RESILIENCE

LUCELEC
ST. LUCIA ELECTRICITY SERVICES LIMITED

2016 ANNUAL REPORT

VISION, MISSION, VALUES

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

Hasache Building
Goodlands
Castries
Saint Lucia
Telephone Number: 758-457-4400
Fax Number: 758-457-4409
Email Address: lucelec@candw.lc
Website: www.lucelec.com

BANKERS

CIBC FirstCaribbean 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

AUDITORS

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

ATTORNEYS-AT-LAW

McNamara & Company
20 Micoud Street
Castries
Saint Lucia

THEME STATEMENT

RESILIENCE

2016 for LUCELEC was characterised by uncertainty and adversity.

There were delays with proposed legislation and regulations to firm up the new regulatory environment. Planned renewable energy projects – a 3 megawatt solar farm and a 12 megawatt wind farm – were delayed too while a new administration assessed how best to move forward with the energy sector. This slowing of the transition to the new energy future was compounded by the forced closure of our main administrative and customer service office to facilitate major equipment replacement and remedial structural works. Alternative arrangements had to be made to facilitate staff and customers during the extended closure. Some major adjustments were necessary. Then there was Tropical Storm Matthew which put 70% of customers out of power. Uncertainty? Adversity? Certainly.

But our results tell a different tale. Electricity sales increased and we improved our performance in profit after tax, reliability (SAIDI), System Losses, Fuel Efficiency, and Customer Satisfaction. And Tropical Storm Matthew? Within 24 hours, power had been restored to nearly all customers.

But then again, that's our story. Resilience. Our ability to recover from adversity; to meet challenges head on and to seize the opportunities they present. That resilience is born out of a deep commitment to what we do – manage perhaps the most strategic asset the country has. We know that our country depends on us to meet its demand for electricity, day in, day out. And we care deeply about that. So when adversity rears its head, our resilience comes to the fore even more. That's who we are. That's what we are. Resilient.

TABLE OF CONTENTS

2016 CORPORATE PERFORMANCE

INDICES	MEASURE OF SUCCESS	TARGET	PERFORMANCE
Improve Financial Performance	Profit After Tax/Net Income	**$27.0M**	**$34.0M**
	Improved Working Capital	Current Ratio of **1.7**	**1.8**
Increase customer value and stakeholder satisfaction	Fuel Efficiency	**4.27** kWh/litre	**4.32** kWh/litre
	SAIDI (system average interruption duration index)	**7.84 hours**	**7.27 hours**
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items - **85%**	**86.9%**
Improved Cost Effectiveness of Energy Supply	Adding Solar PV to the generation portfolio	75kW PV system commissioned by March 31, 2016 + 1MW Utility Scale PV 50% completed by December 31, 2016	**Target Met**
	Adding Wind to generation portfolio	Definitive agreements in place by November 30, 2016	**Wind Studies completed by June 30, but agreements not completed**
	Own use reduction	Commission one set VFDs by June 30, 2016 + 50% completion on a second at CDS by December 31, 2016	**Target Met**
Reduction in System Losses	System Losses	**7.55%**	**7.52%**
Effective Leadership & Management	Employee Engagement Levels	90% of Managers with performance goals tied to the development of Direct Reports + 5 point increase in Leadership component of Employee Survey Results	**90% of Managers with performance goals tied to the development of Direct Reports**
Motivated, Skilled & Customer Centric Employees	Employee Engagement Levels	80% of employees with performance goals linked to strategy + 80% of employees with formal skills development plans by December 31, 2016	**Target met**

