. Jude Hospital, the St. Lucia Renal Association, the Society for the Deaf, and some of the homes for the elderly - the Marian Home, the Adelaide Home and the St. Lucy's Home. All of them benefited from LUCELEC's support during 2014.

The Company also supports various feeding programmes within the community with regular contributions to agencies like Feed the Poor Ministry Inc. and the St. Benedict's Centre Parish office.

And at Christmas time, LUCELEC supports various agencies, organisations and groups in their Christmas outreach to assist day-care and pre-schools, the unemployed, senior homes, hospitals and underprivileged children with subsidies and food hampers.

Staff Volunteerism

The Company has also seen an increasing number of its staff stepping up to volunteer their time and initiate activities to provide support to vulnerable groups in their communities. In 2014, the Generation Department expanded its community support programme to power wash and clean the Fond St. Jacques Primary School in Soufriere and the St. Benedict's Centre (Roman Catholic Church) at Morne Fortune, in addition to the usual service that they provide to the Lady Gordon Opportunity Centre (in Ciceron).

Additionally, staff across the Company launched "Operation Shoe Box" – an initiative to provide school supplies to underprivileged children. The volunteer effort allowed LUCELEC staff members to donate school supplies and cash in shoeboxes and the donated items were presented to thirty-four (34) students from the Anse-la-Raye Infant, Anse-la Raye Primary, Canaries Infant, Bouton Combined, Les Entangs Infant School and Saltibus Combined School during the month of October.

Conclusion

LUCELEC's corporate social responsibility thrust is driven by the Company's deep commitment to contribute to the development of St. Lucian society – in business, education, arts, sports, culture, and charity. The LUCELEC story is a story of struggle, triumph and vision. It is a St. Lucian success story. And it is because the Company has experienced the process from struggle to success it understands the need to provide the opportunities for generations of St. Lucians to excel and grow. In that way, the Company is seeking to truly be the energy that powers the nation's success.

Usher pins a corsage on staff and guests attending the 50th Anniversary Thanksgiving Service and Reception at the National Cultural Centre

LUCELEC Staff serving as Ushers for the 50th Anniversary Thanksgiving Service and Reception at the National Cultural Centre

LUCELEC Chairman Dr Trevor Byer raises a toast to Board, Management and Staff at the 50th Anniversary Thanksgiving Service and Reception

Long serving former Managing Director Bernard Theobalds raises a similar toast.

Current Managing Director Trevor Louisy (second from left) and his predecessor Bernard Theobalds (centre) caught up with some former company stalwarts at the the 50th Anniversary Thanksgiving Service and Reception

LUCELEC's resident "Guy-Knows" examine an expecting colleague in a humourous skit during the Staff Christmas Luncheon as part of activities to commemorate the Company's 50th anniversary

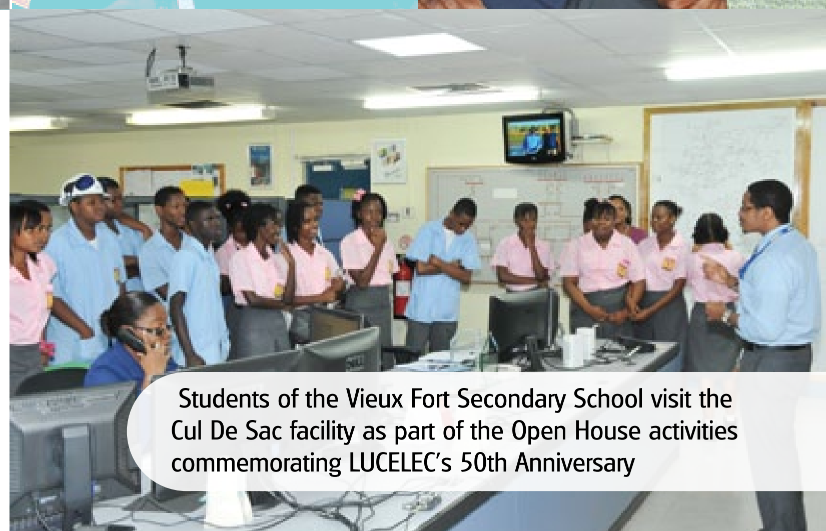
The Marchand Youth Orchestra (one of the groups that the Company sponsors) provide musical interlude at the Staff Christmas Luncheon as part of activities to commemorate the Company's 50th anniversary

