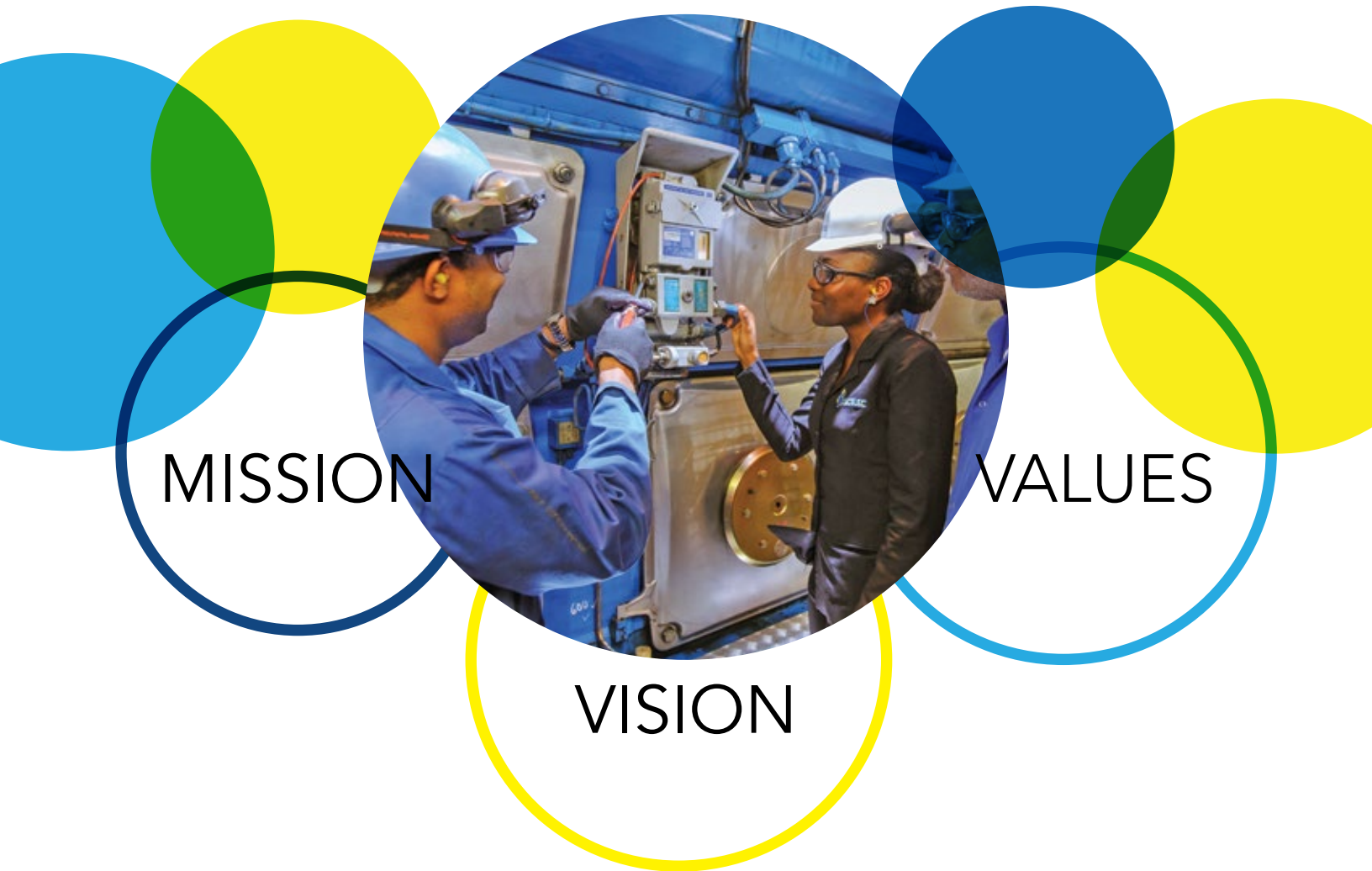


IN TRANSITION



LUCELEC
ST. LUCIA ELECTRICITY SERVICES LIMITED
The Power of Caring

2015 ANNUAL REPORT



MISSION

VALUES

VISION

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 Saint 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

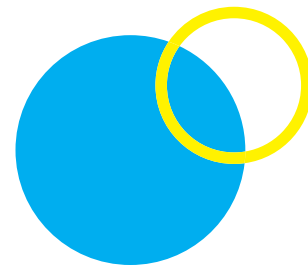
PKF Professional Services
Meridian Place
Choc Estate
P.O. Box Choc 8245
Castries
Saint Lucia

BANKERS

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

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

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Oil discoveries have been declining at an alarming rate, and supply in 2015 -2025 may be even more challenging.

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THEME: IN TRANSITION

2015 represented a year of transition for St. Lucia Electricity Services Limited (LUCELEC) and the electricity sector in Saint Lucia. New legislation. New licenses. New regulator. New rules of engagement. The process is not quite complete, but there is no doubt 2015 marked the end of an era in the domestic electricity sector as we knew it.

The oil markets were in transition too, the perennial fear of high oil prices was replaced with anticipation of how low the cost of energy could go. The joy with low oil prices was tempered by the potential impact on the pace of transition away from fossil fuel based energy to renewable energy, and the required adjustments to LUCELEC's fuel price hedging programme.

We were transitioning internally too. The company's strategic focus on business transformation to adapt to the new operating environment took root. Staff training to meet the requirements of the new rules of engagement

was accelerated and a major review of business processes initiated. Access to customer accounts are being transitioned to an online platform to allow customers access anytime and from anywhere. LUCELEC's transition from the traditional vertically integrated producer and supplier of electricity derived from fossil fuels to a more diversified business offering a range of energy products and services to its customers is happening!

Certainly the electricity and energy landscape of the immediate future will look different. Solar panels, wind turbines, energy storage devices and electric cars may soon be the norm rather than the exception. And we will be there too. Even so, there are some things we hold dear that will remain with us as we transition into the new environment - our tradition of excellence, reliability, power quality, and safety; our responsiveness; our professionalism; our Power of Caring. Some things will never change.

2015 CORPORATE PERFORMANCE*

INDICES	MEASURE OF SUCCESS	TARGET	PERFORMANCE
Improve Financial Performance	Profit After Tax/Net Income	\$25.6M	\$25.8M
	Improved Working Capital	Current Ratio of 2.0	1.7
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.29 kWh/litre	4.28 kWh/litre
	SAIDI** (system average interruption duration index)	7.2 hours	11.03 hours
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items - 84%	84.88%
Improved Cost Effectiveness of Energy Supply	Adding Solar PV to the generation portfolio	75kW PV system commissioned by November 30, 2015	System not installed due to 3rd party delay
	Own use reduction	Replace all internal fluorescent & external HPS lights with LEDs at Company offices by December 31, 2015	100%
Reduction in System Losses	Own use reduction	Install one set of VFDs and complete 50% on a second at CDS by December 31, 2015	System not installed due to 3rd party delay
	System Losses**	8.65%	7.87%
Improved HR Credibility	Achievement levels of Strategic project plan	Completion (100%) of agreed HR deliverables by December 31, 2015	72%
Ready for New Regulation	Successful accomplishment of Action Items identified in project plans	Completion rate of 100% of Action Items by December 31, 2015	100%

*Refers only to LUCELEC and does not include any of its subsidiaries.

**The lower the number/percentage the better.

2016 CORPORATE TARGETS*

INDICES	MEASURE OF SUCCESS	2016 TARGET
Improve Financial Performance	Profit After Tax/Net Income	\$27.0M
	Improved Working Capital	Current Ratio of 1.7
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.27 kWh/litre
	SAIDI (system average interruption duration index)	7.84 hours
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items - 85%
Improved Cost Effectiveness of Energy Supply	Adding Solar PV to the generation portfolio	75kW PV System commissioned by March 31 + 1MW Utility Scale PV Project 50% completed by December 31
	Adding Wind to the Generation Portfolio	Wind Studies for 12MW completed by June 30 + definitive agreements in place by November 30
	Own use reduction	Install one set of VFDs by June 30 and another set 50% complete at CDS by December 31
Reduction in System Losses	System Losses	7.55%
Effective Management & Leadership	Employee Engagement Levels	90% of Managers with performance goals that are tied to the development of others + 5 point increase in Leadership component of Employee Survey Results
Motivated, Skilled & Customer Centric Employees	Employee Engagement Levels	80% of employees with personal performance goals linked to the business strategy + 80% of employees with formal skills development plans by Dec 31

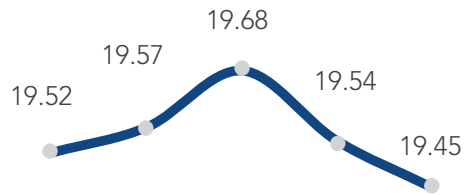
5 YEAR OPERATIONAL & FINANCIAL PERFORMANCE AT A GLANCE

SAIDI (hrs)



2011 2012 2013 2014 2015

FUEL EFFICIENCY (kWh/ Imp. Gallon)



2011 2012 2013 2014 2015

SYSTEM LOSSES (%)



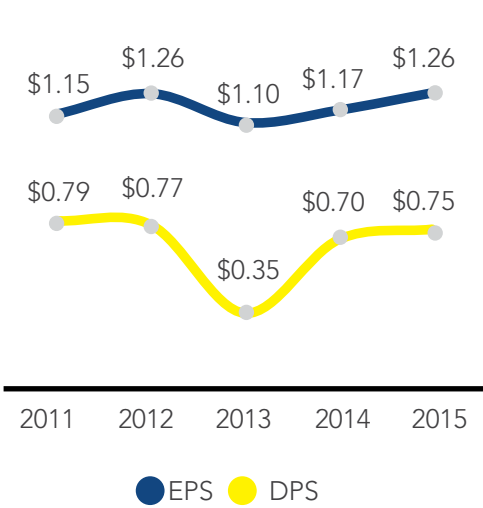
2011 2012 2013 2014 2015

RETURN ON EQUITY (%)

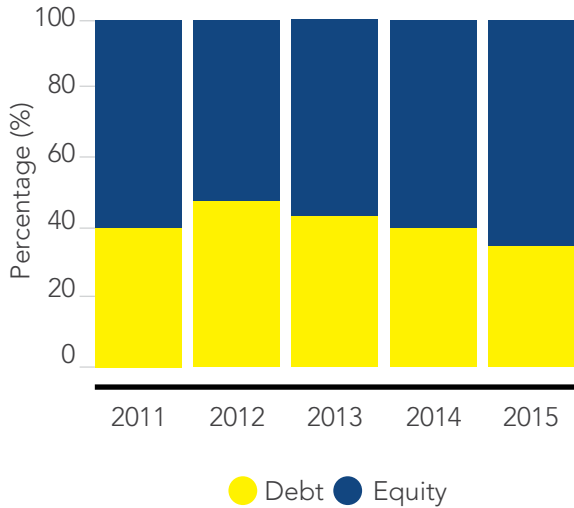


2011 2012 2013 2014 2015

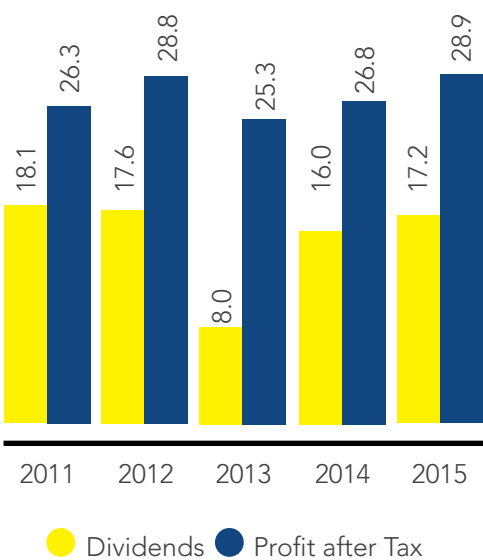
EARNINGS AND DIVIDENDS PER SHARE



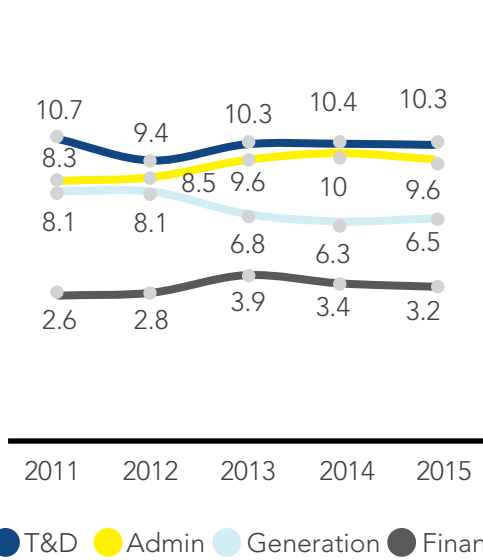
DEBT/EQUITY RATIO



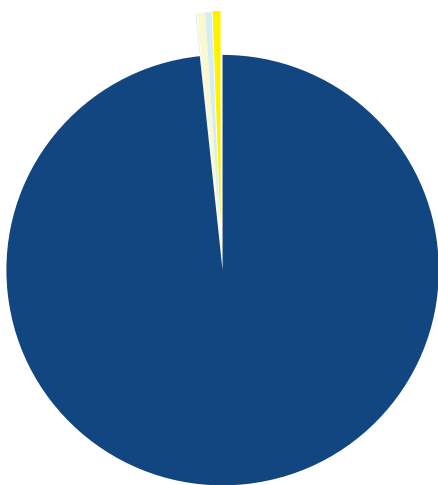
DIVIDENDS/PROFIT AFTER TAX (EC\$ MILLIONS)



COST PER UNIT (EC Cents)

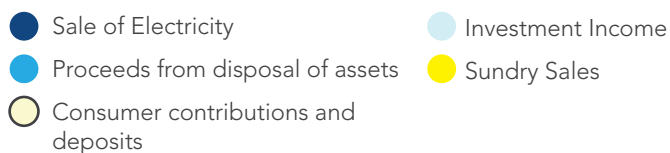


2015 FINANCIAL HIGHLIGHTS



WHERE THE LUCELEC \$ CAME FROM

	\$	cents
Sale of Electricity	324,516	99.0
Proceeds from disposal of assets	64	0.0
Consumer contributions and deposits	1,156	0.4
Investment income	759	0.2
Sundry sales	1,391	0.4
	327,886	100.0



HOW THE LUCELEC \$ WAS SPENT

	\$	cents
Purchase of fixed assets	21,545	7.1
Debt servicing	26,493	8.7
Dividends	17,106	5.6
Payments to Government	15,648	5.1
Operations	12,310	4.0
Payroll costs	27,058	8.9
Fuel and lubricants	185,090	60.6
	305,250	100.0



CHAIRMAN'S MESSAGE

LUCELEC's Future over the Next Decade

St. Lucia Electricity Services Limited (LUCELEC) along with the Barbados Light and Power Company (BL&P) are the two leading electricity companies among the CARICOM countries. Both companies have been going through significant changes over the past 2 years. In the case of Barbados, the 80% takeover of the BL&P by EMERA, a Canadian Power Company, was one of those changes, the effectiveness of which will become apparent as time unfolds.

In the case of LUCELEC 2015 was a year of the beginning of major transitions. New legislation, a new regulator and new licensing arrangements have unfolded new rules of engagement. There is little doubt that 2015 marks the end of an era in the electricity sector, as it has been known over the past few decades.





One of the most important energy developments in the English speaking Caribbean basin over the past 5 - 6 years has been the developments in the natural gas sector in Trinidad and Tobago and ... the possibilities for geothermal energy development in several of the islands...



Based on the new regulatory framework independent power producers (IPP's) may be granted licenses to generate electricity from renewable sources. Additionally electricity generated from IPP's will have to be transmitted via LUCELEC's transmission and distribution network to customers, since under the new regulatory framework, LUCELEC will remain the sole national transmitter and distributor of electricity. This is one of the most important policies to ensure LUCELEC's role in the transmission and distribution of electricity.

A key issue which arises from the introduction of intermittent IPP generation, such as from solar photovoltaic (PV) systems and wind turbines, is unexpected cloud cover impacting PVs, thereby reducing the energy level on the solar panels or in the case of wind turbines, sudden changes in the intensity of the wind which will reduce the power

generated. This will have implications for the stability of the grid and LUCELEC will be required to pay close attention to this.

Other than these two natural sources of energy, the potential of geothermal energy in the OECS countries of St. Lucia, St. Vincent, Dominica, and Nevis is one of the possible additional energy sources which may yield significant returns. At present a New Zealand team has been undertaking exploratory work at the site of St. Lucia's "hot springs" in Soufriere. A particular advance would be that "firm power" is what would be produced, thereby enhancing grid stability, if the resource base is proven to be viable.

Global Developments in the Oil and Gas Sectors over the Next Several Years

In the last few years the number and size of oil

discoveries have been declining at an alarming rate, and supply in 2015 -2025 may be even more challenging. The shale boom in the USA and the availability of large shale resources in Russia, China, Argentina and Libya, (although their development is still in its infancy) are also impacting the oil and gas sectors, although shale is a relatively high cost resource of oil compared to Middle East reserves and requires high crude oil prices to be commercially viable.