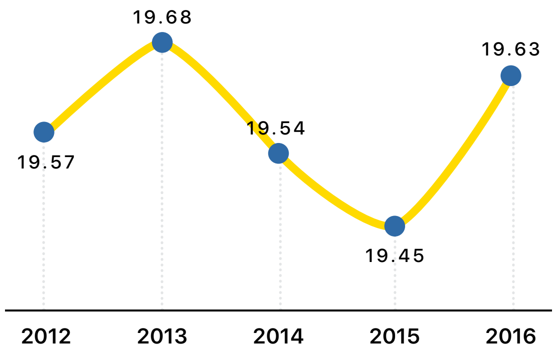
2017 CORPORATE TARGETS

INDICES	MEASURE OF SUCCESS	TARGET
Improve Financial Performance	Profit After Tax/Net Income	**$28.0M**
	Improved Working Capital	Current Ratio of **1.6**
Increase customer value and stakeholder satisfaction	Fuel Efficiency	**4.3** kWh/litre
	SAIDI (system average interruption duration index)	**7.18 hours**
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items - **86%**
Efficient & Aligned Core & Supporting Processes	Business Process	Completion of As-Is Maps for all Company Processes by June 30, 2017 + Analysis of all Company Processes by September 30, 2017
Proactive Risk Management Process	Risk Management	Rollout Enterprise Risk Management (ERM) policy statement. Development & Communication of the ERM framework. Understanding Risk ID & assessment & the use of the Risk Register by HODs + Training of G9 in Risk ID & Use of Registers.
	All Injury/Illness Frequency Rate[1]	**1.54**
Reduction in System Losses	System Losses	**7.4%**
Motivated, Skilled & Customer Centric Employees	Employee Engagement Levels	Development of Post Engagement Survey Action Plan (by February 28th, 2017) + Implementation of Post Engagement Survey Action Plan

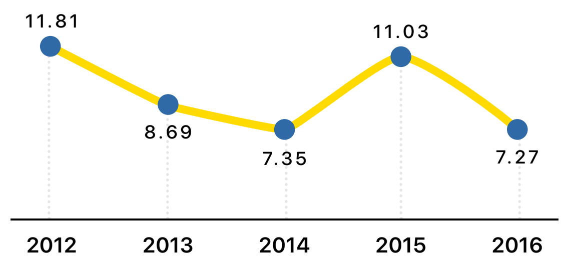
[1] (No. of Fatalities + No. of Lost-Time Injuries + No. of Medical Treatment Injuries)* 200,000/Exposure Hours.
This is a new measure of success which will ensure that safety is considered as being important in all aspects of our operations.
The target has been set using LUCELEC 10 year historical data and international industry standards.