Staff gave the entertainment and the Staff Christmas Luncheon several thumbs up

Chairman Dr Trevor Byer, Managing Director Trevor Louisy and Mrs. Louisy, and former Chairman Marius St. Rose attending the 50th Anniversary Thanksgiving Service and Reception at the National Cultural Centre

Minister for Infrastructure Hon. Philip J. Pierre and Minster for Commerce Hon. Emma Hippolyte were among the guests at the 50th Anniversary Thanksgiving Service and Reception at the National Cultural Centre

Celebrating 50 Years of Powering the Nation



Students of the Vieux Fort Secondary School visit the Cul De Sac facility as part of the Open House activities commemorating LUCELEC's 50th Anniversary

Really having a great time at the Staff Christmas Luncheon

AVAD Dance Ministry (another group supported by LUCELEC) contributed to the performances at the Staff Christmas Luncheon

Lunch is served! Staff enjoy the fare at the Christmas Luncheon as part of activities commemorating the Company's 50th Anniversary

50 YEARS OF POWERING THE NATION

THE YEAR IN PICTURES

LUCELEC hosts Lunch with Retirees every year to recognise their contribution to the Company

LUCELEC displays renewable energy technology at an Energy Fair to observe Energy Awareness Week

LUCELEC staff and family brave the rains for the annual Fun Walk to close off activities for Health, Safety & Environment Awareness Month

LUCELEC Staff have been trained to perform all major overhauls on the engines at the power plant

LUCELEC Staff planted trees along several river banks in 2014 to support environmental sustainability and slope stabilisation

The IS Department conducts computer security training for all staff across the Company

LUCELEC Staff encourage students in the early stages of Primary School to read as part of Reading Month activities

Staff at the Professional and Supervisory levels are being provided with Leadership Training

Staff training in principles of regulation continued in 2014

Staff turn out for Jounen Kwéyòl celebrations with customers

Trainers from the Public Utilities Research Centre (PURC) present on Regulatory Principles at a stakeholder session organised by LUCELEC & CARILEC

LUCELEC supported the 2014 Saint Lucia Investment Forum organised by Invest Saint Lucia

The Company met with several Stakeholders, including the Chamber of Commerce, SLISBA, Manufacturers Association to discuss the Company's operations and regulatory reform

LUCELEC Scholarship holders gather for their annual social to receive their scholarship funds and school bags

50 YEARS OF POWERING THE NATION

THE YEAR IN PICTURES

FINANCE AND ACCOUNTS
Department of the Year (Large)

2014 STAR PERFORMERS

MOSES MONTOUTE
(TRANSMISSION & DISTRIBUTION DEPARTMENT)
Employee of the Year

VILLIAN DOLCY
(CUSTOMER SERVICE DEPARTMENT)
Supervisor of the Year /Non-Technical

KEITHSON CHARLES
(TRANSMISSION & DISTRIBUTION DEPARTMENT)
Supervisor of the Year /Technical

CORPORATE COMMUNICATIONS
Department of the Year (Small)

AUDITED FINANCIAL STATEMENTS

PKF
Accountants &
business advisers

PKF Professional Services

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Email: 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.

P.O. Box Choc 8245, Meridian Place, Choc Estate, Castries, St. Lucia
PKF International is a network of Legally Independent Member Firms

PKF
Accountants &
business advisers

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.

PKF
Chartered Accountants
Castries, Saint Lucia
March 26, 2015

ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Statement of Financial Position
For the Year Ended December 31, 2014

(Expressed In Eastern Caribbean Dollars)	Notes		2014	2013 Restated	2012 Restated
Assets					
Non-current					
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
Total non-current assets			**356,918,837**	360,092,750	365,739,818
Current					
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
Total current assets			**161,682,998**	130,557,964	142,353,217
Total assets		$	**518,601,835**	490,650,714	508,092,035
Shareholders' equity and liabilities					
Shareholders' equity					
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
Total shareholders' equity			**239,759,878**	227,379,942	210,958,931
Liabilities					
Non-current					
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
Total non-current liabilities			**193,988,550**	207,852,308	221,598,121
Current					
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	-
Total current liabilities			**84,853,407**	55,418,464	75,534,983
Total liabilities			**278,841,957**	263,270,772	297,133,104
Total shareholders' equity and liabilities		$	**518,601,835**	490,650,714	508,092,035

Approved on behalf of the Board of Directors:

_______________ Director   _______________ Director

The notes on pages 46 to 103 are an integral part of these financial statements.