Importantly, oil markets need reform to reflect reality for producers and consumers. Prices are driven by financial speculation which generally outweighs supply and demand. Investments are scaling back. Wood McKenzie estimated that investment in the sector would have declined by more than US\$100 billion in 2015. Oilfield services have cut tens of thousands of jobs in 2014 resulting in a big reduction in demand for services. In 1985 new oil well investment was acceptable if it produced oil at US\$20 – 30 per barrel. Now oil from wells that are tricky to build require US\$60 – 100 per barrel to break even.

Further, a key issue of a political nature is that any oil sanctions against Russia will endanger supply in Europe. These are major issues that require caution. Oil is taxed differently in different markets – e.g. in the USA and Europe resulting in different structures in Europe and the USA.

All these issues, that have little to do with the physical product, influence the price of oil (and gas for that matter), and there are obvious repercussions for the purchasers of oil and natural gas, like the power utilities in the Caribbean.

Energy in the Southern Caribbean (Trinidad and Tobago, Grenada, St. Vincent, Barbados, St. Lucia, Martinique and Dominica)

Relative to the global situation in oil and gas developments over the past couple of years in the developed countries and major oil producers in developing countries, the situation in the English speaking Caribbean basin bears little similarity.

One of the most important energy developments in the English speaking Caribbean basin over the past 5 – 6 years has been the developments in the natural gas sector in Trinidad and Tobago and the possibility of islands of the Southern Caribbean being supplied from Trinidad. Coupled with the possibilities for geothermal energy development in several of the islands, as indicated earlier, these present opportunities for base load power to support intermittent renewable energy technologies (like wind and solar). Every effort should be made to take advantage of these towards a new energy future for St. Lucia.

Conclusion

As I retire from the Board of Directors, I wish to express my sincerest appreciation to the various members of Board, Management and Staff of LUCELEC that I have had the pleasure of serving with during my tenure as Chairman. Even as we transition into the new regulatory and energy environment, I can tell you that LUCELEC today is very different to what it was when I came into the position of Chairman of the Board of Directors. So in a very real way, we have been in transition over the last several years, actively planning for and responding to the ever changing energy market and operating environment. It is that ability to adapt that has seen us grow into who we are today, and it is that same ability that will ensure we continue to overcome the challenges of the next several years even in an environment where the changes are happening much faster and have wider reaching implications.

I wish the incoming Chairman every success knowing that he will have the drive and commitment of the Board, Management and Staff fully with him, as they were with me.



.....

Dr. Trevor A. Byer
Chairman

BOARD OF DIRECTORS

DR. TREVOR A. BYER

Acc. Dir. - Chairman
(retired December 31, 2015)

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

TREVOR M. LOUISY

Acc. Dir. - Managing Director

Mr. Louisy was appointed to the Board of Directors of St. Lucia Electricity Services Limited 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.



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 of Directors of St. Lucia Electricity Services Limited 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.

MATTHEW LINCOLN MATHURIN

Acc. Dir.

Mr. Mathurin is the Director/Chief Executive Officer of the National Insurance Corporation and was appointed to the Board of Directors of St. Lucia Electricity Services Limited 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 Committee and a Member of the Strategic Planning and Investments Committee.

MR. PETER WILLIAMS

Mr. Peter Williams was appointed by Emera (St. Lucia) Limited to the Board of Directors of St. Lucia Electricity Services Limited on March 2, 2011. Mr. Williams holds a BSc in Mechanical Engineering, an 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.

MS. SHARON CHRISTOPHER

Acc. Dir.

Ms. Sharon Christopher joined the Board of Directors 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.



DR. REGINALD DARIUS

Dr. Reginald Darius was appointed by the Government of Saint Lucia to the Board of Directors 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 Master's 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.

DR. MKABI WALCOTT

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

MRS. CAROLE ELEUTHERE-JN MARIE

Mrs. Carole Eleuthere-Jn Marie was appointed to the Board of Directors 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. Mrs Jn. Marie is a member of the Board's Audit Committee.



MR. ANDRE CHASTANET O.B.E.

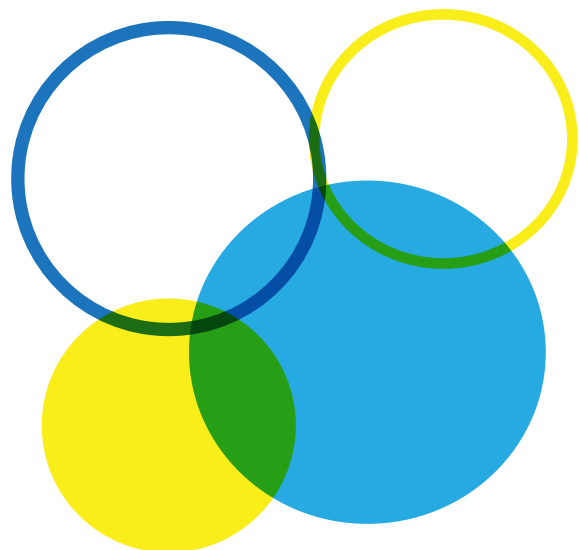
(resigned effective December 31, 2015)

Mr. Andre Chastanet was appointed to the Board of Directors 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 was a member of the Board's Audit and Strategic Planning and Investments Committees.



MS. SARAH MACDONALD

Ms. Sarah MacDonald was appointed by Emera (St. Lucia) Limited to the Board of Directors 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. McDonald 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.





DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2015.

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 50th Annual Shareholders Meeting were:

Non-Executive Directors

- Dr. Trevor Byer
- Mr. Matthew Lincoln Mathurin
- Mr. Stephen McNamara

- Ms. Sharon Christopher
- Mr. Peter Williams
- Dr. Mkabi Walcott
- Dr. Reginald Darius
- Mr. Andre Chastanet
- Ms. Sarah McDonald
- Mrs. Carole Eleuthere-Jn Marie

Executive Director

- Mr. Trevor Louisy

Financial Results

The Company sold 337.5 million kWh of electricity a 1.7% increase over the previous year attributable to increased energy consumption in nearly all sectors.



Total revenues were \$311.8M a decrease of 4.8% compared to the previous year, mainly attributable to lower tariffs caused by reductions in fuel prices.

Net profit for the year was EC\$28.9M an increase of 7.8% over the previous year.

The Company achieved Earnings per Share of EC\$1.26, an increase of 7.7% over 2014 (EC\$1.17).

Assets acquired during the year amounted to EC\$21.5M comprising mainly of improvements to the Transmission & Distribution network and continuation of the Automated Metering Infrastructure Project.

Dividends

The Board of Directors declared a total dividend of \$0.71 per ordinary share for 2014. The Company paid an interim dividend in December 2015 of \$0.39 per ordinary share.

In 2016, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2015 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 May and August 2015, Directors attended

Strategic Planning Sessions to discuss the strategic positioning of the Company to meet future financial, technical and regulatory challenges.

In August 2015, the Board also 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 2014. The Board conducts biennial formal Board Evaluations with the intervening year being used to discuss the progress made on agreed action items.

During the course of 2015 internal training for the Board covered areas related to Strategic Management, Regulation, Understanding Electric Utility Operations, and Risk and Compliance.

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, 2015 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

MANAGEMENT TEAM



From Left to Right

TREVOR LOUISY

BSc (Electrical Engineering), Acc. Dir.
Managing Director

VICTOR EMMANUEL

BEng (Electrical Engineering), MSc (Information
Systems Engineering)
Business Development Manager

GOODWIN D'AUVERGNE

BSc (Electrical Engineering), MBA (Finance)
Chief Engineer

JONOTHAN EDWARDS

(resigned with effect from February 24, 2015)
FCCA, CGA
Financial Controller

GARY EUGENE

MEng (Electronics Engineering), Registered
Professional Engineer
System Control Engineer

ZIVA PHILLIPS

(Acting Financial Controller from March 1, 2015 until
December 31, 2015)
FCCA, BSc (Economics and Accounting)
Finance and Accounts Manager

GILROY PULTIE

(Business Process Support Manager from September
1, 2015)
BSc (Electrical & Computer Engineering), MBA
(Finance)
Transmission & Distribution Manager (until August 31,
2015)

MICHAEL THOMAS

(Acting Transmission & Distribution Manager from
September 1, 2015)
BSc Electrical & Electronics Engineering
Certificates in Project Management, Electricity
Distribution, and Business Continuity
Assistant Transmission & Distribution Manager

CORNELIUS EDMUND

(Acting Planning Manager)
Msc Engineering, (Electrical)
Fellow of the Association of Engineers of Saint Lucia
System Planning Engineer



From Left to Right

WYNN ALEXANDER

BSc (Computer Science), M Eng Internetworking, DipFM
Information Systems Manager

NICOLE DUBOULAY

(resigned with effect from September 2, 2015)
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

FRANCIS DANIEL

(Seconded to the Office of the Managing Director)
BSc (Electrical Engineering), MPM (Project
Management)
Planning Manager

CALLIXTA BRANFORD

CGA
Internal Audit Manager

JEVON NATHANIEL

BSc (Electrical Engineering), MSc (Computer Science)
Generation Engineer

MIGUELLE JAMES

(Acting Human Resource Manager from September 3,
2015)
BSc (Psychology/Social Policy Administration) MSc
(Human Resources),
Assistant Human Resource Manager



OPERATIONS REVIEW

CORPORATE PERFORMANCE

In 2015 St. Lucia Electricity Services Limited (LUCELEC) continued its strategic thrust in five key areas: System Enhancement, Preparation for Regulatory Reform, Cost Management and Reduction, 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 met or exceeded five (5) of the eleven (11) targets¹ set at the beginning of the year. This performance does not reflect the level of effort or commitment towards achieving these targets. Rather, in some instances, delays or other factors outside the Company's control negatively

impacted performance in the target areas.

Targets were met or exceeded in the areas of System Losses, Profit After Tax, Customer Satisfaction, LED lighting installation at the Company's premises (Own Use Reduction), and the levels of completion on the action plans for Regulatory Reform.

The performance for fuel efficiency was above the threshold but below target.

The performances in the areas of working capital ratio, reliability (SAIDI), levels of completion on the action plans for human resource development, adding solar PV to the generation portfolio, and the installation of variable frequency drives at the Cul De Sac facility, were below threshold.

¹See table of 2015 Corporate Performance and 2016 Targets on pages 8 and 9.



The target for working capital ratio was not achieved due to the recording of a current liability to the subsidiary company, LUCELEC Cap-Ins. Inc., (associated with the self-insurance), an outcome not foreseeable at the time the targets were set.

The target for SAIDI would have been achieved had it not been for the two island-wide shut downs experienced.

Targets for the installation of the 75 kilowatt photovoltaic system were not achieved due to a supplier failure to deliver by the contracted dates. Similarly, delays with receiving the required approvals from the Development Control Authority prevented the Company from meeting the targets for the issuing of the Request for Proposals (RFP) for the 3 megawatt solar energy project.

The installation of variable frequency drives at the Cul De Sac facility was not accomplished on target due to delays with delivery by the contracted dates and a modification to the units that required significant discussions with the supplier.

For 2016, adapting to the anticipated changes in the operating and regulatory environment will be given priority attention. Strategically, System Enhancement, Cost Management and Reduction, and Human Resource Development, remain relevant and will be pursued with emphasis on efficient implementation.

OPERATIONAL PERFORMANCE

Despite a sluggish economy the Company registered an increase in sales year on year, albeit small. This was due in part to higher temperatures requiring additional cooling, drier periods necessitating additional pumping of water, and the impact of the Automated Metering Infrastructure (AMI) programme which assisted with loss reduction.

As part of the process towards preparing for regulatory reform, a great deal of time and energy throughout the year was spent engaging the Government of Saint Lucia (GOSL) and other stakeholders on the new regulatory framework.

Dramatic declines in oil prices on the international market that put prices at the lowest they had been for several years placed the Company's reputation under significant pressure, due to the fuel price hedges that had been committed to, albeit under the same arrangements that had hitherto protected customers from increases in oil prices. Lower fuel price hedges in the second half of the year resulted in some reduction in the tariff, but not in the quantum that customers were expecting.

The Company continued pursuing renewable energy development but with caution given the relatively small size of the electrical grid system and its vulnerability to instability, and the need to maintain reliability.



A major review of key business processes was initiated during 2015 with a view to mapping

these processes, reviewing and optimizing them to ensure that the Company was operating as efficiently as possible. As part of this exercise staff across the Company were trained in Business Process Analysis & Reengineering, Root Cause Analysis, and Management of Change and Innovation.

TECHNICAL OPERATIONS

A number of significant developments that occurred in 2015 are expected to transform the power sector significantly. However a successful transition to this new energy future will require that the transmission and distribution (T&D) infrastructure and the grid management competencies that LUCELEC has developed over the years be built upon. The projected increased levels of penetration of intermittent renewable energy sources such as wind and solar power will require a robust T&D network and reliable base-load generation in the form of LUCELEC's diesel plant. To this end, maintenance of T&D and generation plant to the highest possible levels continued.

For the first time ever, System losses (the lower the figure the better) fell below 8% with a performance of 7.87% being achieved against a target of 8.65%. Fuel efficiency (Specific Fuel Consumption) performance of 4.28 kWh/litre was achieved versus the target of 4.29 kW/litre while System reliability performance (SAIDI) of 11.03 hours was below the target of 7.2 hours.

Major overhauls were completed on two of the Company's newer and more efficient engines (CDSPS # 8 and 10), which impacted overall fuel efficiency performance as the less efficient engines had to be run more than anticipated. All maintenance and inspections of the plant were completed as per schedule with the exception of the overhaul of CDSPS # 5 which was rescheduled for 2016 due to failure of a critical piece of equipment necessary to facilitate the overhaul. Overall reliability (SAIDI Gen) was affected by two total System shut downs during the year. Notwithstanding, the Cul de Sac Facility

performed creditably.

The Transmission & Distribution network was challenged by electricity theft and inclement weather, which included a major lightning strike and flooding of the Union substation (USS) in November. As usual, staff aided by contractors worked assiduously throughout the weekend to clean the substation and test the equipment to get the substation ready for re-energizing before the Monday morning peak.



Deployment of smart meters and replacement of aged meters continued during the year which contributed significantly to the reduction in System losses and meter reading costs. To date approximately 53,000 AMI meters have been installed out of a meter population of approximately 68,000.

Both the 66kV transmission and 11kV distribution system received heightened attention. This reduced sporadic faults arising from aged pole-top hardware. The re-commissioning of Praslin substation, refurbishing works and continued in-house live line work all contributed to improved reliability to our customers. The overhaul of the 20-year-old gas insulated switchgear at Castries Substation (CSS) also continued, although some residual work remains to be done.



Following the recommissioning of the Soufriere Substation at the end of 2014, in 2015 the protection relay communications to the substation was installed and commissioned. Also, installation of new high speed fibre optic terminal equipment to improve communications to all the substations began in November of 2015.

The Geographical Information System (GIS) Base Station was also upgraded with the installation of a new GPS Base Station Receiver and Antenna, and geo-referencing of existing AMI meters continued with 6,651 meters captured on 17 routes throughout the island. To date approximately 60% of AMI meters have been geo-referenced which will greatly improve fault location finding.

The distribution automation equipment (auto-reclosers and automated switches) on the System continued to assist in maintaining reliability levels, preventing nearly 100,000 upstream customer interruptions, equivalent to a reduction in SAIDI of approximately 2 hours. Further improvements in fault detection and finding were initiated through the completion of the tendering process and contract signing for the Southern 66kV Ring Travelling Wave Fault Locator.

A project consultant for the new SCADA System was also selected and by year end vendor tender

documents had been received.

For 2016 the deferred overhaul of CDSPTS #5 will be completed, and engine #9 will be overhauled as well. The maintenance management system (MAMA) for the engines will be upgraded also. In addition a number of improvements will be made to various engines to restore their optimal performance levels. New fuel meters will also be fitted to the Wärtsilä engines to allow more accurate measurement of fuel consumption.

The Generation Department's human resources will be strengthened so that near-term staff retirements do not adversely affect its capabilities. Relevant training will be provided to ensure that staff knowledge and competencies remain at high levels.

The T&D system will be reinforced where the infrastructure has outlived its effective usefulness. An additional 9,000 AMI meters will be installed and the meter inspection and replacement programme will continue in the quest to reduce System losses even further. The HPS streetlight replacement (with LEDs) programme will continue as part of efforts to promote energy efficiency.

Installation of the new fibre optic terminal equipment is expected to be completed by mid-February 2016 and will allow LUCELEC to begin to build a much-needed high-speed communications backbone. Specifically, the new system will enable LUCELEC to take advantage of improvements in technology in terms of increased reliability, bandwidth and expandability.

A Traveling Wave Fault Locator System will be installed and commissioned on the system's Southern 66kV ring by March of 2016. The locator system geographically depicts where faults are developing or have occurred on a line to within 150 metres. This is expected to improve reliability and fault finding on the 66kV network. The existing SCADA system will also be replaced with a smart grid compatible platform by year end, and three main initiatives to integrate the GIS into LUCELEC's operations and business processes will be undertaken.