5 YEAR OPERATIONAL & FINANCIAL PERFORMANCE

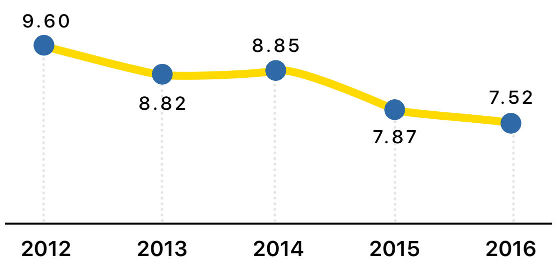
Fuel Efficiency *(kWhs/Imp. Gallon)*



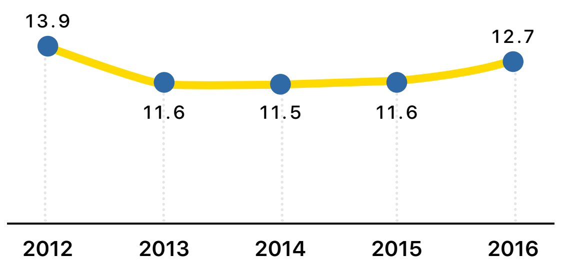
SAIDI *(Hrs)*



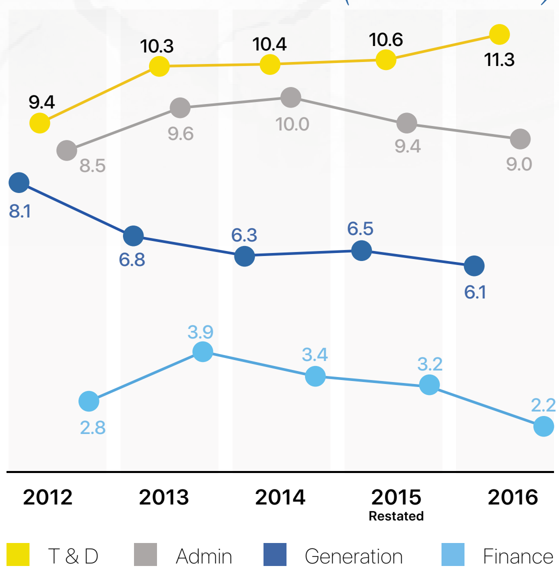
System Losses *(%)*



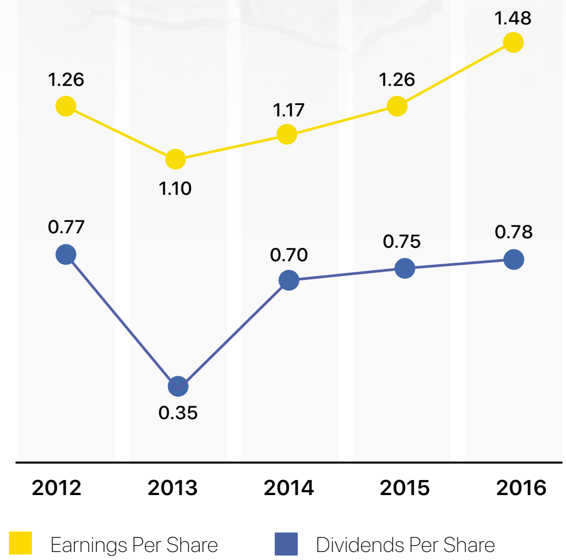
Return on Equity *(%)*



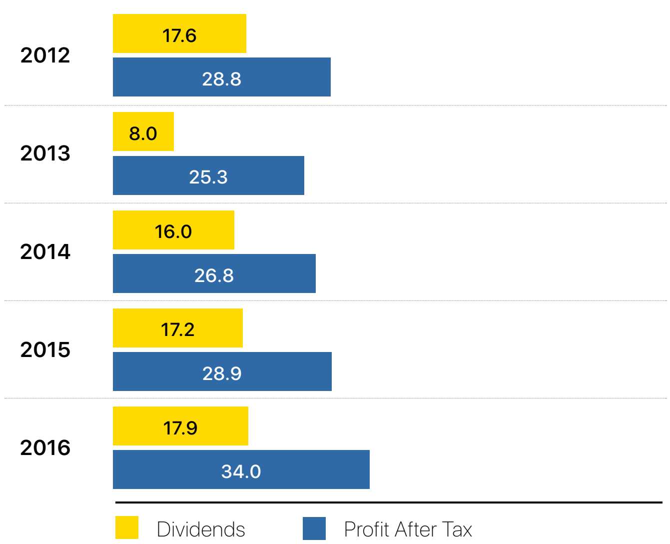
Cost Per Units Sold *(EC Cents)*



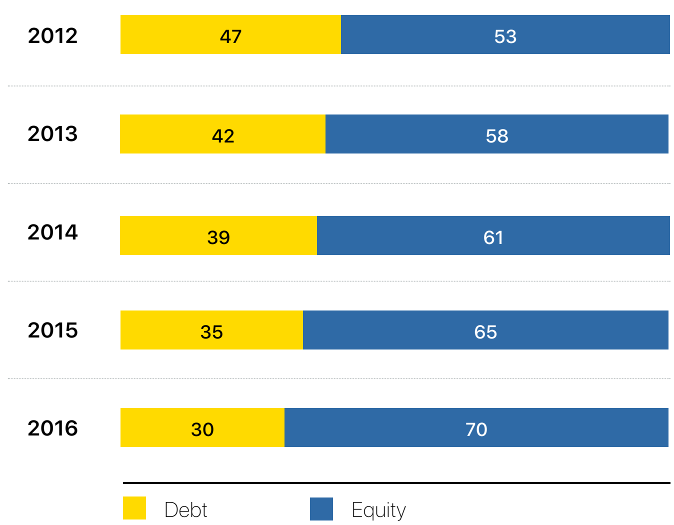
Earnings & Dividends Per Share *(EC$)*



Dividends / Profit After Tax *(EC$ Millions)*

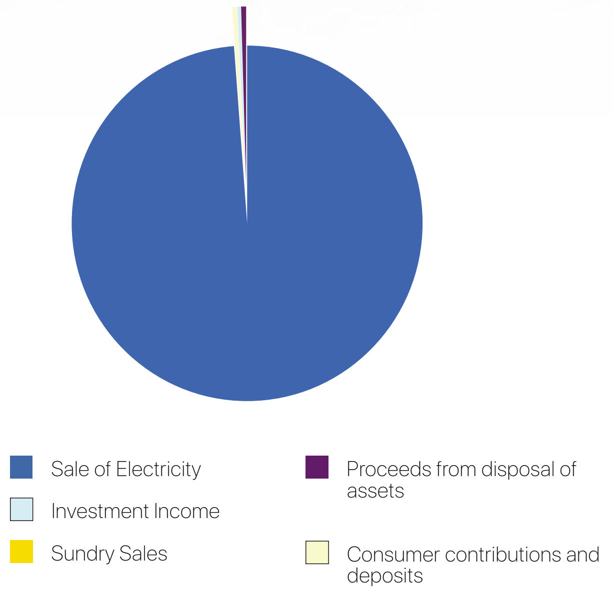


Debt / Equity Ratio



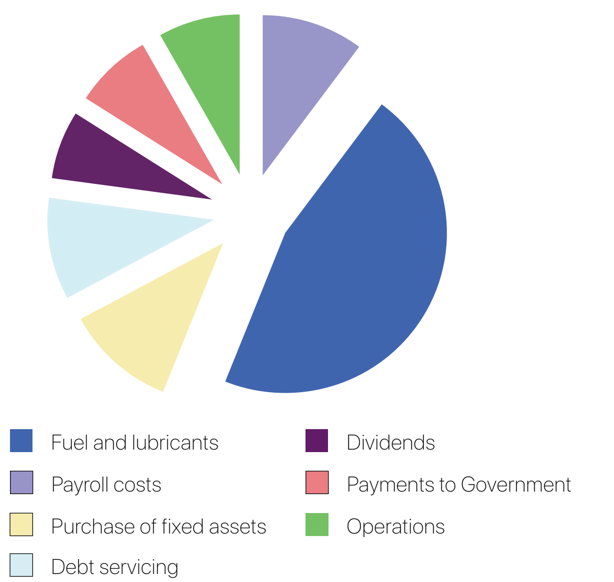
2016 FINANCIAL HIGHLIGHTS

WHERE THE LUCELEC DOLLAR CAME FROM



	EC$ ('000)	EC cents
Sale of Electricity	264,792	98.8
Proceeds from disposal of assets	13	0.0
Consumer contributions and deposits	1,150	0.4
Investment income	894	0.3
Sundry sales	1,238	0.5
	268,087	**100.0**

HOW THE LUCELEC DOLLAR WAS SPENT



	EC$ ('000)	EC cents
Payroll costs	26,399	10.2
Fuel and lubricants	118,988	45.9
Purchase of fixed assets	28,771	11.1
Debt servicing	25,915	10.0
Dividends	17,856	6.9
Payments to Government	20,220	7.8
Operations	21,214	8.2
	259,363	**100.0**

CHAIRMAN'S MESSAGE

2016 may eventually be looked back on as a year of major adjustments, locally and internationally. Internationally, the world was coming to grips with the new realities of the oil and energy markets, climate change imperatives, and ushering in new and very different political and economic dynamics in Europe and the United States. Locally, we had our own change in administration and given our vulnerabilities economically and with climate change, we had to consider and prepare for the new dynamics of the global economy and climate change rules of engagement.

St. Lucia Electricity Services Limited (LUCELEC) was also busy making its own adjustments to the aforementioned local and international issues, changes taking effect in the regulatory framework, as well as responding to operational challenges that put our well known resilience to the test.