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

The notes on pages 46 to 103 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
Balance at January 1, 2013		$ 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)
Balance at January 1, 2013 as restated		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)
Total comprehensive income for the year as restated		-	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)
Balance at December 31, 2013 as restated		$ 80,162,792	123,613,483	2,448,000	21,155,667	227,379,942
Balance at January 1, 2014		**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		**-**	**(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)**
Balance at December 31, 2014		**$ 80,162,792**	**130,137,264**	**4,765,000**	**24,694,822**	**239,759,878**

The notes on pages 46 to 103 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
Cash flows from operating activities				
Profit before taxation		$	**37,000,493**	34,898,738
Adjustments for:				
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)**	-
Net cash from operating activities			**48,704,332**	54,148,358
Cash flows from investing activities				
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)
Net cash used in investing activities			**(27,629,333)**	(28,195,587)
Cash flows from financing activities				
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
Net cash used in financing activities			**(30,332,376)**	(33,293,454)
Net decrease in cash and cash equivalents			**(9,257,377)**	(7,340,683)
Cash and cash equivalents at beginning of year	**12**		**30,819,257**	38,159,940
Cash and cash equivalents at end of year	**12**	$	**21,561,880**	30,819,257

The notes on pages 46 to 103 are an integral part of these financial statements.

(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

(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).

(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:

	2014	**2013**
■ Building	**$2^1/_2$% - $12^1/_2$% per annum**	$2^1/_2$% -$12^1/_2$% per annum
■ Plant and machinery	**4% - 10% per annum**	4% - 10% per annum
■ Generator overhauls	**$33^1/_3$% per annum**	$33^1/_3$% per annum
■ Motor vehicles	**20% - $33^1/_3$% per annum**	20% - $33^1/_3$% per annum
■ Furniture and fittings	**10% per annum**	10% per annum
■ Computer hardware	**20% per annum**	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.

(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.

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.

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.

(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 Entitles 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.

(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.

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.

(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.

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.

(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
Financial Assets					
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.
Financial Liability					
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.

(Expressed In Eastern Caribbean Dollars)

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.

(Expressed In Eastern Caribbean Dollars)

6. Property, Plant and Equipment

		Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Work in Progress	Total
Cost							
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**
Accumulated Depreciation							
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**
Carrying Amounts							
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**

(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

		Information Systems	Way Leave Rights	Work In Progress	Total
Cost					
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		20,052,202	2,685,287	216,291	22,953,780
Balance at January 1, 2014		**20,052,202**	**2,685,287**	**216,291**	**22,953,780**
Additions		**504,970**	**537,185**	**44,242**	**1,086,397**
Transfers		**141,855**	**-**	**(141,855)**	**-**
Reclassifications to property, plant and equipment		**-**	**(352,803)**	**-**	**(352,803)**
Balance at December 31, 2014	$	**20,699,027**	**2,869,669**	**118,678**	**23,687,374**
Accumulated Amortisation					
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		(8,632)	-	-	(8,632)
Balance at December 31, 2013		7,365,061	-	-	7,365,061
Balance at January 1, 2014		**7,365,061**	**-**	**-**	**7,365,061**
Amortised for the year		**2,180,034**	**-**	**-**	**2,180,034**
Balance at December 31, 2014	$	**9,545,095**	**-**	**-**	**9,545,095**
Carrying Amounts					
At January 1, 2013	$	12,447,973	2,473,018	133,000	15,053,991
At December 31, 2013	$	12,687,141	2,685,287	216,291	15,588,719
At January 1, 2014	$	**12,687,141**	**2,685,287**	**216,291**	**15,588,719**
At December 31, 2014	$	**11,153,932**	**2,869,669**	**118,678**	**14,142,279**

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.

(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:

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

(Expressed In Eastern Caribbean Dollars)

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.

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

(Expressed In Eastern Caribbean Dollars)

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
	$	**23,690,000**	21,757,000	**16,774,000**	15,705,000	**15,303,000**	14,430,000

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, Sagicor Life Inc. The value of this policy is not quoted and is reliant on Sagicor'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 Sagicor 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.