UPDATE ON STRATEGIC INITIATIVES

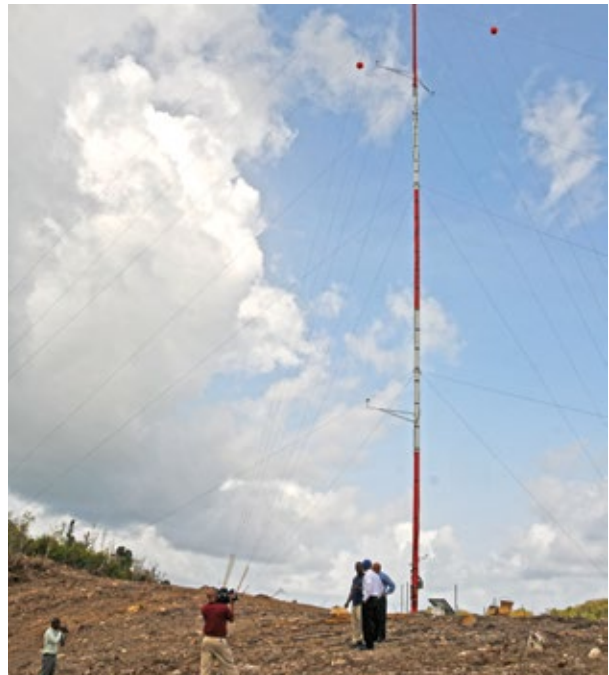
The Company's Strategic Business Plan looking towards 2020 identifies eight key strategic themes as the highest priorities for focused action by the Company over the next few years. These are: System Improvement and Enhancements (includes renewable energy), Preparing for Regulatory Reform, Corporate 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 2015, 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)

The System Enhancement team embarked on various projects to improve the energy efficiency of the company. During the year the team undertook the replacement of HPS streetlights to LED lights on the various company compounds. Fluorescent lamps in all offices were replaced with LED tube lamps. These changes will improve energy efficiency while providing better lighting levels. Energy efficiency will also be improved by the installation of a Variable Frequency Drive (VFD) for engine no. 5's cooling water system that is expected to be completed during the first quarter of 2016.

To understand the impact of Renewable Energy (RE) technologies on the Generation and T&D system a Grid Integration Study was conducted with assistance from the Carbon War Room. The results from the study were received in October and will guide how RE technology is deployed on the grid without causing degradation of power quality or reliability. It will also form the basis of an integrated resource planning exercise that will be completed in the second quarter of 2016.



During the last quarter of the year LUCELEC began the installation of a 75kW solar PV system at its Cul De Sac generation facility. This unit will begin operation in 2016 and will form part of the company's generation plant. Work also continued on the development of a 3MW utility scale solar PV system which is expected to be erected in the south of the island.

Feasibility studies for a 12 MW wind farm commenced in April 2015 with the installation of a 60m tower on a site opposite the Bordelais Correctional Facility in Dennerly to collect wind data. The information obtained will allow LUCELEC and Texas based developer, Wind Tex Energy, to design and build a wind farm. If all goes well we can expect to witness the commencement of construction of the wind farm in December 2016.

Preparing for Regulatory Reform

In 2015 the Company through the efforts of the Regulatory Reform Team (RRT) continued to roll out its plans aimed at preparing the company to operate in an environment governed by new rules of engagement for the electricity sector.



Collaboration with the Ministry of Sustainable Development and the OECS Secretariat to develop appropriate regulations for the establishment of the National Utilities Regulatory Commission (NURC), amendments to the Electric Supply Act (ESA) and formation of the Eastern Caribbean Energy Regulatory Authority (ECERA) continued throughout the year.

By the end of the year, the ESA Amendments required to facilitate the formation of the NURC and the NURC Bill were passed in both the Lower and Upper Houses of Parliament. Both Acts were eventually assented to by the Governor General, and gazetted on January 4, 2016.

The company also provided feedback on the proposed accompanying Renewable Energy and traditional Generation Licenses, Network Licenses and Customer Service Standards.

Meetings were held with staff across the organization to bring them up to speed on the final draft of the NURC Bill, associated amendments to the ESA, proposed licenses and customer service standards, and the likely impact on the Company's operations, as well as to alert them to the changes required in procedures, processes and attitudes.

Presentations were also made to various

external stakeholder groups including business associations, Cabinet Ministers, Members of Parliament, Senators, Shareholders, the Unions and the Media to promote the principles of good regulatory practice that should be incorporated in the eventual framework for St. Lucia.

As part of the internal change management process a number of training and education initiatives were facilitated. Two senior managers attended specific training on rate setting, while four members of the RRT visited Jamaica and Belize where they engaged in discussions with the utility, regulator and Government/Energy Ministry officials. The trips provided excellent opportunities for networking and an understanding of the role of the respective parties in a highly regulated environment, but more importantly the need to engender a more collaborative relationship among the three primary stakeholders (Government, Regulator and Utility). This was very important in informing the Company's structure to support regulatory requirements and initiatives in 2016.

The work programme for 2016 will focus primarily on building capacity to support the internal regulatory engagement, compliance and reporting structure, as well as the continuation of the legislative review with a focus on providing input to finalize the various licenses and service standards. Stakeholder engagements will also continue during 2016.

Customer Care

During 2015, the Customer Care Team (CCT) persisted in its efforts to enhance the delivery of customer care in various areas of the Company's operations. Such efforts contributed to the achievement of a customer satisfaction rating of 84.88%, just over the target of 84.0% and better than the 2014 performance of 83.84%.

The stakeholder meetings initiated in 2014 to accomplish the Company's Customer Care and Regulatory Reform outreach objectives through dialogue with various customer segments and business organisations continued in 2015. Again, the feedback received was very constructive

and the efforts towards increasing the level of transparency in our operations appear to be bearing fruit. The information gathered from these sessions and the data from customer surveys conducted at various points during the year, have allowed the Company to address gaps in service delivery and customer expectations.



Work on specific initiatives such as the appointment of Key Account Representatives, providing additional opportunities for customers to access a range of the Company's services directly via the Company website, or through our strategic relationships with local and international business partners such as banks and utility service providers, continued during the year.

Similarly, evaluation of the need for a centralised call centre included a call data study and an assessment of existing resources to guide the precise definition of the business and technical requirements for the call centre.

As is customary, a customer appreciation activity took place in October, and coincided with St. Lucia's Jounen Kwéyòl celebrations.

For 2016, the Company expects to launch a platform for customers to access their accounts online. This will lay the foundation for providing additional services to customers via that means. Work will continue on finalising the requirements for a centralised call centre as part of the broader framework of the Company's customer relationship management thrust and regulatory compliance. The customer information and awareness effort

will be targeted at familiarising customers with changes in the regulatory framework and how these impact on service standards and customer complaints procedures.

Corporate Diversification

The subsidiary holding Company (SHC) has been established and all corporate diversification initiatives will be pursued through that mechanism.

Cost Management and Reduction

Cost Management and Reduction (CMR) has been identified as one of the strategic themes to increase shareholder value, a key objective of the LUCELEC's strategic business plan. The establishment of a Cost Reduction, Management and Control framework is therefore essential. The framework will focus on optimising operational efficiency while maintaining a high quality of service. The aim is to identify the cost drivers of the business and use that knowledge to create a culture of cost consciousness to drive sustainable cost reductions.

The Company is therefore tackling simultaneously Cost Reduction and Cost Management and Control. The cost reduction component focuses on identifying and delivering savings opportunities. The cost management and control component is focused on stabilizing cost controls and improving the way costs are managed to allow for continuous improvement and sustainability.

A seven member team was formed with the mandate to establish a Cost Management and Reduction framework. The objectives of the CMRT include inter alia:

- Review systems, processes, procedures and practices across the organisation and make recommendations for improved efficiencies. This is currently being done through the Business Process Review exercise.
- Identify opportunities to further reduce non-essential or discretionary spending .
- Solicit, evaluate, prioritise and implement ideas from staff on cost management and building efficiencies.



- Implement programmes and activities to drive culture change throughout the organisation.
- Incorporate CMR and efficiency improvements in the Company's reward and recognition programme.

Much of the preparatory work was done in 2015. Active implementation will begin in 2016.

Human Resources (HR) Strategic Plan

The Company, over time, has undergone a myriad of changes and as the industry continues to evolve, the Company and its people must be equipped with the resources to adapt and capitalize on these changes. Therefore, the 2015 HR strategic focus was on change management, leadership development, and strengthening employee relations.

At the heart of change management activities is changing the culture of the organization. LUCELEC's employees are a mix of varying generations of staff rich in tradition and values. In 2015 a number of activities were carried out to build an awareness of change in the organization and its effect on the individual and the Company. These activities included articles on change from varying angles disseminated across the organisation, and training sessions with staff at all levels on change management and the role that they each play in this process. This was also incorporated in the Leadership Development for

95 middle managers and supervisors that spanned most of 2015.

The Company continued to work on strengthening employee relations by reinforcing the core values and rewarding staff for living these values and demonstrating them throughout the year. Work was also done on addressing staff issues raised by the staff body and on negotiations with the Trade Unions representing the two bargaining groups. Change management and employee relations efforts are ongoing and will continue going forward.

In 2016 the strategic focus will be in the following areas:

- **Engagement:** There will be a drive in 2016 to ensure that employees are intimately acquainted with LUCELEC's strategic goals. Employees are engaged when they understand the Company's goals and are able to make the link to how their individual role contributes to the success of the organization.
- **Alignment:** All employees contribute to the achievement of the goals of the Company and in 2016 the process to ensure that each employee's performance scorecard is better aligned to the Corporate performance goals for 2017 will be undertaken.
- **Readiness:** Employees need to be equipped with the competencies to perform their responsibilities and support the execution of the corporate strategy and as such work will commence in 2016 to introduce a LUCELEC Competency Model, strengthening the succession management plans for staff and reviewing the organization structure based on the results of the business process review exercise.
- **Incentives:** Employee compensation and reward for performance will be reviewed in 2016 and a comprehensive compensation and benefits survey will be carried out to ensure that pay levels remain competitive and that rewards are appropriately aligned to performance.

INDUSTRIAL RELATIONS

Negotiations between LUCELEC and the Trade Unions representing the line staff and the supervisory/middle management groups continued. Both sets of talks involved stalemated issues that the parties needed to resolve in order to make progress towards concluding negotiations. As such, during the course of the year, the Company changed its approach to developing and maintaining productive and harmonious relationships with the employees and their bargaining agents. This involved revamping the composition of the negotiation teams, and conducting research and analysis of the stalemated issues to develop workable solutions. It also involved expending the requisite effort and time by the Negotiating Team to prepare proposals reflecting the Company's position on the outstanding issues having the interest of the employees' benefit and the sustainability of the Company's future in mind. This resulted in significant progress being made with the negotiations with one of the two unions during the latter part of the year.

In 2016, it is expected that with the co-operation of the Trade Unions, the Collective Agreements for the two groups will both be finalized early in the year. LUCELEC will continue to strategize to ensure that its industrial relations activities are geared towards adopting a more collaborative approach to the management of industrial relations, where the parties involved develop effective communication processes and proactively work together to take advantage of opportunities that present themselves. This is essential in maintaining and improving the level of engagement of the staff body and to provide an employee relations climate that fosters productivity, innovation and adaptability for the changes that are happening in the industry.

FINANCIAL OPERATIONS

The analysis following is based on the consolidated results of St. Lucia Electricity Services Limited (the Company) and its two subsidiaries

- LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.

Sales & Revenues

The Company recorded sales growth for 2015 of 1.7% compared to a decline of 0.8% in 2014. The increase in sales is attributed to increased energy consumption in nearly all sectors. Increases were recorded in the Domestic (3.8%), Commercial (0.9%), Hotels (0.1%) and Industrial (1.8%) sectors while there was a reduction in sales to the Street Lights sector of 0.8%. The increase in consumption was due partly to higher than normal temperatures during the summer months resulting in the increased use of cooling equipment, and an increase in visitor arrivals over the prior year.



Revenue for the Group of \$311.8M was lower than last year's total of \$327.6M by 4.8% (\$15.8M). The reduction was due mainly to the decline in tariffs during the period. The overall average tariff was EC\$0.92, a reduction of 6.1% from the previous year (EC\$0.98). The reduction in the tariff was due to a reduction in the price of fuel including charges associated with derivative financial instruments employed by the Company. Note that fuel costs are passed through to customers with no mark up.

Operating and Other Costs

The average fuel price per gallon for the year was EC\$8.73, a reduction of 11.0% compared to fuel cost of EC\$9.81 per gallon in 2014.

Generation costs (excluding fuel costs) were higher than the previous year by EC\$0.9M (4.3%), primarily due to a provision recorded for decommissioning of generating plant no longer being utilised.



Transmission and distribution costs increased slightly by EC\$0.2M (0.6%) compared to the prior year. Increases in depreciation costs of EC\$1.1M were offset by reductions in payroll costs of EC\$0.5M and maintenance costs of EC\$0.4M.

Administrative expenditures declined by EC\$0.9M (2.7%), the net effect of a reduction in the bad debts provision of EC\$1.4M and inventory write-offs of EC\$0.5M.

Finance costs decreased by EC\$1.2M (9.2%) as a result of the reduction in loan balances in accordance with their respective repayment terms.

Profit

The Group achieved a Profit before Tax of EC\$40.0M which was higher than the previous year's EC\$37.0M by 8.1%.

The Group achieved a Profit after Tax of EC\$28.9M, an increase of 7.8% over the previous year's achievement of EC\$26.8M.

Earnings per share for the year for the Group was EC\$1.26 (2014 – EC\$1.17), an increase of 7.7% over the prior year.

The Group achieved a Return on Equity of 11.6% (2014 – 11.5%). The Company however achieved a Return on Contributed Capital (Rate of Return) of 11.6% as compared to 10.0% in 2014. Note that the Rate of Return achieved is within the allowable range of 10% to 14.5% as stipulated by the

existing legislation.

The return on Fixed Assets for the Group based on historical costs was 8.2% (2014 – 7.6%) and on total assets was 5.9% (2014 - 5.2%).

Retained Earnings for the Group increased from EC\$130.1M to EC\$135.3M and the Debt to Equity ratio was 35:65 (2014 – 39:61).

Capital Expenditure

Total expenditure for the year amounted to EC\$21.5M (2014– EC\$27.7M) comprising mainly of engine overhauls, 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 62 days before any write offs, a reduction from last year's 72 days. Although credit management continues to pose a challenge, consistent payments from major customers on long outstanding debt has resulted in this improvement.

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 2015. 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 Committee of the Board of Directors at its regular

meetings during 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 2015, the Company achieved its objective of stable fuel prices. Towards the end of the year the Board of Directors approved options as an alternative financial tool for hedging. This tool allows the Company to participate in the market when prices are falling while fixing the price at a reasonable rate when prices are rising.

Shareholders' Equity

The Company's shares closed at EC\$20 resulting in a price earnings (P/E) ratio of 15.9 times (2014 – 18.8 times). The Company has issued share capital of 22,920,000 ordinary shares.

LUCELEC Cap-Ins. Inc.

LUCELEC Cap-Ins. Inc., a wholly owned subsidiary of St. Lucia Electricity Services Limited, was incorporated on December 29, 2014 as a vehicle for managing the self-insurance of the Company's transmission and distribution assets. At December 31, 2015 LUCELEC Cap-Ins Inc. had net assets of \$28.2M. Funds held in restricted accounts of the Parent Company will be transferred to the subsidiary in 2016. The fund's investment portfolio is 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, religious, charitable, medical, educational and sporting body by way of donations. At December 31, 2015, the Company held net assets of \$0.1M.

Outlook

Electricity sales for 2016 for the Company are forecasted at 339.4 million kWh, 0.6% higher than

the 2015 results. Growth is expected mainly in the Domestic, Commercial and Industrial sectors while Hotel and Street Light sectors are expected to decline. It is expected that there will be increases in the housing stock and some of the major public sector projects will be completed. The fall in sales in the street lighting sector reflects the anticipated impact of the Government of St Lucia's energy efficiency plans which includes the replacement of the existing streetlights with more efficient LED lamps.

The Group remains optimistic about the achievement of the performance targets for 2016, fully aware of the uncertainties surrounding the new regulatory framework and the impact of these changes on the operating environment. The thrust towards renewable energy and increases in self generation will certainly affect the Company's electricity sales.

The Company's future performance will depend on optimising its efficiency efforts and company-wide process improvements while maintaining an acceptable level of reliability, power quality, safety and customer care.

Financial imperatives for 2016 include:-

- Technical, operational and other efficiencies across the business with a direct impact on cost management and reduction
- Accounts Receivables reduction
- Loan Refinancing to reduce interest costs

The Company will continue to focus on the strategic initiatives approved by the Board as outlined in the respective sections of the Strategic Initiatives Outlook for 2016, earlier in this report.

Conclusion

In 2016 and beyond the electricity industry will operate with new legislation, new licenses and a new regulator. As the Company transitions into the new operating environment we will continue to plan prudently and execute the strategy steadfastly while balancing the expectations of our various stakeholders.



CORPORATE SOCIAL RESPONSIBILITY

LUCELEC 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.