Industry Overview - International

2016 saw the continuation of the price war between OPEC and US shale oil. Oil prices bottomed out at US$26 per barrel in February 2016, but had more than doubled by year end. A decision by OPEC towards the end of the year to cut production from January 1, 2017 contributed to oil prices trending upwards. This decision was also seen as a victory for US shale oil producers who had survived the period of depressed oil prices by becoming more efficient.

In a December 20, 2016 article on Forbes.com David Blackmon noted that by the end of 2016 some companies were reporting that they were "now able to drill and complete new wells at half the cost of 2014 levels, due to lower service provider rates, shorter drilling times, and impressive gains in process efficiencies"[2].He suggested that it was yet another example of oil and gas companies "overcoming diversity through process improvements and the development and deployment of better technologies"[3].

In the electric utility industry, 2016 saw the continued push to update aging infrastructure and develop smarter grids, improve disaster response, better integrate distributed energy resources into the grid, and making commensurate improvements in regulation to cater to and manage these changes.

Industry Overview – Local

At the local level, the changes in the price of oil were reflected in lower electricity rates as LUCELEC's fuel price hedging adjustments took effect.

In the electricity and energy sectors the transition continued. The process can trace its roots to the development and acceptance of a National Energy Policy in 2010 which set the parameters for the development of the energy sector and the first major targets for renewable energy penetration – 20% by 2020. That target was subsequently revised in 2014 to 35%. Since then, a tremendous amount of work has been undertaken by LUCELEC, the Government of Saint Lucia, and various support agencies to develop and define a framework for this energy transition to take place.

In that regard, the National Utility Regulatory Commission (NURC) was established in December 2015 and has replaced the Government of Saint Lucia as the regulator for the electricity and water sectors. But although the primary legislation to give the NURC the requisite authority over the Company's electricity business has been introduced, the supporting regulations and similar legislation to replace the Electricity Supply Act and related regulations are still being developed.

Notwithstanding, collaboration between the Government of Saint Lucia, LUCELEC and the Clinton Climate Initiative (CCI)[4], and with input from the public, led to the development of a National Energy Transition Strategy (NETS) that provides a roadmap for transitioning the electricity sector from almost 100% diesel generation to include indigenous renewable sources of energy such as solar, wind and geothermal without compromising grid stability.

Challenges

Unfortunately, Major renewable energy projects designed to progress that transition were delayed due to challenges with land acquisition, the permitting process, and the inevitable uncertainties or policy adjustments that come with changes in political administrations. It will be necessary for the Company to develop appropriate strategies for overcoming these hurdles to reduce the uncertainties that such delays give rise to.

Another major setback were the challenges experienced with the main administrative and customer service office at Sans Souci, eventually resulting in its subsequent closure for major maintenance. The adjustments to customer operations and staff relocations tested the Company's business continuity systems in ways it had never experienced before.

In the midst of these adjustments came Tropical Storm Matthew, and the Company's well-earned reputation for post-disaster came to the fore once again. Although, I have done this in another forum,

[2] The Oil And Gas Situation - 2016 Year In Review David Blackmon, December 20, 2016 http://www.forbes.com/sites/davidblackmon/2016/12/20/the-oil-and-gas-situation-2016-year-in-review/#4caf1dab1065

[3] Ibid

[4] An initiative of the Clinton Foundation and Rocky Mountain Institute-Carbon War Room (RMI-CWR)

I want, on behalf of the Board of Directors, to again commend the management and staff for the tremendous service they provide to the country in that regard.

Company Performance

It is against this backdrop that the Company's overall performance for 2016 is particularly commendable. Electricity sales increased by 3.2%. The Group's Profit after Tax increased by 17.6% to EC$34.0M. Earnings per share for the year was EC$1.48, an increase of 17.5% over the prior year. The Group achieved a Return on Equity of 12.7% (2015 – 11.6%). And the Company achieved target or better on 9 of its 11 corporate performance indicators. Again, my commendations to the management and staff for their commitment and resilience in the face of so many mitigating circumstances.