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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**	**2014**	**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

(Expressed In Eastern Caribbean Dollars)

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

(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.

(Expressed In Eastern Caribbean Dollars)

9. Available-for-sale Financial Assets

		2014	2013
At beginning of year	$	**169,741**	167,969
Additions for year		**1,791**	1,772
At end of year	$	**171,532**	169,741

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

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

(Expressed In Eastern Caribbean Dollars)

11. Trade, Other Receivables and Prepayments

		2014	2013
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		**(11,107,101)**	(8,445,654)
Trade receivables, net		**55,546,018**	58,251,111
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		**(563,522)**	(339,085)
Other receivables, net		**19,211,541**	5,019,615
Accrued income		**15,595,196**	15,570,075
		90,352,755	78,840,801
Deferred fuel costs		**38,423,790**	-
Prepayments		**879,764**	3,356,572
	$	**129,656,309**	82,197,373

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.

(Expressed In Eastern Caribbean Dollars)

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		**1,008,050**	5,307,348
	$	**21,561,880**	30,819,257

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
Authorised:		
Voting ordinary shares of no par value	**100,000,000**	100,000,000
Ordinary non-voting shares of no par value	**800,000**	800,000
Preference shares of no par value	**1,214,128**	1,214,128

		2014	2013
Issued and fully paid			
22,400,000 voting ordinary shares	$	**77,562,792**	77,562,792
520,000 non-voting ordinary shares		**2,600,000**	2,600,000
	$	**80,162,792**	80,162,792

(Expressed In Eastern Caribbean Dollars)

14. Borrowings

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

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.

(Expressed In Eastern Caribbean Dollars)

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	**7.61**	7.60

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	**81,335,650**	89,383,133
	$ 137,725,516	153,072,557

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	**4,053,473**	3,891,251
	$ 16,135,158	15,544,985

(Expressed In Eastern Caribbean Dollars)

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)		**692,369**	(373,502)
At end of year	$	**38,278,917**	37,448,796

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		**874,812**	198,609
	$	**38,278,917**	37,448,796

(Expressed In Eastern Caribbean Dollars)

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:

	Grade III		Grades I and II	
	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:

	Grade III		Grade II & I		Total	
	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	$ **483,959**	420,970	**1,365,000**	1,365,000	**1,848,959**	1,785,970

(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)

(Expressed In Eastern Caribbean Dollars)

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.

(Expressed In Eastern Caribbean Dollars)

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		**7,136,735**	6,487,591
		28,423,890	30,052,534
Deferred fuel costs		**-**	5,962,662
	$	**28,423,890**	36,015,196

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		**8,022,000**	-
	$	**16,044,000**	8,022,000

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

(Expressed In Eastern Caribbean Dollars)

21. Other Gains, Net

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

22. Taxation

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

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		**(1,009,406)**	(1,067,583)
Actual tax charge	$	**10,192,086**	9,584,222

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

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

(Expressed In Eastern Caribbean Dollars)

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**
Derivative financial instruments			
Fixed Price Swaps	**$**	**(39,745,776)**	5,525,392

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.

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		**340,022**	316,140
	$	**4,919,424**	4,505,255

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	**12.44**	12.44
	85.56	85.56

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

(Expressed In Eastern Caribbean Dollars)

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		**28,274,607**	29,265,527
	$	**33,316,140**	34,346,370

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		**11,712,622**	10,070,451
	$	**12,837,688**	10,518,742

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	$	**1,214,008**	235,654

(Expressed In Eastern Caribbean Dollars)

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

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

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	**2,652,413**	2,786,848
	$ **9,681,599**	10,130,289

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
Lease Charges		
Government of Saint Lucia	$ **33,334**	100,000

(Expressed In Eastern Caribbean Dollars)

26. Expenses by Nature

	2014	2013 Restated
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	**18,432,428**	17,341,112
	$ 280,582,191	285,117,282
Operating expenses	**$ 247,227,471**	253,057,510
Administrative expenses	**33,354,720**	32,059,772
	$ 280,582,191	285,117,282

27. Employee Benefit Expenses

	2014	2013
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	**4,274,338**	4,045,371
	$ 27,769,624	28,137,916

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

(Expressed In Eastern Caribbean Dollars)

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
		$ **112,086,167**	115,355,191

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
	$ **66,653,119**	66,696,765

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
	$ **66,653,119**	**11,107,101**	66,696,765	8,445,654

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,	$ **11,107,101**	8,445,654

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.