The Company prides itself on serving its customers efficiently, reliably and at the least cost to them. It does this at minimum inconvenience to them, recognizing that customers depend on the Company for every aspect of their work, school and domestic life. This provides motivation to constantly upgrade our network and train our staff such as linesmen who, through live line work, can often upgrade and maintain our system without customers having to be without electricity.

The Company seeks to contribute to every aspect of Saint Lucian life, such that through our operations, services and various philanthropic and sponsorship initiatives, we're changing lives at home, in the classroom, on the playground, in business, in sports, arts, culture, health care, and in communities.

Our labour practices are reflected in the way we treat our staff, and they in turn pay it forward throughout the country. Through education grant assistance, continuous training and assessment, health screenings and opportunities for advancement as well as ensuring our staff are equipped with uniforms and safety equipment, we care that our people are protected and equipped for the job. Our staff continue to amaze us, turning that caring into action throughout communities where they are feeding hungry children and ensuring the safety of their school environment.

The recurring themes through all that we do include learning, education, excellence, providing opportunities, and laying foundations. Some of our operating practices, consumer or customer care, respect for human rights and labour practices have been covered in previous sections of this Annual Report. This section focuses on the Company's governance, environmental sustainability and corporate philanthropy and details how, through its various interventions, even as it transitions into the new environment its Power of Caring is sustained.

The Company's efforts in the area of Corporate Social Responsibility for 2015 were duly recognised when it received the Award for Corporate Social Responsibility in January 2016 at the annual St. Lucia Business Awards organised by the St. Lucia Chamber of Commerce, Industry & Agriculture.



Governance

One of the things that has been the foundation of the Company's success is its dedication to good corporate governance. Good corporate governance does not come about by chance, but from deliberate decisions to document and implement policies not only enshrining what is customary, but to observe and learn from incidents in the regional and international business community and put systems in place to avoid the pitfalls of others, or adopt their structures of excellence.

The Board's guiding mantra is "rooted in the Caribbean, world class in governance". To this end the Board has from 2009 conducted annual training for Directors, as well as implemented

an annual Board evaluation. The results of the Board evaluation are used to direct the Board training plan and to generate a work programme for the Board, which focuses on continuous improvement, as well as the solidifying of those areas which are viewed as successful. Over the last 6 years, the Board is particularly proud of its achievement in not only introducing the evaluation process and the development of charters for all its Committees, but the introduction of a Code of Ethics for the Company and a Board Orientation information package which contains pertinent Company information for its Directors.

The company also holds Shareholder Training sessions to help them better understand the legal and fiduciary responsibilities of Directors as well as the company's Bye Laws. The Company also reports regularly on its performance through its quarterly reports to shareholders in the newspapers, its Annual Reports and Annual General Meetings which are always held within the statutory timelines. It operates in compliance with all applicable laws and meets its quarterly reporting requirements to the Eastern Caribbean Stock Exchange, Eastern Caribbean Securities Registry and shareholders.



During 2015 training for the Board covered areas related to Strategic Management, Regulation, Understanding Electric Utility Operations, and Risk and Compliance.

Future plans include a Corporate Governance Manual which will be constructed on a risk mitigation platform and is expected to enhance the corporate governance structures of the Company.



Environmental Responsibility

The Company takes active steps within its operations to minimise impact on the environment. In 2015, the Company achieved its target of zero oil spills. The Company also expanded use of shielded conductors in wooded areas to minimise tree trimming, continued harvesting rain water for use at its Cul De Sac facility as well as recycling its used oil so it can be repurposed by commercial entities. Efforts to reduce its own consumption of electricity in the conduct of its business continued with the replacement of compact fluorescent lighting fixtures at all its offices with LED fixtures that consume significantly less power.

LUCELEC also contributes to helping with education and training in the management of the environment through support for initiatives like the Caribbean Youth Environment Network (Saint Lucia) in its Climate Change campaign ahead of COP 21, 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 continued to undertake 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 supported a plethora of activities targeted at increasing economic activity, early childhood education and school feeding programmes. Information on some of the sponsorships and donations made during 2015 are provided below.

Tourism

LUCELEC continued its support for tourism related initiatives recognising the vital role that the sector plays in driving economic activity in the country. LUCELEC supported events that help develop and nurture the industry such as a tourism public speaking competition and staff recognition awards at the various tourism enterprises. The Company also continued its support for 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.



Business

In 2015, various business associations including the St. Lucia Chamber of Commerce Industry & Agriculture's St. Lucia Business Awards 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. The Company also supported the "Young Entrepreneur Programme" to develop entrepreneurial skills to empower young adults to master the skills they will need to run their own business, as well as the Private Sector Energy Fair organised by the Ministry of Sustainable Development, Energy and Science and Technology that sought to create public awareness of the various energy related services and products available in areas such as energy efficiency and renewable energy.

Education

LUCELEC contributed to the national effort in educating and training young minds through its support for individual schools and the development of the education system generally. Nowhere was that more evident than with the opening of the LUCELEC Electronics Workshop at

the Sir Arthur Lewis Community College and the Company's contribution to the pilot programme to revamp the National School Feeding Programme and that established a school feeding programme at the Vieux-Fort Primary School.

The contribution to the LUCELEC Electronics Workshop led to the introduction of more specialized and a wider range of courses in Electronics and Electrical Technology including Video, Audio, Lighting, Security Surveillance and Instrumentation, and allowed the College to accept more students into the programme.



Similarly, the contribution to the school feeding programme at the Vieux-Fort Primary School which included the installation of a greenhouse, irrigation system, rain water harvesting equipment and guttering as well as replacement of the ceiling, cupboards, sinks, doors and windows of the existing kitchen and improving the layout to facilitate food preparation, cooking and feeding students enabled the school to fulfil a lifelong dream. The school was also provided with new appliances for the kitchen including two stoves, one refrigerator and a chest freezer.

The Company's power of caring in education spans the entire spectrum of schools, from day care centres to tertiary institutions in the north, south, east and west of the country. Through donations, the Company improves the quality of school life and educational instruction for hundreds of students and teachers. And through support for school initiatives the Company helps students receive opportunities for creative expression that contribute to their holistic development.



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 its fifth annual 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.

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.

"It is very important for us to have corporate Saint Lucia helping with the education of our young people. Everybody knows education is critical for the sustained development of any country, more so a young, developing country like Saint Lucia. And LUCELEC has shown by its commitment, by its behaviour, that it will assist in the development of our country, in that regard."

– Dr Robert Lewis, Minister of Education, Human Resource Development and Labour

"I want to thank LUCELEC for bringing joy to the hearts of our children, relief to our parents. This school feeding programme means less of a burden for our parents, and hope for our school. Our school will be fed and we will do better, and it allows us to see the light and experience a dream. I can assure you it will be utilized for the intended purpose. And so to you LUCELEC, I say, this is the power of caring."

– Francis Moonie, Principal – Vieux-Fort Primary School



Arts & Culture

LUCELEC remained active in Arts and Culture. The Folk Research Centre (FRC) received support for its Jennes Kwéyòl Pageant which encourages secondary school students to celebrate the island's creole heritage. The Cultural Development Foundation (CDF) received support for its National Arts Festival in the celebration of the work of noted Saint Lucian cultural icon Charles Cadet and for its Summer of the Arts programme involving a series of visual and performing arts training workshops for young people to be exposed to indigenous pastimes in addition to theatre, culminating in their own production at the conclusion of the course. Support was also provided for the KiddiCrew team which in 2015 put on an excellent performance of the Roddy Walcott play, "The Legend of Tom Fool."

Similarly, several calypso tents, carnival bands, Junior Panorama, Junior Soca Monarch, the Rise Film Festival for local film producers, the Dennerly La Maguerite group and the Ministry of Tourism, Heritage and Creative Industries' Swawé Kwéyòl Sent Lisi received varying levels of assistance from LUCELEC. The Company also participated in the Inter-Commercial House Calypso Competition and placed third.

Sports

LUCELEC continued to be the main sponsor for the National School Sports programme which included inter-school competitions in football, netball, basketball, cricket, athletics and tennis. The Company also continued its support for the Castries Football Council Youth Football Tournament. Since the competition began seven years ago, LUCELEC has increased its contribution growing with the tournament that now includes fifteen (15) youth clubs and boasts competition in four divisions.

The Company provided funding support to national sporting associations to either host or participate in local and regional tournaments including the National Inter-District T20 Cricket

tournament, the OECS Swimming Championships, the St. Lucia Squash Open, the Eastern Caribbean Volleyball Association's Championships, the OECS Under-23 Netball Tournament, and the Caribbean and Central America Amateur Bodybuilding & Fitness Championship. Support was also provided to the Rockets Athletics Club and the Elite Sports Club and the National Basketball Association, Sharks Swim Club, and the Golden Phoenix Martial Arts Academy.



LUCELEC also teamed up with the St. Lucia Zouks team to support the Caribbean Premier League T20 tournament as well as assisted with Saint Lucia's participation in the Special Olympics World Games LA 2015 from where the team returned home with a record breaking twenty medals including five gold, twelve silver and three bronze.

Youth at Risk/Youth Development

Several interventions to assist youth at risk were supported during 2015. 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 of \$25,000 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 St. Lucia Renal Association, with various activities to create awareness of health issues and provide services and support to vulnerable groups and individuals.



Charitable Contributions

Several agencies with a charitable mandate continue to 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 Friends of Victoria Hospital, 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 support during 2015.

The Company also continued its support for outings for children in the foster care programme of the Ministry of Human Services and the National Council of and for Persons with Disabilities 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.



The Company supports as well 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.

Community

LUCELEC supports community initiatives, large and small, around the island including Independence Day celebrations such as the Mon

Repos Youth & Sports Council Independence Road Relay, to talent shows, and community building events such as the Big Players Football Club Annual Fun Walk in the community of Marchand and the Sports Academy Youth Camp.

The Company also lent its support to the Gros Islet Constituency Council's Pli Belle Komin Competition which sought to encourage community groups to undertake community enhancement projects to uplift their surroundings.



Staff Volunteerism

LUCELEC staff have really embraced "Caring", one of four Core Values of the company. With caring and determination, they have initiated and sustained charitable efforts that benefit the underprivileged and differently abled around the country, to truly demonstrate the power of caring at work.

Members of the Generation Department volunteer at the Lady Gordon Opportunity Centre where they continue to donate their time to pressure wash the school, facilitated the donation of equipment, hosted a Christmas Party as well as start a Big Brother programme that allows employees to mentor the differently abled children who attend the school.

In that vein, one staff member in the HR Department began "Operation Shoebox" where staff members contributed school supplies in shoeboxes that were then donated to underprivileged children around the island.

That initiative was adopted by the LUCELEC Sports Club which in 2015 increased the number of children benefitting from the programme to seventy-two (72) with five students from the Millet Infant School also having their facilities fees paid by the club.

The LUCELEC Club also donated a wheelchair to one of the Company's retirees and painted the offices of the St Lucia Blind Welfare Association with the help of staff from other regional utilities during the Caribbean Utilities Employee Association (CUEA) Easter Festival.

Of particular note is the Breakfast Always Matters (BAM) and Give Lunch A Day (GLAD) programmes undertaken by Team Lighthouse who also work with the St Vincent de Paul group. The Team is led by a LUCELEC Supervisor and comprises LUCELEC staff from the Company's southern offices who fund and deliver breakfast and lunch to needy school children in addition to working with the St Vincent de Paul group to feed the shut-in and sick in Micoud at least twice a year.



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. And it is a commitment that will survive and thrive through all the adjustments that the Company makes as it transitions into the electricity and energy landscape of the future.

THE YEAR IN PICTURES



SLHTA visits Cul De Sac as part of Regulatory Reform stakeholder engagements



The ribbon cutting to officially commission the Wind Tower at Dennerly



The Soufriere substation was re-commissioned following its shut down in May 2012. Work at the site involved replacing the damaged transformer and upgrading the protection system at the facility



A major business process review exercise began with extensive training across the Company. The goal - greater efficiency and customer focus



The annual Health & Safety Walk was well subscribed



95 Middle Managers and Supervisors underwent an intense Leadership Development Programme facilitated by the Cave Hill School of Business



Retiring Chairman of the LUCELEC Board Dr. Trevor Byer receives a token of appreciation for his service. Dr. Byer represented minority shareholders from December 2008



The annual Thanksgiving service and brunch hosted by the LUCELEC Sports Club to close off the year was held at the Mount of Prayer, Coubaril



The LUCELEC Sports Club donated a brand new wheelchair to Donald "Rudy" Daniel. Rudy is a LUCELEC retiree who left the company in 2002



With enthusiastic Staff support LUCELEC representative Miss Kitty placed third in the Intercommercial House Calypso Competition



Children of LUCELEC Staff were treated at Christmas



LUCELEC Staff visit Comfort Bay Senior Citizens Home



As the major sponsor of the National Schools Science and Technology Fair LUCELEC encourages student innovation and creativity



The annual Retirees function remains a big hit



LUCELEC Staff supports the St. Lucia Diabetes and Hypertension Association in raising awareness of diabetes



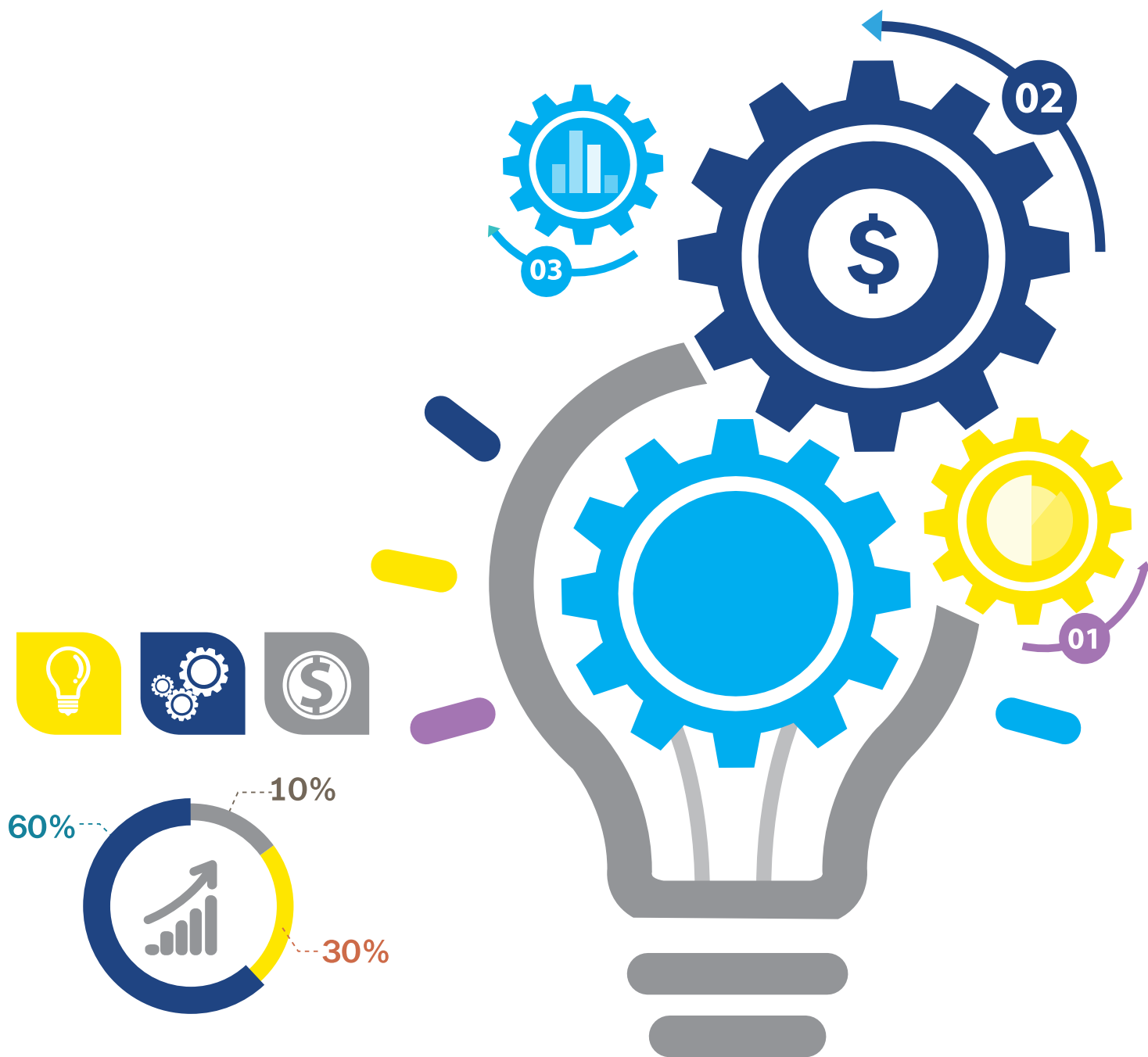
LUCELEC Scholarship holders gather at Cul De Sac for the annual Scholarship social



LUCELEC Staff "Walked a Mile in My Shoes" to help raise awareness of the plight of the blind



LUCELEC topped other competitors from across the Region in linesmen's skills in the 2015 CARILEC Rodeo