(Expressed In Eastern Caribbean Dollars)

28. Financial Instruments (Cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments:

December 31, 2014

		Carrying amounts	Contractual cash flows	Under 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities							
Secured loans	$	**(153,190,969)**	**(222,870,562)**	**(26,494,550)**	**(26,007,447)**	**(63,224,223)**	**(107,144,342)**
Trade and other payables		**(28,423,890)**	**(28,423,890)**	**(28,423,890)**	**-**	**-**	**-**
	$	**(181,614,859)**	**(251,294,452)**	**(54,918,440)**	**(26,007,447)**	**(63,224,223)**	**(107,144,342)**
Derivative financial liabilities							
Derivative financial liabilities	$	**(39,745,776)**	**(39,745,776)**	**(39,745,776)**	**-**	**-**	**-**

December 31, 2013

		Carrying amounts	Contractual cash flows	Under 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities							
Secured loans	$	(167,950,896)	(249,856,253)	(26,985,691)	(26,494,550)	(74,629,740)	(121,746,272)
Trade and other payables		(30,052,534)	(30,052,534)	(30,052,534)	-	-	-
	$	(198,003,430)	(279,908,787)	(57,038,225)	(26,494,550)	(74,629,740)	(121,746,272)

(Expressed In Eastern Caribbean Dollars)

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:

		Carrying amounts as at December 31, 2014	Fair values as at December 31, 2014	Carrying amounts as at December 31, 2013	Fair values as at December 31, 2013
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)
	$	**(109,274,468)**	**(109,614,913)**	(82,648,239)	(83,041,997)

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.

(Expressed In Eastern Caribbean Dollars)

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
	$	-	700,000

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		**1,385,206**	1,398,366
	$	**2,064,115**	2,114,370

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.

(Expressed In Eastern Caribbean Dollars)

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		**3,539,155**	3,384,138
Balance at December 31,	$	**24,694,822**	21,155,667

(Expressed In Eastern Caribbean Dollars)

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.

(Expressed In Eastern Caribbean Dollars)

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:

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

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

(Expressed In Eastern Caribbean Dollars)

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
Statement of Comprehensive Income		
Increase in fuel costs	$	(437,270)
Decrease in current tax		131,181
Decrease in net income and total comprehensive income	$	(306,089)

		Effect on 2013	Effect on 2012
Statement of Financial Position			
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	$	(306,089)	-
Decrease in retained earnings		306,089	
Decrease in shareholders' equity	$	306,089	

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

(Expressed In Eastern Caribbean Dollars)

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
Statement of Comprehensive Income		
Increase in fuel costs	$	(437,270)
Decrease in current tax		131,181
Decrease in net income and total comprehensive income	$	(306,089)

		Effect on 2013	Effect on 2012
Statement of Financial Position			
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	$	(993,489)	(687,400)
Decrease/(increase) in retained earnings	$	11,489	(294,600)
Decrease in retirement benefit reserve		982,000	982,000
Decrease in shareholders' equity	$	993,489	687,400

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.

FINANCIAL STATISTICS

(2005 - 2014)