FINANCIAL REPORT

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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, 2015, and the consolidated statement of changes in equity, consolidated statement of comprehensive income, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of St. Lucia Electricity Services Limited

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



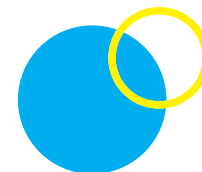
Chartered Accountants
Castries, Saint Lucia
March 11, 2016

ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Statement of Financial Position

As at December 31, 2015

(Expressed in Eastern Caribbean Dollars)



	Notes	2015	2014
Assets			
Non-current			
Property, plant and equipment	6	\$ 341,491,994	337,840,026
Intangible assets	7	13,081,709	14,142,279
Retirement benefit assets	8	1,058,000	4,765,000
Other financial assets	9	172,278	171,532
Total non-current assets		355,803,981	356,918,837
Current			
Inventories	10	14,381,152	10,464,809
Trade, other receivables and prepayments	11	63,208,484	129,656,309
Other financial assets	9	18,991,757	5,098,936
Cash and cash equivalents	12	39,098,895	16,462,944
Total current assets		135,680,288	161,682,998
Total assets		\$ 491,484,269	518,601,835
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	13	\$ 80,162,792	80,162,792
Retained earnings		135,334,298	130,137,264
Retirement benefit reserve	8	1,058,000	4,765,000
Revaluation reserve	14	15,350,707	-
Self-insurance reserve	32	28,204,502	24,694,822
Total shareholders' equity		260,110,299	239,759,878
Liabilities			
Non-current			
Borrowings	15	121,712,672	137,725,516
Consumer deposits	16	16,111,107	16,135,158
Deferred tax liabilities	17	34,379,011	38,278,917
Retirement benefit liability	8	5,667,000	-
Post-employment medical benefit liabilities	18	1,935,000	1,848,959
Total non-current liabilities		179,804,790	193,988,550
Current			
Borrowings	15	16,101,653	15,465,453
Trade and other payables	19	25,828,230	28,423,890
Provision for other liabilities	20	1,485,493	-
Derivative financial instruments	21	5,588,334	39,745,776
Dividends payable		423,771	340,182
Income tax payable		2,141,699	878,106
Total current liabilities		51,569,180	84,853,407
Total liabilities		231,373,970	278,841,957
Total shareholders' equity and liabilities		\$ 491,484,269	518,601,835

Approved on behalf of the Board of Directors:

Director

Director

The notes on pages 53 to 111 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

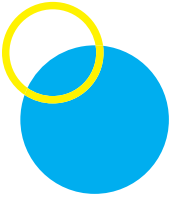
Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	2015	2014
Revenue			
Energy sales		\$ 309,148,671	323,899,359
Other revenue		<u>2,624,292</u>	<u>3,661,302</u>
		<u>311,772,963</u>	<u>327,560,661</u>
Operating expenses			
Fuel costs		172,061,379	190,235,561
Transmission and distribution		34,808,981	34,609,145
Generation		<u>21,952,515</u>	<u>21,060,780</u>
	28	<u>228,822,875</u>	<u>245,905,486</u>
Gross income			
		82,950,088	81,655,175
Administrative expenses	28	<u>(32,514,572)</u>	<u>(33,354,720)</u>
Operating profit			
		50,435,516	48,300,455
Interest income		1,031,219	1,589,465
Other gains, net	22	<u>307,043</u>	<u>67,121</u>
Profit before finance costs and taxation			
		51,773,778	49,957,041
Finance costs		<u>(11,820,118)</u>	<u>(12,956,548)</u>
Profit before taxation			
		39,953,660	37,000,493
Taxation	23	<u>(11,044,646)</u>	<u>(10,192,086)</u>
Net profit for the year			
		<u>28,909,014</u>	<u>26,808,407</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of defined benefit pension plans, net of tax	23	(6,719,300)	1,615,529
Gain on revaluation of land	14	<u>15,350,707</u>	<u>-</u>
Total other comprehensive income			
		<u>8,631,407</u>	<u>1,615,529</u>
Total comprehensive income for the year			
		\$ <u>37,540,421</u>	<u>28,423,936</u>
Basic and diluted earnings per share			
	24	\$ <u>1.26</u>	<u>1.17</u>

The notes on pages 53 to 111 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, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital	Retained Earnings	Retirement Benefit Reserve	Revaluation Reserve	Insurance Reserve	Self-Insurance Reserve	Total
Balance at January 1, 2014		\$ 80,162,792	123,613,483	2,448,000	-	21,155,667	227,379,942	
Net profit for the year		-	26,808,407	-	-	-	26,808,407	
Re-measurements of defined benefit pension plans, net of tax		-	1,615,529	-	-	-	1,615,529	
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	32	-	(3,539,155)	-	-	3,539,155	-	
Ordinary dividends	26	-	(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	
Balance at January 1, 2015		\$ 80,162,792	130,137,264	4,765,000	-	24,694,822	239,759,878	
Net profit for the year		-	28,909,014	-	-	-	28,909,014	
Re-measurements of defined benefit pension plans, net of tax		-	(6,719,300)	-	-	-	(6,719,300)	
Gain on property revaluation	14	-	-	-	15,350,707	-	15,350,707	
Total comprehensive income for the year		-	22,189,714	-	15,350,707	-	37,540,421	
Transfer from retirement benefit reserve		-	3,707,000	(3,707,000)	-	-	-	
Transfer to self-insurance reserve	32	-	(3,509,680)	-	-	3,509,680	-	
Ordinary dividends	26	-	(17,190,000)	-	-	-	(17,190,000)	
Balance at December 31, 2015		\$ 80,162,792	135,334,298	1,058,000	15,350,707	28,204,502	260,110,299	

The notes on pages 53 to 111 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

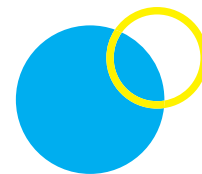
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	2015	2014
Cash flows from operating activities			
Profit before taxation		\$ 39,953,660	37,000,493
Adjustments for:			
Depreciation	6	31,987,180	30,970,042
Amortisation of intangible assets	7	2,313,936	2,180,034
Finance costs expensed		11,820,118	12,956,548
Interest income		(1,031,219)	(1,589,465)
Movement in allowance for impairment		1,509,808	2,885,884
Gain on disposal of property, plant and equipment	22	(60,517)	(28,039)
Post-retirement benefits		(138,959)	53,887
Operating profit before working capital changes		86,354,007	84,429,384
(Increase)/decrease in inventories		(3,916,343)	1,551,133
Decrease/(increase) in trade, other receivables and prepayments		31,176,397	(11,035,411)
Decrease in trade and other payables		(2,595,660)	(1,628,644)
Increase in provision for other liabilities		1,485,493	-
Cash generated from operations		112,503,893	73,316,462
Interest received		759,322	1,498,365
Finance costs paid		(12,072,996)	(12,829,710)
Income tax paid		(10,801,259)	(13,369,190)
Net cash from operating activities		90,388,961	48,615,927
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(21,177,659)	(26,571,380)
Proceeds from disposal of property, plant and equipment		64,064	28,444
Acquisition of intangible assets	7	(763,517)	(1,086,397)
Acquisition of deposits		(13,621,670)	(5,010,531)
Net cash used in investing activities		(35,498,782)	(32,639,864)
Cash flows from financing activities			
Repayment of borrowings		(15,347,041)	(14,724,543)
Dividends paid		(17,106,411)	(16,035,784)
Consumer deposits, net		199,224	427,951
Net cash used in financing activities		(32,254,228)	(30,332,376)
Net increase/(decrease) in cash and cash equivalents		22,635,951	(14,356,313)
Cash and cash equivalents at beginning of year	12	16,462,944	30,819,257
Cash and cash equivalents at end of year	12	\$ 39,098,895	16,462,944

The notes on pages 53 to 111 are an integral part of these financial statements.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015

(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”) includes the generation, transmission, distribution and sale of electricity, the operation of a self-insurance fund and 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”).

The consolidated financial statements were approved for issue by the Board of Directors on March 11, 2016.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis except for land, available-for-sale financial assets and derivative financial instruments which are measured at fair value. The methods used to measure fair values 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 35. 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 Group 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.

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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation (Cont'd)

(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 is rounded to the nearest dollar.

(e) *Use of estimates and judgments*

The preparation of financial statements in conformity with IFRS 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 financial statements is included in the following notes:

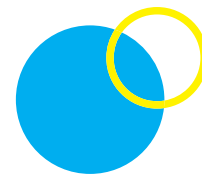
- Note 3(b)(iii): Estimated useful lives of property, plant and equipment
- Note 3(c)(iii): Estimated useful lives of intangible assets
- Note 3(d): Measurement of defined benefit obligations
- Note 3(j): Estimation of unbilled sales and fuel surcharge
- Note 4: Determination of fair values
- Note 30: Valuation of financial instruments

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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land which is measured at fair value.

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. Purchased software that is integral to the functionality of the related equipment is capitalised 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 within "other gains, net" 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.

(iii) Depreciation

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each 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 is 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 and adjusted if appropriate.

The annual rates of depreciation are as follows:

	2015	2014
■ Buildings	2½% - 12½% per annum	2½% - 12½% per annum
■ Plant and machinery	4% - 10% per annum	4% - 10% per annum
■ Generator overhauls	33⅓% per annum	33⅓% per annum
■ Motor vehicles	20% - 33⅓% per annum	20% - 33⅓% per annum
■ Furniture and fittings	10% per annum	10% per annum
■ Computer hardware	20% per annum	20% per annum

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(c) *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 amortisation and impairment losses.

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised 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) *Amortisation*

Amortisation is calculated using the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the 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 assets. The estimated useful lives of the assets that are amortised, that is, computer software range from five (5) to eight (8) years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) *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 benefits 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 obligation is reduced by the fair value of the respective plan's assets. 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 an independent and 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.

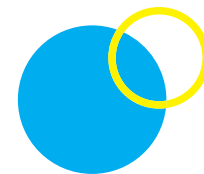
The Group recognises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in other comprehensive income in the period in which they occur.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



3. Significant Accounting Policies (Cont'd)

(d) *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 that present value.

(e) *Financial instruments*

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise available-for-sale financial assets, loans and receivables, 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

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

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include deposits held in banks, trade and other receivables and cash and cash equivalents.

(i) *Deposits held in banks*

Deposits held in banks comprise deposits with maturities greater than three months but less than one year. Subsequent to initial recognition, deposits are measured at amortised cost using the effective interest method less any impairment.

(ii) *Trade and other receivables*

Trade and other receivables are carried initially at fair value and subsequently measured at amortised 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.

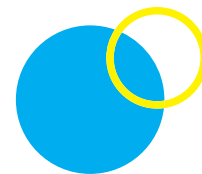
(iii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and demand deposits with maturities three months or less. 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 (k).

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised 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 reporting date.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

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

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.

Consumer deposits

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

(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.

(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 amortised 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 the asset. 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(f) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Impairment losses on available-for-sale financial assets 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.

(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.

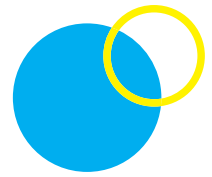
In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



3. Significant Accounting Policies (Cont'd)

(g) Inventories

Inventories are measured at the lower of cost and net realisable 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.

(h) Provision for other liabilities

Provision for other liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(i) 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 21.

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.

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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(j) *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. The provision for unbilled fuel surcharge revenue/rebate is included in accrued income.

Consumer contributions

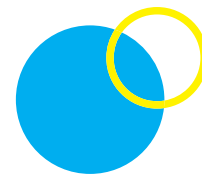
In certain specified circumstances, consumers requiring line extensions for electricity supply are required to contribute the capital cost of the extensions. These contributions are recognised in income in the same period in which the costs are incurred. Contributions in excess of the applicable capital 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 finalisation of the total cost of the job. The capital costs of consumer line extensions are included in property, plant and equipment.

(k) *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 in "other gains, net" in profit or loss.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(l) *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.

(m) *Earnings per share*

The Group presents basic and diluted 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. Diluted EPS is calculated by adjusting the inputs to the basic EPS computation for the effects of all dilutive potential ordinary shares, if any.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

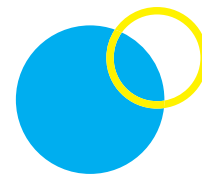
3. Significant Accounting Policies (Cont'd)

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

(i) *New standards, amendments and interpretations effective in the 2015 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, 2015 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, 2015 which do not affect the Group's consolidated financial statements have not been disclosed below.

- *IFRS 13, Fair Value Measurement* was amended to clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those that do not meet the definition of financial assets or financial liabilities within IAS 32. The application of this amendment had no impact on the amounts recognised in the Group's consolidated financial statements.
- *IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets* removed perceived inconsistencies in the accounting for accumulated depreciation and amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The application of this amendment had no impact on the amounts recognised in 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 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. The application of this amendment had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

(i) *New standards, amendments and interpretations effective in the 2015 financial year 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. The application of this amendment had no impact on the disclosures or on the amounts recognised in 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 7, Financial Instruments: Disclosures* was amended to require additional disclosures when an entity first applies IFRS 9, Financial Instruments, which include the changes in the categories and carrying amounts of financial instruments before and after the application of the new standard. These amendments apply when an entity applies IFRS 9.

IFRS 7 was also amended to remove certain disclosure requirements for financial instruments, as part of a Disclosure Initiative which amended IAS 1, *Presentation of Financial Statements*. These amendments are applicable for annual periods beginning on or after January 1, 2016. It is not anticipated that application of this amendment will have a material impact on the disclosures in the Group's consolidated financial statements.

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(n) *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

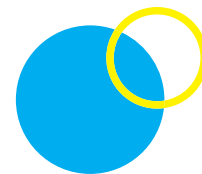
- All recognised financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



3. Significant Accounting Policies (Cont'd)

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

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

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

Key requirements of IFRS 9 (Cont'd)

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

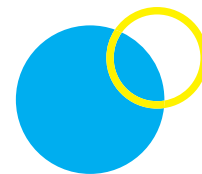
(ii) *Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows: (Cont'd)*

- *IAS 1, Presentation of Financial Statements* was amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
 - clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
 - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
 - additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

These amendments are applicable for annual periods beginning on or after January 1, 2016. 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.

- *IAS 16, Property, Plant and Equipment* and *IAS 38 Intangible Assets* have been amended to reflect clarifications of acceptable methods of depreciation and amortisation. 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 amortisation 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 amortisation 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.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(n) *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 19, Employee Benefits* was amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid, thus the depth of the market for high quality corporate bonds should be assessed at currency level. The amendment applies retrospectively for annual periods beginning on or after January 1, 2016. It is not anticipated that the application of this amendment will have a material impact on 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 loans and receivables and trade and other payables are assumed to approximate their fair values at the reporting date due to their short-term nature.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

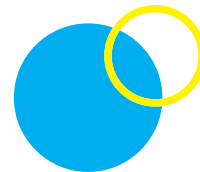
(Expressed in Eastern Caribbean Dollars)

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 or disclosed at fair value at the reporting date:

	<u>As at December 31, 2015</u>	<u>As at December 31, 2014</u>	Level	<u>Valuation Techniques and key inputs</u>
Financial Instruments Measured at Fair Value				
Non-Financial Assets				
Land (Note 6)	\$ 22,138,928	-	2	Market comparable approach. Key inputs-Price per square foot
Financial Assets				
Available-for-sale (Note 9)	\$ 172,278	171,532	2	Quoted prices in an inactive market
Financial Liabilities				
Derivative financial liabilities (Note 21)	\$ 5,588,334	39,745,776	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
Financial Instruments Disclosed at Fair Value				
Financial Liabilities				
Borrowings (Note 30)	\$ 137,598,986	153,531,414	2	Present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

There were no transfers between levels 1, 2 or 3 during the year.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(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 and interest rate 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(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.

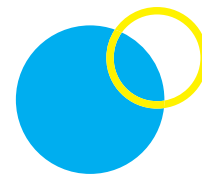
More than 85 percent of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component 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.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(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.
- Customs bond valued at \$600,000.

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 and equity 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.

Currency Risk

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.

Interest rate risk

There is no significant interest rate risk arising on the Group's cash and cash equivalents, deposits and available-for-sale financial assets as at December 31, 2015. The Group's only interest-bearing financial liabilities are its borrowings which have fixed rates of interest as disclosed in Note 15.

Equity risk

The Group is not exposed to equity price risk.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

Market risk (Cont'd)

Commodity price risk

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(i).

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 Group standards for the management of operational risk in the following areas:

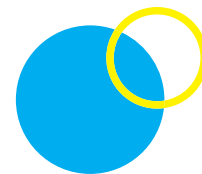
- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(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 Group's total debt shall not exceed two times its tangible net worth which currently comprises its share capital and retained earnings. The Company was in compliance with this requirement at year-end.

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

6. Property, Plant and Equipment

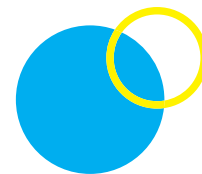
	<u>Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Furniture and Fittings</u>	<u>Work-in-Progress</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2014	\$ 4,715,423	84,257,855	681,544,931	3,685,256	15,338,135	20,863,753	810,405,353
Additions	1,781,039	16,100	1,563,538	122,416	460,945	22,627,342	26,571,380
Transfers	534,802	66,463	25,164,632	-	602,885	(26,368,782)	-
Reclassifications	-	-	-	-	-	352,803	352,803
Disposals	-	-	-	(159,281)	(8,033)	-	(167,314)
Balance at December 31, 2014	7,031,264	84,340,418	708,273,101	3,648,391	16,393,932	17,475,116	837,162,222
Balance at January 1, 2015	7,031,264	84,340,418	708,273,101	3,648,391	16,393,932	17,475,116	837,162,222
Revaluation (Note 14)	15,350,707	-	-	-	-	-	15,350,707
Additions	1,500	73,672	609,134	337,612	436,446	19,719,295	21,177,659
Transfers	(244,543)	125,891	20,539,472	152,746	233,524	(20,807,090)	-
Reclassifications	-	-	-	-	-	(885,671)	(885,671)
Disposals	-	-	(5,995)	(328,730)	-	-	(334,725)
Balance at December 31, 2015	\$ 22,138,928	84,539,981	729,415,712	3,810,019	17,063,902	15,501,650	872,470,192
<u>Accumulated Depreciation</u>							
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
Balance at January 1, 2015	-	39,097,281	444,941,565	3,183,814	12,099,536	-	499,322,196
Charge for the year	-	2,051,863	28,851,132	219,122	865,063	-	31,987,180
Eliminated on disposals	-	-	(2,448)	(328,730)	-	-	(331,178)
Balance at December 31, 2015	\$ -	41,149,144	473,790,249	3,074,206	12,964,599	-	530,978,198
<u>Carrying Amounts</u>							
Balance at January 1, 2014	\$ 4,715,423	47,213,398	264,384,534	654,086	4,055,096	20,863,753	341,886,290
Balance at December 31, 2014	7,031,264	45,243,137	263,331,536	464,577	4,294,396	17,475,116	337,840,026
Balance at January 1, 2015	7,031,264	45,243,137	263,331,536	464,577	4,294,396	17,475,116	337,840,026
Balance at December 31, 2015	\$ 22,138,928	43,390,837	255,625,463	735,813	4,099,303	15,501,650	341,491,994

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



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

Fair value measurement of the Group's lands

The Group's lands are stated at their revalued amounts, being the fair value at the date of revaluation of June 3, 2015. The fair value measurements were performed by an independent and qualified quantity surveyor. The fair values of the lands were determined based on the market comparable approach that reflects recent transactions prices for similar properties.

Had the Group's lands been measured at a historical cost basis as at December 31, 2015, their carrying amounts would have been \$6,788,221.

Assets pledged as security

As stated in Note 15, 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 the assignment of insurance policies.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

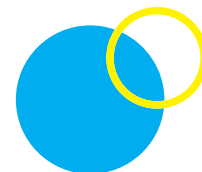
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

7. Intangible Assets

	<u>Information Systems</u>	<u>Wayleave Rights</u>	<u>Work-in- Progress</u>	<u>Total</u>
<u>Cost</u>				
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	<u>\$ 20,699,027</u>	<u>2,869,669</u>	<u>118,678</u>	<u>23,687,374</u>
Balance at January 1, 2015	20,699,027	2,869,669	118,678	23,687,374
Additions	119,810	460,428	183,279	763,517
Transfers	68,292	-	(68,292)	-
Reclassifications from property, plant and equipment	-	489,849	-	489,849
Balance at December 31, 2015	<u>\$ 20,887,129</u>	<u>3,819,946</u>	<u>233,665</u>	<u>24,940,740</u>
<u>Accumulated Amortisation</u>				
Balance at January 1, 2014	7,365,061	-	-	7,365,061
Amortised for the year	<u>2,180,034</u>	-	-	<u>2,180,034</u>
Balance at December 31, 2014	<u>9,545,095</u>	-	-	<u>9,545,095</u>
Balance at January 1, 2015	9,545,095	-	-	9,545,095
Amortised for the year	<u>2,313,936</u>	-	-	<u>2,313,936</u>
Balance at December 31, 2015	<u>\$ 11,859,031</u>	-	-	<u>11,859,031</u>
<u>Carrying Amounts</u>				
At January 1, 2014	<u>\$ 12,687,141</u>	<u>2,685,287</u>	<u>216,291</u>	<u>15,588,719</u>
At December 31, 2014	<u>\$ 11,153,932</u>	<u>2,869,669</u>	<u>118,678</u>	<u>14,142,279</u>
At January 1, 2015	\$ 11,153,932	2,869,669	118,678	14,142,279
At December 31, 2015	<u>\$ 9,028,098</u>	<u>3,819,946</u>	<u>233,665</u>	<u>13,081,709</u>

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Asset/ (Liability)

Grade I Employees

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

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 administered by CLICO International Life Insurance Company Limited (“CLICO”). Subsequent fundings to the plan are currently administered by RBC Investments Management (Caribbean) Limited (Note 33).

The most recent actuarial valuations of these two plans were completed on December 31, 2012 using the “Projected Unit Credit” method of valuation.

Grade III Employees

For its senior employees who were employed prior to January 1, 2008, the Company contributes to the regional CDC Caribbean Pension Scheme, which is a multi-employer plan administered by Sagicor Life Inc.

The most recent actuarial valuation of the plan was completed on December 31, 2012 using the “Projected Unit Credit” method of valuation.

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

	Grade III		Grade II		Grades I	
	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%
Discount rates	7.5	7.5	7.0	7.0	7.0	7.0
Future salary increases	4.0	4.0	5.5	5.5	5.5	5.5
Future pension increases	3.0	3.0	0.0	0.0	0.0	0.0
Future promotional increases	2.0	2.0	-	-	-	-
Future NIS earnings increases	-	-	-	-	2.0	2.0

Assumptions regarding future mortality are based on standard mortality tables.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

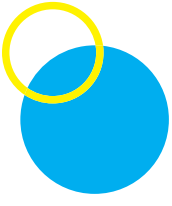
8. Retirement Benefit Assets/ (Liability) (Cont'd)

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

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligations	\$ (23,275,000)	(22,312,000)	(15,183,000)	(14,583,000)	(14,379,000)	(14,107,000)	(52,837,000)	(51,002,000)
Fair value of plans' assets	24,333,000	23,690,000	9,516,000	16,774,000	15,796,000	15,303,000	49,645,000	55,767,000
Effect of asset ceiling	-	-	-	-	(1,417,000)	-	(1,417,000)	-
Defined benefit assets/(liability)\$	<u>1,058,000</u>	<u>1,378,000</u>	<u>(5,667,000)</u>	<u>2,191,000</u>	<u>-</u>	<u>1,196,000</u>	<u>(4,609,000)</u>	<u>4,765,000</u>

The amount of \$1,058,000 (2014 - \$4,765,000) is recognised as a defined benefit asset as it will be available to the Group to fund a contribution reduction in the future.

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Assets/ (Liability) (Cont'd)

The movements in the defined benefit obligations were as follows:

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Defined benefit obligations as at January 1,	\$ 22,312,000	22,662,000	14,583,000	13,887,000	14,107,000	13,395,000	51,002,000	49,944,000
Service costs	1,011,000	1,066,000	507,000	521,000	197,000	190,000	1,715,000	1,777,000
Interest costs	1,737,000	1,643,000	995,000	939,000	978,000	924,000	3,710,000	3,506,000
Members' contributions	-	-	208,000	218,000	166,000	184,000	374,000	402,000
Benefits paid	(338,000)	(523,000)	(767,000)	(963,000)	(351,000)	(465,000)	(1,456,000)	(1,951,000)
Re-measurements: experience adjustments	(1,447,000)	(2,536,000)	(343,000)	(19,000)	(718,000)	(121,000)	(2,508,000)	(2,676,000)
Defined benefit obligations as at December 31,	\$ 23,275,000	22,312,000	15,183,000	14,583,000	14,379,000	14,107,000	52,837,000	51,002,000

The movements in the plans' assets were as follows:

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Fair value of plan's assets at January 1,	\$ 23,690,000	21,757,000	16,774,000	15,705,000	15,303,000	14,930,000	55,767,000	52,392,000
Contributions paid - employer	1,145,000	1,190,000	550,000	453,000	224,000	228,000	1,919,000	1,871,000
Contributions paid - members	-	-	208,000	218,000	166,000	184,000	374,000	402,000
Interest income	1,802,000	1,611,000	1,172,000	1,087,000	1,071,000	1,041,000	4,045,000	3,739,000
Return on plans' assets, excluding interest income	(1,849,000)	(238,000)	(8,359,000)	338,000	(564,000)	(557,000)	(10,772,000)	(457,000)
Benefits paid	(338,000)	(523,000)	(767,000)	(963,000)	(351,000)	(465,000)	(1,456,000)	(1,951,000)
Expense allowance	(117,000)	(107,000)	(62,000)	(64,000)	(53,000)	(58,000)	(232,000)	(229,000)
Fair value of plans' assets at December 31,	\$ 24,333,000	23,690,000	9,516,000	16,774,000	15,796,000	15,303,000	49,645,000	55,767,000

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Assets/ (Liability) (Cont'd)

Plans' assets consist of the following:

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Overseas equities	\$ 10,317,599	6,466,710	-	-	-	-	10,317,599	6,466,710
Government issued nominal bonds	4,725,543	6,224,174	8,096,000	7,367,000	-	-	12,821,543	13,591,174
Corporate bonds	5,596,590	2,984,940	-	-	-	-	5,596,590	2,984,940
Cash/money market	1,884,294	2,496,848	1,420,000	1,602,000	-	-	3,304,294	4,098,848
Other	1,808,974	5,517,328	-	1,553,000	-	-	1,808,974	7,070,328
Deposit administration account	-	-	-	6,252,000	15,796,000	15,303,000	15,796,000	21,555,000
Total	\$ 24,333,000	23,690,000	9,516,000	16,774,000	15,796,000	15,303,000	49,645,000	55,767,000

Grade I

The value of the Grade I plan assets' at December 31, 2015 were estimated using the face value of the deposit administration contract as at September 30, 2015 provided by the Investment Manager, Sagicor Life Inc. These assets are not quoted on an open market and therefore the value is reliant on Sagicor's financial strength.

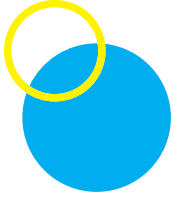
Grade II

The Grade II plan assets' values as at December 31, 2015 were estimated using the assets' values as at September 30, 2015 provided by the Scheme'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 at that date and an estimate of the Scheme's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligations. The assets held with CLICO were fully provided for as of December 31, 2015 (see Note 33). The Investment Manager calculates the fair value of government bonds by discounting expected future proceeds using a constructed yield curve. All of the Scheme's government bonds were issued by the governments of countries within Caricom.

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

Grade III

The Grade III plan assets' values as at December 31, 2015 were estimated using the assets' values as at September 30, 2015 provided by the Scheme's Investment Manager, Deutsche Bank. The assets held by Deutsche Bank are all quoted in a formal market. There are no asset-liability matching strategies employed by the Scheme.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Assets/ (Liability) (Cont'd)

The actual return on plans' assets were as follows:

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Return on plans' assets	\$ (47,000)	1,373,000	868,000	1,425,000	507,000	484,000	1,328,000	3,282,000

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

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Current service cost	\$ 1,011,000	1,066,000	507,000	521,000	197,000	190,000	1,715,000	1,777,000
Administrative expenses	117,000	107,000	62,000	64,000	53,000	58,000	232,000	229,000
Net interest on defined benefit asset	(65,000)	32,000	(177,000)	(148,000)	(93,000)	(117,000)	(335,000)	(233,000)
Net pension costs	\$ 1,063,000	1,205,000	392,000	437,000	157,000	131,000	1,612,000	1,773,000

Re-measurements recognised in Other Comprehensive Income were as follows:

	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Experience losses/(gains)	\$ 402,000	(2,298,000)	8,016,000	(357,000)	(154,000)	436,000	8,264,000	(2,219,000)
Effect of asset ceiling	-	-	-	-	1,417,000	-	1,417,000	-
Total amount recognised in Other Comprehensive Income	\$ 402,000	(2,298,000)	8,016,000	(357,000)	1,263,000	436,000	9,681,000	(2,219,000)

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Assets/ (Liability) (Cont'd)

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

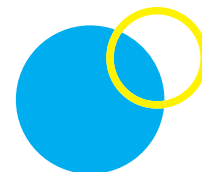
	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening defined benefit assets /(liability)	\$ 1,378,000	(905,000)	2,191,000	1,818,000	1,196,000	1,535,000	4,765,000	2,448,000
Net pension costs	(1,063,000)	(1,205,000)	(392,000)	(437,000)	(157,000)	(131,000)	(1,612,000)	(1,773,000)
Re-measurements recognised in Other Comprehensive Income	(402,000)	2,298,000	(8,016,000)	357,000	(1,263,000)	(436,000)	(9,681,000)	2,219,000
Employer contributions paid	1,145,000	1,190,000	550,000	453,000	224,000	228,000	1,919,000	1,871,000
Closing defined benefit assets/ (liability)	\$ 1,058,000	1,378,000	(5,667,000)	2,191,000	-	1,196,000	(4,609,000)	4,765,000

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



8. Retirement Benefit Assets/ (Liability) (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, 2015 would have changed as a result of a change in the assumptions used.

Grade I

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (1,541,000)	1,987,000
Future salary increases	\$ 1,273,000	(1,082,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2015 by \$196,000.

Grade II

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (1,814,000)	2,231,000
Future salary increases	\$ 763,000	(689,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2015 by \$311,000.

Grade III

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (3,656,000)	4,744,000
Future salary increases	\$ 760,000	(669,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2015 by \$488,000.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Assets/ (Liability) (Cont'd)

Duration

The weighted average duration of the defined benefit obligation at year end for each of the plans was as follows:

	2015	2014
Grade I	13.0 years	13.1 years
Grade II	14.1 years	14.4 years
Grade III	18.1 years	18.8 years

Funding Policy

Grade I

The Group meets the balance of the cost of funding the defined benefit pension plan and the Company must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay \$308,000 to the pension plan during 2016.

Grade II

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay \$805,000 to the pension plan during 2016.

Grade III

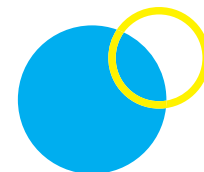
The Group meets the cost of funding the defined benefit pension plan for the Group's employees only and is not liable for outstanding contributions from other employers who contribute to the multi-employer plan. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay \$1,241,000 to the pension plan during 2016.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



9. Other Financial Assets

	2015	2014
Non-current		
Available-for-sale		
Equity investments	\$ <u>172,278</u>	<u>171,532</u>
Current		
Deposits		
Term deposits - restricted	\$ 15,210,318	5,098,936
Term deposits - unrestricted	<u>3,781,439</u>	<u>-</u>
	\$ <u>18,991,757</u>	<u>5,098,936</u>

The available-for-sale financial asset as at December 31, 2015 has a stated interest rate of 0.80% (2014 - 0.80%) per annum and is not available for the day-to-day operations of the Group.

The term deposits earn interest at rates ranging from 1.75% to 3.50% (2014 - 3.50%) per annum and matures between 2 to 11 months (2014 - 1 month) after year end. Term deposits totalling \$15,210,318 (2014 - \$5,098,936) are not available for the day-to-day operations of the Group.

The Group's exposure to credit and interest rate risks related to other financial assets are disclosed in Note 30.

10. Inventories

	2015	2014
Fuel inventories	\$ 3,098,503	2,231,951
Generation spare parts	4,455,969	3,737,367
Transmission, distribution and other spares	6,416,976	6,715,797
Goods-in-transit	<u>2,610,162</u>	<u>-</u>
	16,581,610	12,685,115
Less: provision for inventory obsolescence	<u>(2,200,458)</u>	<u>(2,220,306)</u>
	\$ <u>14,381,152</u>	<u>10,464,809</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

11. Trade, Other Receivables and Prepayments

	2015	2014
Trade receivables due from related parties (Note 27)	\$ 8,928,091	12,837,688
Other trade receivables	<u>40,716,272</u>	<u>53,815,431</u>
Trade receivables, gross	49,644,363	66,653,119
Less: provision for impairment of trade receivables (Note 30)	<u>(8,428,060)</u>	<u>(11,107,101)</u>
Trade receivables, net	<u>41,216,303</u>	<u>55,546,018</u>
Other receivables due from related parties (Note 27)	858,018	1,214,008
Other receivables	<u>3,350,486</u>	<u>18,561,055</u>
Other receivables, gross	4,208,504	19,775,063
Less: provision for impairment of other receivables	<u>(498,593)</u>	<u>(563,522)</u>
Other receivables, net	<u>3,709,911</u>	<u>19,211,541</u>
Accrued income	<u>11,440,397</u>	14,273,211
	56,366,611	89,030,770
Deferred fuel costs	5,588,334	39,745,776
Prepayments	<u>1,253,539</u>	<u>879,763</u>
	<u>\$ 63,208,484</u>	<u>129,656,309</u>

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

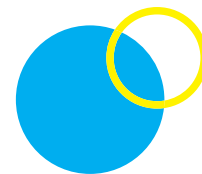
The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 30.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



12. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	2015	2014
Cash at bank and in hand	\$ 26,570,541	1,498,819
Bank overdraft	(8,022)	(5,510,661)
Term deposits - restricted	12,536,376	19,466,736
Term deposits - unrestricted	<u>-</u>	<u>1,008,050</u>
	<u>\$ 39,098,895</u>	<u>16,462,944</u>

The bank overdraft incurred interest at a rate of 8% (2014 - 8%) per annum.