	2014	Revised 2013	Revised 2012	2011	2010	2009	2008	2007	2006	2005
Units Sold (kWh x 1000)	331,939	334,479	333,324	333,378	330,729	315,082	301,975	297,841	284,398	277,399
Tariff Sales (Cents per kWh)	97.8	98.3	95.5	84.0	75.0	75.1	80.7	77.5	67.4	40.8
Fuel Charge (Cents per kWh)	0.2	0.4	6.6	11.8	8.1	0.0	19.0	3.4	12.3	32.1
Operating costs (Cents per kWh)	84.5	85.2	88.8	82.8	69.1	61.4	86.1	66.3	65.2	59.2
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	334,388	336,395	328,030	250,154	273,400	292,279	292,916	296,606	267,447	267,872
Retirement Benefit Asset	4,765	2,448	3,650	9,135	9,017	8,828	8,749	7,768	2,850	2,637
Available for Sale Investment	171	170	168	166	163	8,504	5,643	3,452	2,687	1,961
Capital Work in Progress	17,594	21,080	33,891	50,846	16,477	9,659	9,582	6,518	11,055	9,297
Current Assets	161,683	130,558	142,353	124,642	99,651	85,080	68,527	63,419	54,460	60,000
Current Liabilities	(84,853)	(55,418)	(75,535)	(68,511)	(68,796)	(67,635)	(52,483)	(57,776)	(57,545)	(66,625)
Total	433,748	435,233	432,557	366,432	329,913	336,714	332,934	319,987	280,954	275,142
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	130,137	123,614	109,375	84,267	76,970	69,338	63,789	58,330	53,932	46,028
Other Reserves & Consumer Contributions	29,460	23,604	21,421	40,670	38,893	37,913	37,177	32,315	25,328	24,332
Long Term Debt	137,726	153,072	167,797	123,396	94,709	107,848	110,754	107,288	81,360	84,916
Other Long Term Liabilities	56,262	56,780	53,801	37,937	39,178	41,452	41,051	41,891	40,171	39,703
Total	433,748	437,233	432,557	366,432	329,913	336,714	332,934	319,987	280,954	275,142
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	324,622	328,735	318,265	280,177	247,945	236,745	243,691	230,754	191,525	113,251
Fuel Surcharge	599	1,172	22,083	39,185	26,908	20	57,448	10,178	34,962	88,961
Other	3,662	3,207	3,677	1,657	1,417	1,926	1,082	657	943	848
Total	328,883	333,114	344,025	321,019	276,271	238,691	302,221	241,589	227,430	203,060

FINANCIAL STATISTICS
(2005 - 2014)

	2014	Revised 2013	Revised 2012	2011	2010	2009	2008	2007	2006	2005
Operating Costs										
Fuel	191,557	195,798	209,310	185,733	142,471	108,998	182,738	123,875	119,359	95,017
Generation	9,948	10,708	10,918	10,587	9,404	8,793	9,119	8,288	6,857	7,856
Transmission & Distribution	15,418	16,530	15,778	19,318	17,618	20,557	16,601	16,810	14,888	14,080
Administrative & Selling	30,509	29,426	27,286	26,148	24,784	23,266	22,167	21,180	19,596	23,352
Depreciation and Amortisation	33,150	32,656	32,625	34,264	34,314	31,832	29,468	27,171	24,763	23,885
Total	280,582	285,118	295,917	276,050	228,591	193,446	260,093	197,324	185,463	164,190
Operating Income	48,301	47,996	48,108	44,969	47,679	45,245	42,127	44,265	41,967	38,870
Interest Expense	11,368	13,163	9,389	8,761	7,618	6,915	8,997	7,201	7,131	6,074
Foreign Exchange (Gain) Loss/ Other	(67)	(66)	(67)	(66)	(296)	(636)	(462)	(151)	(503)	116
Net Income Before Tax	37,000	34,899	38,786	36,274	40,357	38,966	33,592	37,215	35,339	32,680
Taxation	10,192	9,584	9,972	10,003	11,138	11,151	11,049	9,125	8,585	7,083
Net Income After Tax	26,808	25,315	28,814	26,271	29,219	27,815	22,543	28,090	26,754	25,597
Other Comprehensive Income	1,615	(872)	856	(192)	(178)	(239)	48	-	-	-
Dividend Declared	16,044	8,022	17,648	18,107	18,666	17,228	15,705	16,642	16,642	15,715
Retained Earnings for Year	12,379	16,421	12,022	7,972	10,376	10,348	6,886	11,448	10,112	9,882
Retained Earnings Beginning of Year	123,614	109,375	84,267	76,970	69,338	62,282	57,061	52,303	45,924	49,081
Transfer to Retirement Benefit & Reserves	(5,856)	(2,182)	(5,039)	(118)	(189)	(79)	(981)	(644)	636	(242)
Tariff Reduction Reserve	-	-	-	(557)	(2,555)	(3,213)	(1,953)	(6,046)	(3,087)	(4,557)
Prior Year Adjustment		-	18,125	-	-	-	1,269	-	(1,282)	(8,241)
Retained Earnings End of Year	130,137	123,614	109,375	84,267	76,970	69,338	62,282	57,061	52,303	45,924
Rate of Return	10.02%	13.42%	14.20%	15.12%	17.41%	18.32%	17.77%	21.42%	18.91%	19.67%
Earnings per share (EC$)	$1.17	$1.10	$1.26	$1.15	$1.27	$2.36	$1.92	$2.48	$2.30	$2.18
Dividend per share (EC$)	$0.70	$0.35	$0.77	$0.79	$1.59	$1.47	$1.34	$1.42	$1.42	$1.34
Debt/Equity Ratio	39/61	43/57	47/53	40/60	36/64	39/61	41/59	43/57	40/60	40/60
Capital expenditure	$27,658	$28,211	$97,243	$45,390	$22,262	$31,281	$28,344	$51,794	$26,108	$27,200