The term deposits earn interest at rates ranging from 0.75% to 2.00% (2014 - 1.50% to 3.50%) per annum and mature between 1 to 3 months (2014 - 1 to 3 months) after year end.

Term deposits totalling \$12,536,376 (2014 - \$19,466,736) are not available for the day-to-day operations of the Group.

The Group's exposure to credit risk related to cash and cash equivalents are disclosed in Note 30.

13. Share Capital

	2015	2014
<i>Authorised:</i>		
Voting ordinary shares	<u>100,000,000</u>	100,000,000
Ordinary non-voting shares	<u>800,000</u>	800,000
Preference shares	<u>1,214,128</u>	1,214,128

	2015	2014
<i>Issued and fully paid</i>		
22,400,000 voting ordinary shares	\$ 77,562,792	77,562,792
520,000 non-voting ordinary shares	<u>2,600,000</u>	<u>2,600,000</u>
	<u>\$ 80,162,792</u>	<u>80,162,792</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

14. Revaluation Reserve

	2015
Balance at beginning of year	\$ -
Gain on revaluation of land	<u>15,350,707</u>
Balance at end of year	<u>\$ 15,350,707</u>

The revaluation reserve represents the gain on the revaluation of the Group's land. When land is sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the revaluation reserve will not be reclassified subsequently to profit or loss.

15. Borrowings

	2015	2014
Current		
Bank borrowings	\$ 4,443,353	4,120,893
Related parties	<u>11,658,300</u>	<u>11,344,560</u>
	<u>16,101,653</u>	<u>15,465,453</u>
Non-current		
Bank borrowings	26,292,560	30,735,913
Related parties	<u>95,420,112</u>	<u>106,989,603</u>
	<u>121,712,672</u>	<u>137,725,516</u>
Total borrowings		
Bank borrowings	30,735,913	34,856,806
Related parties (Note 27)	<u>107,078,412</u>	<u>118,334,163</u>
	<u>\$ 137,814,325</u>	<u>153,190,969</u>

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 the assignment of insurance policies.

The weighted average effective rates at the reporting date were as follows:

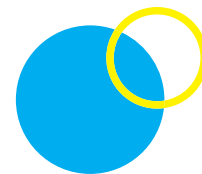
	2015	2014
	%	%
Bank borrowings	8.17	8.15
Related parties	7.63	7.61

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



15. Borrowings (Cont'd)

Maturity of non-current borrowings:

	2015	2014
Between 1 and 2 years	\$ 16,741,755	16,012,844
Between 2 and 5 years	32,311,803	40,377,022
Over 5 years	<u>72,659,114</u>	<u>81,335,650</u>
	<u>\$ 121,712,672</u>	<u>137,725,516</u>

The Group's exposure to interest rate and liquidity risks related to borrowings is disclosed in Note 30.

16. 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% (2014 - 3%) per annum.

	2015	2014
Consumer deposits	\$ 12,280,909	12,081,685
Interest accrual	<u>3,830,198</u>	<u>4,053,473</u>
	<u>\$ 16,111,107</u>	<u>16,135,158</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

17. 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% (2014 - 30%). The movement on the deferred tax liability account is as follows:

	2015	2014
Balance at beginning of year	\$ 38,278,917	37,448,796
Recognised in profit and loss (Note 23)	(1,020,206)	137,752
Recognised in other comprehensive income (Note 23)	<u>(2,879,700)</u>	<u>692,369</u>
Balance at end of year	<u>\$ 34,379,011</u>	<u>38,278,917</u>

Deferred tax liabilities are attributed to the following items:

	2015	2014
Property, plant and equipment	\$ 36,342,211	37,404,105
Retirement benefit assets and liabilities	<u>(1,963,200)</u>	<u>874,812</u>
	<u>\$ 34,379,011</u>	<u>38,278,917</u>

18. Post-employment Medical Benefit Liabilities

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

The principal actuarial assumptions used were as follows:

	<u>Grade III</u>		<u>Grades I and II</u>	
	2015	2014	2015	2014
	%	%	%	%
Discount rate	7.5	7.5	7.0	7.0
Medical expense increase	5.0	5.0	5.0	5.0

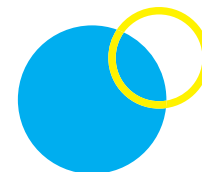
Assumptions regarding future mortality are based on standard mortality tables.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



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

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

	Grade III		Grades II & I		Total	
	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligations	\$ 464,000	483,959	1,471,000	1,365,000	1,935,000	1,848,959
Fair value of plans' assets	-	-	-	-	-	-
Defined benefit liabilities	\$ 464,000	483,959	1,471,000	1,365,000	1,935,000	1,848,959

The movements in the post-employment medical benefit obligations were as follows:

	Grade III		Grades II & I		Total	
	2015	2014	2015	2014	2015	2014
Defined benefit obligations as at January 1,	\$ 483,959	420,970	1,365,000	1,365,000	1,848,959	1,785,970
Current service costs	31,788	26,778	48,000	40,000	79,788	66,778
Interest costs	38,412	31,165	94,000	94,000	132,412	125,165
Benefits paid	(6,159)	(5,056)	(38,000)	(35,000)	(44,159)	(40,056)
Re-measurements: experience adjustments	(84,000)	10,102	2,000	(99,000)	(82,000)	(88,898)
Defined benefit obligations as at December 31,	\$ 464,000	483,959	1,471,000	1,365,000	1,935,000	1,848,959

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

	Grade III		Grades II & I		Total	
	2015	2014	2015	2014	2015	2014
Current service cost	\$ 31,788	26,778	48,000	40,000	79,788	66,778
Interest on defined benefit obligations	38,412	31,165	94,000	94,000	132,412	125,165
Net pension costs	\$ 70,200	57,943	142,000	134,000	212,200	191,943

Re-measurements recognised in Other Comprehensive Income were as follows:

	Grade III		Grades II & I		Total	
	2015	2014	2015	2014	2015	2014
Experience (gains)/losses	\$ (84,000)	10,102	2,000	(99,000)	(82,000)	(88,898)
Total amount recognised in Other Comprehensive Income	\$ (84,000)	10,102	2,000	(99,000)	(82,000)	(88,898)

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

Reconciliation of opening and closing defined benefit liabilities:

	Grade III		Grades II & I		Total	
	2015	2014	2015	2014	2015	2014
Opening defined benefit liabilities	\$ 483,959	420,970	1,365,000	1,365,000	1,848,959	1,785,970
Net pension costs	70,200	57,943	142,000	134,000	212,200	191,943
Re-measurements recognised in Other Comprehensive Income	(84,000)	10,102	2,000	(99,000)	(82,000)	(88,898)
Benefits paid	(6,159)	(5,056)	(38,000)	(35,000)	(44,159)	(40,056)
Closing defined benefit liabilities	\$ 464,000	483,959	1,471,000	1,365,000	1,935,000	1,848,959

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, 2015 would have changed as a result of a change in the assumptions used.

Grade I & II

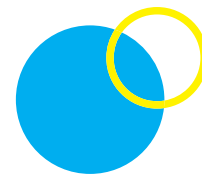
		1% p.a. increase	1% p.a. decrease
Discount rate	\$	(228,000)	297,000
Medical expense increases	\$	301,000	(234,000)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2015 by \$52,000.

Grade III

		1% p.a. increase	1% p.a. decrease
Discount rate	\$	(80,000)	105,000
Medical expense increases	\$	104,000	(81,000)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2015 by \$39,000.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

Duration

The weighted average duration of the defined benefit obligation at year end for each of the schemes was as follows:

	2015	2014
Grades I and II	19.0 years	18.0 years
Grade III	20.0 years	20.6 years

Funding Policy

Grades I and II

The Group insures the medical benefits for retirees with an external insurer and pays 50% of the retiree only premiums to the insurer as they fall due. The retiree meets the remaining 50%. In addition, if the retiree wishes to provide for his dependents, the retiree meets the full cost of this additional benefit.

The Group expects to pay \$40,000 to the plan in 2016.

Grade III

The Group insures the medical benefits for retirees with an external insurer and pays 50% of the retiree only premiums to the insurer as they fall due. The retiree meets the remaining 50%. In addition, if the retiree wishes to provide for his dependents, the retiree meets the full cost of this additional benefit.

The Group expects to pay \$3,200 to the plan in 2016.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

19. Trade and Other Payables

	2015	2014
Trade payables	\$ 11,116,635	14,939,668
Accrued expenses	10,189,835	6,347,488
Other payables	<u>4,521,760</u>	<u>7,136,734</u>
	<u>\$ 25,828,230</u>	<u>28,423,890</u>

The Group's exposure to liquidity risks related to trade and other payables is disclosed in Note 30.

20. Provision for Other Liabilities

The movement on the provision account is as follows:

	2015	2014
Balance at beginning of year	\$ -	-
Provision recognised	<u>1,485,493</u>	<u>-</u>
Balance at end of year	<u>\$ 1,485,193</u>	<u>-</u>

The provision represents the estimated decommissioning costs of the old power stations located at Union and Vieux Fort which is planned for 2016.

21. 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 up to 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 is as follow:

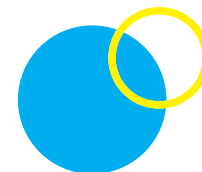
	2015	2014
<i>Derivative financial instruments</i>		
Fixed Price Swaps	<u>\$ 5,588,334</u>	<u>39,745,776</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



22. Other Gains, Net

	2015	2014
Gain on disposal of property, plant and equipment	\$ 60,517	28,039
Foreign exchange gains	<u>246,526</u>	<u>39,082</u>
	<u>\$ 307,043</u>	<u>67,121</u>

23. Taxation

	2015	2014
Current tax	\$ 12,064,852	10,054,334
Deferred tax (Note 17)	<u>(1,020,206)</u>	<u>137,752</u>
	<u>\$ 11,044,646</u>	<u>10,192,086</u>

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

	2015	2014
Profit before taxation	\$ <u>39,953,660</u>	<u>37,000,493</u>
Tax at the statutory rate of 30% (2014 - 30%)	11,986,097	11,100,148
Tax effect of non-deductible expenses	99,220	101,344
Tax effect of self-insurance appropriation	<u>(1,040,671)</u>	<u>(1,009,406)</u>
Actual tax charge	<u>\$ 11,044,646</u>	<u>10,192,086</u>

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

	2015			2014		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Re-measurement of defined benefit pension plans	\$ <u>(9,599,000)</u>	<u>2,879,700</u>	<u>(6,719,300)</u>	<u>2,307,898</u>	<u>(692,369)</u>	<u>1,615,529</u>

24. Basic and Diluted Earnings per Share

Basic and diluted earnings per share of \$1.26 (2014 - \$1.17) is calculated by dividing the profit for the year of \$28,909,014 (2014 - \$26,808,407) by the weighted average number of shares outstanding during the year of 22,920,000 (2014 - 22,920,000).

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

25. 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, with a minimum return of 10%. This was equal to a range of 10% to 14.5% in respect of 2015 (2014 - 10% to 14.5%).

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.

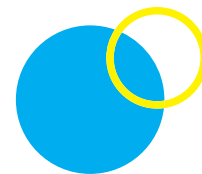
In the event that the actual Rate of Return falls below the minimum of 10%, provision is also made for the upward adjustment of the basic energy rate.

As the actual Rate of Return fell within the Allowable Rate of Return range for the year ended December 31, 2015, no appropriation will be made.

26. Ordinary Dividends

	2015	2014
Interim 2015 - \$0.39 (2014 - \$0.35) per share	\$ 8,938,800	8,022,000
Final 2014 - \$0.36 (2013 - \$0.35) per share	<u>8,251,200</u>	<u>8,022,000</u>
	<u>\$ 17,190,000</u>	<u>16,044,000</u>

The final dividend for the year 2015 had not been declared as at December 31, 2015.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

27. 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.

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:

	2015	2014
Short-term employee benefits	\$ 3,846,464	3,855,367
Post-employment benefits	728,153	724,035
Directors' remuneration	<u>363,768</u>	<u>340,022</u>
	<u>\$ 4,938,385</u>	<u>4,919,424</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

27. Related Parties (Cont'd)

Transactions with key management personnel (Cont'd)

Transactions with the key management personnel during the year were as follows:

	2015	2014
Supply of services	\$ <u>119,926</u>	<u>104,972</u>

Balances at the reporting date arising from transactions with key management personnel were as follows:

	2015	2014
Supply of services	\$ <u>7,670</u>	<u>9,863</u>

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

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

Director/Shareholder	Company	Transactions	Transaction Values	
			2015	2014
Stephen McNamara	McNamara & Co	Legal fees	\$ 66,029	37,386
		Payments on behalf of third parties	\$ 517,514	75,948

The Group is controlled by the following entities:

	2015	2014
	%	%
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	16.79	16.79
Castries City Council	16.33	16.33
Government of Saint Lucia	<u>12.44</u>	<u>12.44</u>
	<u>85.56</u>	<u>85.56</u>

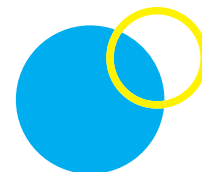
The remaining 14.44% (2014 - 14.44%) of the shares is widely held.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



27. Related Parties (Cont'd)

Transactions with related parties

Transactions with shareholders

Transactions with shareholders during the year were as follows:

Supply of services

	2015	2014
National Insurance Corporation	\$ 2,965,141	3,204,231
Castries City Council	1,680,597	1,837,302
Government of Saint Lucia	<u>26,829,745</u>	<u>28,274,607</u>
	<u>\$ 31,475,483</u>	<u>33,316,140</u>

The Government of Saint Lucia receives a 10% (2014 -10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

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

	2015	2014
National Insurance Corporation	\$ 249,975	265,351
Castries City Council	101,944	859,715
Government of Saint Lucia	<u>8,576,172</u>	<u>11,712,622</u>
	<u>\$ 8,928,091</u>	<u>12,837,688</u>

Other Services

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

	2015	2014
Government of Saint Lucia	\$ <u>858,018</u>	<u>1,214,008</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

27. 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, 2015 were as follows:

	2015	2014
National Insurance Corporation		
At beginning of year	\$ 91,115,751	95,248,143
Repayments during year	<u>(11,161,578)</u>	<u>(11,161,578)</u>
	79,954,173	84,086,565
Interest expense	<u>6,710,430</u>	<u>7,029,186</u>
At end of year	<u>\$ 86,664,603</u>	<u>91,115,751</u>
First Citizens Bank Limited		
At beginning of year	\$ 27,218,412	34,023,015
Repayments during year	<u>(8,892,656)</u>	<u>(9,457,016)</u>
	18,325,756	24,565,999
Interest expense	<u>2,088,053</u>	<u>2,652,413</u>
At end of year	<u>\$ 20,413,809</u>	<u>27,218,412</u>
	<u>\$ 107,078,412</u>	<u>118,334,163</u>

The above loans are fully secured (Note 15).

Finance costs

Details of the related finance costs are as follows:

	2015	2014
National Insurance Corporation	\$ 6,710,430	7,029,186
First Citizens Bank Limited	<u>2,088,053</u>	<u>2,652,413</u>
	<u>\$ 8,798,483</u>	<u>9,681,599</u>

These charges are included in the finance costs of \$11,820,118 (2014 - \$12,956,548) disclosed in the Consolidated Statement of Comprehensive Income.

Lease Charges

In the prior year, the Company incurred lease charges totaling \$33,334 for rental of land from the Government of Saint Lucia. This lease was terminated April 30, 2014.

Joint Operation

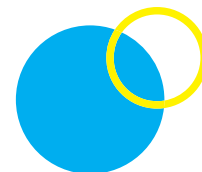
During 2015, the Group entered into a joint arrangement with a company based in Texas, USA, to assess the feasibility of developing a wind farm in Saint Lucia. The terms of the arrangement are subject to change upon completion of this feasibility assessment. The Group has a 50% interest in the assets procured or developed and bears a proportionate share of the project's expenses.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



28. Expenses by Nature

	2015	2014
Fuel costs	\$ 172,061,379	190,235,561
Depreciation on property, plant and equipment (Note 6)	31,987,180	30,970,042
Amortisation of intangible assets (Note 7)	2,313,936	2,180,034
Repairs and maintenance	10,044,518	9,672,517
Research costs	399,217	-
Employee benefit expenses (Note 29)	26,974,220	27,769,624
Other operating expenses	17,556,997	18,432,428
	<u>\$ 261,337,447</u>	<u>279,260,206</u>
Operating expenses	\$ 228,822,875	245,905,486
Administrative expenses	32,514,572	33,354,720
	<u>\$ 261,337,447</u>	<u>279,260,206</u>

29. Employee Benefit Expenses

	2015	2014
Wages and salaries	\$ 20,179,502	20,765,606
Pension contributions	2,481,082	2,153,304
Medical contributions	568,574	576,376
Other employee benefits	3,745,062	4,274,338
	<u>\$ 26,974,220</u>	<u>27,769,624</u>

The number of permanent employees at December 31, 2015 was 249 (2014 - 249).

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

30. 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	
		2015	2014
Other financial assets: available-for-sale	9	\$ 172,278	171,532
Trade and other receivables	11	56,366,611	89,030,770
Other financial assets: deposits	9	18,991,757	5,098,936
Cash and cash equivalents	12	39,098,895	16,462,944
		<u>\$ 114,629,541</u>	<u>110,764,182</u>

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

	Carrying Amounts	
	2015	2014
Business, before deducting provision	\$ 38,036,447	50,849,032
Residential, before deducting provision	11,607,916	15,804,087
	<u>\$ 49,644,363</u>	<u>66,653,119</u>

Analysis of trade receivables

An analysis of trade receivables at the reporting date is as follows:

	2015	2014
Not past due	\$ 20,117,026	23,963,386
Past due but not impaired	18,654,639	29,046,938
Past due and impaired	10,872,698	13,642,795
	<u>\$ 49,644,363</u>	<u>66,653,119</u>

The aging of trade receivables at the reporting date that are past due but not impaired is as follows:

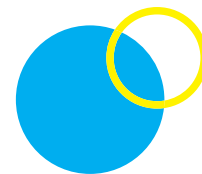
	2015	2014
Past due 31-60 days	\$ 9,104,514	12,794,763
Past due 61-90 days	3,982,531	5,422,800
Past due >90 days	5,567,594	10,829,375
	<u>\$ 18,654,639</u>	<u>29,046,938</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



30. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Impairment losses

The aging of trade receivables at reporting date that are past due and impaired is as follows:

	2015	2014
Past due 0-30 days	\$ 264,717	73,904
Past due 31-60 days	265,851	293,100
Past due 61-90 days	234,586	90,362
Past due >90 days	<u>10,107,544</u>	<u>13,185,429</u>
	<u>\$ 10,872,698</u>	<u>13,642,795</u>

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

	2015	2014
Balance at January 1,	\$ 11,107,101	8,445,654
Impairment loss recognised	1,566,489	2,661,447
Amounts written off	<u>(4,245,530)</u>	<u>-</u>
Balance at December 31,	<u>\$ 8,428,060</u>	<u>11,107,101</u>

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

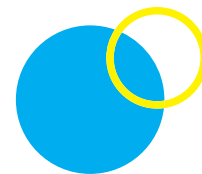
Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

30. Financial Instruments (Cont'd) Liquidity risk

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

December 31, 2015	Carrying amounts	Contractual cash flows	December 31, 2015			
			Under 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Borrowings	\$ 137,814,325	196,071,954	26,007,447	25,512,269	52,326,221	92,226,017
Trade and other payables	25,828,230	25,828,230				
	<u>\$ 163,642,555</u>	<u>221,900,184</u>	<u>51,835,677</u>	<u>25,512,269</u>	<u>52,326,221</u>	<u>92,226,017</u>
Derivative financial liabilities						
Derivative financial liabilities	\$ 5,588,334	5,588,334	5,588,334			
	<u>\$ 5,588,334</u>	<u>5,588,334</u>	<u>5,588,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2014						
Non-derivative financial liabilities						
Borrowings	\$ 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			
	<u>\$ 181,614,859</u>	<u>251,294,452</u>	<u>54,918,440</u>	<u>26,007,447</u>	<u>63,224,223</u>	<u>107,144,342</u>
Derivative financial liabilities						
Derivative financial liabilities	\$ 39,745,776	39,745,776	39,745,776			
	<u>\$ 39,745,776</u>	<u>39,745,776</u>	<u>39,745,776</u>	<u>-</u>	<u>-</u>	<u>-</u>



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

30. 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 Consolidated Statement of Financial Position are as follows:

	Carrying amounts as at December 31, 2015	Fair values as at December 31, 2015	Carrying amounts as at December 31, 2014	Fair values as at December 31, 2014
Other financial assets: available-for-sale	\$ 172,278	172,278	171,532	171,532
Trade and other receivables	56,366,611	56,366,611	89,030,770	89,030,770
Other financial assets: deposits	18,991,757	18,991,757	5,098,936	5,098,936
Cash and cash equivalents	39,098,895	39,098,895	16,462,944	16,462,944
Derivative financial liabilities	(5,588,334)	(5,588,334)	(39,745,776)	(39,745,776)
Borrowings	(137,814,325)	(137,598,986)	(153,190,969)	(153,531,414)
Trade and other payables	(25,828,230)	(25,828,230)	(28,423,890)	(28,423,890)
	<u>\$ (54,601,348)</u>	<u>(54,386,009)</u>	<u>(110,596,453)</u>	<u>(110,936,898)</u>

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

Interest rates used for determining fair values

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

31. Commitments

Capital commitments

The Group had capital commitments at December 31, 2015 of \$444,038 (2014 - \$843,511).

Operating lease commitments

(i) *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:

	2015	2014
Not later than 1 year	\$ 726,944	678,909
Later than 1 year and not later than 5 years	<u>2,233,758</u>	<u>1,385,206</u>
	<u>\$ 2,960,702</u>	<u>2,064,115</u>

(ii) *Pole rental*

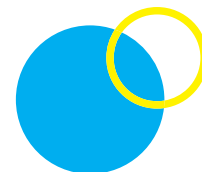
The Group expects to earn annual income from pole rentals of \$891,000 for the foreseeable future.

32. 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 Group received formal notification from the Registrar of Insurances of the 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. This subsidiary company has established a reserve which is not available for distribution to the shareholder.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

32. Self Insurance Reserve (Cont'd)

The fund balance as at December 31, 2015 is \$27,918,972 (2014 - \$24,737,204), of which \$15,210,318 (2014 - \$5,098,936) is included in deposits in other financial assets (Note 9) and \$12,536,376 (2014 - \$19,466,736) (Note 12) is included in cash and cash equivalents. These balances have been invested in local financial institutions in short-term liquid financial instruments. The balance of \$172,278 (2014 - \$171,532) (Note 9), which is disclosed as available-for-sale financial assets, represents amounts invested in mutual funds.

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:

	2015	2014
Balance at January 1,	\$ 24,694,822	21,155,667
Transferred from retained earnings	<u>3,509,680</u>	<u>3,539,155</u>
Balance at December 31,	<u>\$ 28,204,502</u>	<u>24,694,822</u>

33. 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 CLICO and the scheme's trustees, the trustees with the consent of the Company 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, 2015 was \$6.555 million (2014 - \$6.252 million). In addition, the estimated value of the immediate annuity policies that the scheme holds with CLICO was \$1.500 million as at December 31, 2015 (2014 - \$1.553 million). The total value of the scheme's investment in CLICO was therefore \$8.055 million as at December 31, 2015 (2014 - \$7.805 million).

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

In 2011, the trustees 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.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

33. CLICO Investment-Grade II Pension Scheme (Cont'd)

As at December 31, 2015, 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 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. As of December 31, 2015, an impairment loss of the entire balance 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.

34. Contingent Liability

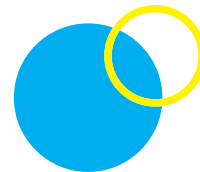
The Group has been named a defendant to a number of claims as at December 31, 2015. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that their defenses to all these various claims are meritorious on both the 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 matters and (ii) does not believe that the ultimate outcome of these matters 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.

35. Subsidiary Companies

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

36. Subsequent Events

A 100% owned subsidiary company, Energyze Holdings Inc., was incorporated in Saint Lucia on January 14, 2016.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

37. Comparatives

Term deposits

Term deposits with maturities greater than three months but less than one year have been reclassified from cash and cash equivalents to other financial assets on the Consolidated Statement of Financial Position. The comparative figures for 2014 have been amended to reflect this reclassification of \$5,098,936. This reclassification has had no impact on total assets.

Unbilled fuel surcharge

Unbilled fuel surcharge payable has been reclassified from fuel costs to energy sales on the Consolidated Statement of Comprehensive Income. The comparative figures for 2014 have been amended to reflect this reclassification of \$1,321,985. This reclassification has had no impact on total comprehensive income.

FINANCIAL STATISTICS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Units Sold (kWh x 1000)	337,540	331,939	334,479	333,324	333,378	330,729	315,082	301,975	297,841	284,398
Tariff Sales (Cents per kWh)	97.7	98.7	98.3	95.5	84.0	75.0	75.1	80.7	77.5	67.4
Fuel Charge (Cents per kWh)	(6.1)	(1.1)	0.4	6.6	11.8	8.1	0.0	19.0	3.4	12.3
Operating costs (Cents per kWh)	77.4	84.1	85.2	88.8	82.8	69.1	61.4	86.1	66.3	65.2
Summarised Balance Sheet (EC\$000's)										
Fixed Assets (Net)	338,838	334,388	336,395	328,030	250,154	273,400	292,279	292,916	296,606	267,447
Retirement Benefit Asset	1,058	4,765	2,448	3,650	9,135	9,017	8,828	8,749	7,768	2,850
Other Financial Assets	172	171	170	168	166	163	8,504	5,643	3,452	2,687
Capital Work in Progress	15,736	17,594	21,080	33,891	50,846	16,477	9,659	9,582	6,518	11,055
Current Assets	135,680	161,683	130,558	142,353	124,642	99,651	85,080	68,527	63,419	54,460
Current Liabilities	(51,569)	(84,853)	(55,418)	(75,535)	(68,511)	(68,796)	(67,635)	(52,483)	(57,776)	(57,545)
Total	439,915	433,748	435,233	432,557	366,432	329,913	336,714	332,934	319,987	280,954
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	135,334	130,137	123,614	109,375	84,267	76,970	69,338	63,789	58,330	53,932
Other Reserves & Consumer Contributions	44,613	29,460	23,604	21,421	40,670	38,893	37,913	37,177	32,315	25,328
Long Term Debt	121,713	137,726	153,072	167,797	123,396	94,709	107,848	110,754	107,288	81,360
Other Long Term Liabilities	58,092	56,262	56,780	53,801	37,937	39,178	41,452	41,051	41,891	40,171
Total	439,915	433,748	437,233	432,557	366,432	329,913	336,714	332,934	319,987	280,954
Summarised Income Statement (EC\$000's)										
Operating Revenues										
Electricity	329,767	327,570	328,735	318,265	280,177	247,945	236,745	243,691	230,754	191,525
Fuel Surcharge	(20,618)	(3,671)	1,172	22,083	39,185	26,908	20	57,448	10,178	34,962
Other	2,624	3,662	3,207	3,677	1,657	1,417	1,926	1,082	657	943
Total	311,773	327,561	333,114	344,025	321,019	276,271	238,691	302,221	241,589	227,430

FINANCIAL STATISTICS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Costs										
Fuel	172,061	190,235	195,798	209,310	185,733	142,471	108,998	182,738	123,875	119,359
Generation	10,943	9,948	10,708	10,918	10,587	9,404	8,793	9,119	8,288	6,857
Transmission & Distribution	14,504	15,418	16,530	15,778	19,318	17,618	20,557	16,601	16,810	14,888
Administrative & Selling	29,529	30,509	29,426	27,286	26,148	24,784	23,266	22,167	21,180	19,596
Depreciation and amortisation	34,301	33,150	32,656	32,625	34,264	34,314	31,832	29,468	27,171	24,763
Total	261,338	279,260	285,118	295,917	276,050	228,591	193,446	260,093	197,324	185,463
Operating Income	50,435	48,301	47,996	48,108	44,969	47,679	45,245	42,127	44,265	41,967
Interest Expense (net)	10,789	11,368	13,163	9,389	8,761	7,618	6,915	8,997	7,201	7,131
Other Gains (net)	(307)	(67)	(66)	(67)	(66)	(296)	(636)	(462)	(151)	(503)
Net Income before Tax	39,953	37,000	34,899	38,786	36,274	40,357	38,966	33,592	37,215	35,339
Taxation	11,044	10,192	9,584	9,972	10,003	11,138	11,151	11,049	9,125	8,585
Net Income after Tax	28,909	26,808	25,315	28,814	26,271	29,219	27,815	22,543	28,090	26,754
Other Comprehensive income	(6,719)	1,615	(872)	856	(192)	(178)	(239)	48	-	-
Dividend Declared	17,190	16,044	8,022	17,648	18,107	18,666	17,228	15,705	16,642	16,642
Retained Earnings for Year	5,000	12,379	16,421	12,022	7,972	10,376	10,348	6,886	11,448	10,112
Retained Earnings beginning of Year	130,137	123,614	109,375	84,267	76,970	69,338	62,282	57,061	52,303	45,924
Transfer from/(to) Reserves	197	(5,856)	(2,182)	(5,039)	(118)	(189)	(79)	(981)	(644)	636
Tariff Reduction Reserve	-	-	-	-	(557)	(2,555)	(3,213)	(1,953)	(6,046)	(3,087)
Prior Year Adjustment	-	-	-	18,125	-	-	-	1,269	-	(1,282)
Retained Earnings end of Year	135,334	130,137	123,614	109,375	84,267	76,970	69,338	62,282	57,061	52,303
Rate of Return	11.64%	10.02%	13.42%	14.20%	15.12%	17.41%	18.32%	17.77%	21.42%	18.91%
Earnings per share (EC\$)	\$1.26	\$1.17	\$1.10	\$1.26	\$1.15	\$1.27	\$2.36	\$1.92	\$2.48	\$2.30
Dividend per share (EC\$)	\$0.75	\$0.70	\$0.35	\$0.77	\$0.79	\$1.59	\$1.47	\$1.34	\$1.42	\$1.42
Debt/Equity Ratio	35/65	39/61	43/57	47/53	40/60	36/64	39/61	41/59	43/57	40/60
Capital expenditure	\$21,545	\$27,658	\$28,211	\$97,243	\$45,390	\$22,262	\$31,281	\$28,344	\$51,794	\$26,108

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Generating Plant (kW)										
Available Capacity	88,400	88,400	88,400	88,400	76,000	76,000	76,000	76,000	76,000	65,800
Firm Capacity	68,000	68,000	68,000	68,000	55,600	55,600	55,600	55,600	55,600	46,300
Peak Demand	59,000	58,900	59,700	59,800	60,300	59,200	55,900	54,100	52,700	49,800
Percentage growth in peak demand	0.2%	-1.3%	-0.2%	-0.8%	1.9%	5.9%	3.3%	2.7%	5.8%	1.2%
Sales (kWh x 1000)										
Domestic	116,133	111,922	112,743	112,272	113,505	113,757	107,820	103,214	104,784	101,635
Commercial (including Hotels)	192,442	191,294	193,199	192,847	190,846	188,640	178,518	170,624	168,151	160,895
Industrial	17,999	17,673	17,624	17,679	18,761	18,373	19,002	18,626	15,789	12,982
Street Lighting	10,966	11,050	10,913	10,526	10,263	9,959	9,741	9,510	9,117	8,886
Total Sales	337,540	331,939	334,479	333,324	333,375	330,729	315,081	301,975	297,841	284,398
Power Station and Office Use (kWh x 1000)	13,715	13,918	14,706	14,511	14,599	14,127	14,312	14,256	13,185	13,071
Losses (kWh x 1000)	30,013	33,574	33,791	36,948	37,234	36,033	33,597	36,105	34,672	33,291
Units Generated (kWh x 1000)	381,268	379,431	382,976	384,783	385,208	380,889	362,990	352,335	345,698	330,760
Percentage growth in units generated	0.5%	-0.9%	-0.5%	-0.1%	1.1%	4.9%	3.0%	1.9%	4.5%	2.2%
Percentage growth in sales	1.7%	-0.8%	0.3%	0.0%	0.8%	5.0%	4.3%	1.4%	4.7%	2.5%
Percentage Losses (excl. prior year sales adjts.)	7.9%	8.8%	8.8%	9.6%	9.7%	9.5%	9.3%	10.2%	10.0%	10.1%
Number of Consumers at Year End										
Domestic	59,766	59,790	58,648	55,110	54,415	53,566	52,986	51,444	50,163	48,697
Commercial (Including Hotels)	7,128	7,193	7,096	6,629	6,641	6,557	6,479	6,169	5,938	5,714
Industrial	98	98	98	100	101	100	100	98	101	95
Street Lighting (accounts)	19	19	20	10	9	9	7	7	7	3*
Percentage growth	-0.1%	1.9%	6.5%	1.1%	1.6%	1.1%	3.2%	2.7%	3.1%	2.8%
* 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	1,943	1,872	1,922	2,037	2,086	2,124	2,035	2,006	2,089	2,087
Commercial (including Hotels)	26,998	26,594	27,226	29,091	28,738	28,769	27,553	27,658	28,318	28,158
Industrial	183,663	180,337	179,837	176,790	185,752	183,730	190,024	190,065	156,327	136,653
Diesel fuel consumed (Imp. Gall.)	19,612,984	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



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