The return on rate base calculations changed with effect from 2005 in accordance with Amendment Act No 12 of 2006 and 13 of 2006.

OPERATING STATISTICS

(2005 - 2014)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Generating Plant (kW)										
Available Capacity	88,400	86,200	86,200	76,000	76,000	76,000	76,000	76,000	65,800	65,800
Firm Capacity	66,900	55,600	55,600	55,600	55,600	55,600	55,600	55,600	46,300	46,300
Peak Demand	57,200	59,700	59,800	60,300	59,200	55,900	54,100	52,700	49,800	49,200
Percentage growth in peak demand	-4.2%	-0.2%	-0.8%	1.9%	5.9%	3.3%	2.7%	5.8%	1.2%	5.6%
Sales (kWh x 1000)										
Domestic	111,922	112,743	112,272	113,505	113,757	107,820	103,214	104,784	101,635	98,914
Commercial (including Hotels)	191,294	193,199	192,847	190,846	188,640	178,518	170,624	168,151	160,895	158,483
Industrial	17,673	17,624	17,679	18,761	18,373	19,002	18,626	15,789	12,982	12,522
Street Lighting	11,050	10,913	10,526	10,263	9,959	9,741	9,510	9,117	8,886	7,480
Total Sales	331,939	334,479	333,324	333,375	330,729	315,081	301,975	297,841	284,398	277,399
Power Station and Office Use (kWh x 1000)	13,918	14,706	14,511	14,599	14,127	14,312	14,256	13,185	13,071	13,172
Losses (kWh x 1000)	33,574	33,791	36,948	37,234	36,033	33,597	36,105	34,672	33,291	33,043
Units Generated (kWh x 1000)	379,431	382,976	384,783	385,208	380,889	362,990	352,335	345,698	330,760	323,614
Percentage Growth in Units Generated	-0.9%	-0.5%	-0.1%	1.1%	4.9%	3.0%	1.9%	4.5%	2.2%	4.9%
Percentage Growth in Sales	-0.8%	0.3%	0.0%	0.8%	5.0%	4.3%	1.4%	4.7%	2.5%	4.1%
Percentage Losses (excl. prior year sales adjs.)	8.8%	8.8%	9.6%	9.7%	9.5%	9.3%	10.2%	10.0%	10.1%	10.2%
Number of Consumers at Year End										
Domestic	59,790	58,648	55,110	54,415	53,566	52,986	51,444	50,163	48,697	47,417
Commercial (Including Hotels)	7,193	7,096	6,629	6,641	6,557	6,479	6,169	5,938	5,714	5,474
Industrial	98	98	100	101	100	100	98	101	95	95
Street Lighting (accounts)	19	20	10	9	9	7	7	7	3*	16
	67,100	65,862	61,849	61,166	60,232	59,572	57,718	56,209	54,509	53,002
Percentage Growth	1.9%	6.5%	1.1%	1.6%	1.1%	3.2%	2.7%	3.1%	2.8%	2.4%
	* At their request the accounts of the Government of St. Lucia was rationalised from 15 to 2 and this total includes one other entity									
Average Annual Consumption										
Per Customer (kWh)										
Domestic	1,872	1,922	2,037	2,086	2,124	2,035	2,006	2,089	2,087	2,086
Commercial (including Hotels)	26,594	27,226	29,091	28,738	28,769	27,553	27,658	28,318	28,158	28,952
Industrial	180,337	179,837	176,790	185,752	183,730	190,024	190,065	156,327	136,653	131,811
Diesel fuel consumed (Imp. Gall.)	19,402,934	19,448,764	19,541,743	19,712,324	19,561,441	18,256,739	17,870,149	17,729,217	17,009,188	16,666,145

LUCELEC

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