Governance

2016 also saw a changing of the guard of sorts at the level of the Board of Directors. I came in as Chairman, having succeeded Dr. Trevor Byer, who retired from the Board after 7 years as Chairman. On behalf of the Board, Management, staff and minority shareholders whom he represented, I extend our heartfelt gratitude for his service and the foundation he helped to lay for Board Governance and the Company's transition into the new operating environment. The Board also lost the services of five Directors and welcomed their replacements. I take this opportunity to express our sincerest appreciation to all these Directors who have moved on, for their service to the Board and the valuable contributions they made to our deliberations during their tenure. We wish them well in their various pursuits. The new Directors have fallen in step very quickly and we welcome their respective areas of expertise and perspectives to the Board's discussions.

Outlook for 2017

2017 is expected to be "the slow path to recovery"[5] for the oil and gas industry. And for electric utilities the period of transformation will continue. Expectations from regulators, customers, and other stakeholders will continue to mount and with that, likely increases in cost for utilities unless emerging regulatory structures, business models and technologies provide new and additional tools to help manage these costs[6].

The outlook for LUCELEC is no different. Significant resources will be expended in pursuing the introduction of solar and wind renewable energy technologies into the grid, upgrading the transmission and distribution system, modernizing the grid with information and communications technologies, improving capacities to protect against cyber risks as the grid is increasingly digitised, and refining our business processes.

As new distributed energy resources, from solar photovoltaics (PV) to energy storage to electric vehicles, become more widespread, the Company is seeking opportunities to tap into these resources to balance the grid, improve efficiency, boost reliability and resilience, and defer or avoid some of the cost of investment in new generation, transmission and distribution assets in the medium term.

There is no doubt that the operating environment is becoming increasingly challenging. But as we have shown in the past, we are resilient and adept at overcoming diversity. We will continue to do so through process improvements, the deployment of better technologies, hard work and dedication, as we seek to meet the needs of our stakeholders, while ensuring that the Group remains a viable entity for the foreseeable future.

Stephen McNamara
Chairman

[5] **Deloitte's 2017 Oil and Gas Outlook, a take from John England.** https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/us-er-2017-oil-and-gas-industry-outlook.pdf

[6] **Deloitte's 2017 Outlook on Power and Utilities | My Take: Scott Smith.** https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/us-er-2017-power-and-utilities-industry-outlook.pdf

BOARD OF DIRECTORS

Stephen McNamara CBE
Chairman
Stephen McNamara was called to the Bar at Lincoln's Inn, and in Saint Lucia in 1972. He is the senior partner of McNamara & Company, LUCELEC's external legal advisors. Mr. McNamara was made a Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for public service and services to the legal profession. Also in 2015 he was awarded an honorary doctorate from the University of the West Indies for his outstanding achievements and contribution to the region in the areas of business, sport and general philanthropy for more than forty years.

Mr. McNamara was appointed to the Board of Directors of St. Lucia Electricity Services Limited on October 27, 2005, representing minority shareholders and was appointed Chairman of the Board of Directors on January 1, 2015. Mr. McNamara is also Chairman of the Board's Governance Committee and a member of the Human Resource Committee.

Trevor M. Louisy, Acc. Dir.
Managing Director
Mr. Louisy was appointed to the Board 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.

Leslie Prospere
Mr. Leslie Prospere was appointed to the Board of Directors on September 9, 2016 by the Castries Constituencies Council (CCC). Mr. Prospere is an Attorney at Law by profession with almost fifteen (15) years' experience, holding an LLB (Hons.) degree from the University of London. He is a Partner with the law firm of Gordon & Gordon Co., and is a member of the Governance Committee.

Ms. Sharon Christopher Acc. Dir.
Ms. Sharon Christopher, the CEO of Sharon Christopher and Associates, is a leadership development coach and a motivational speaker. Ms. Christopher was appointed to the Board by Emera (St. Lucia) Limited on May 13, 2016. Ms. Christopher holds an LLB (Upper Second Class Honours), 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.

John Joseph
Mr. Joseph is a consultant and regional associate consultant with Water and Waste Water Solutions of Canada (WWWS) specializing in the utilities sector. He has an MBA (Corporate Finance) from Fairleigh Dickinson University and a BSc degree in Economics (Upper Second Class Honours) from the University of the West Indies as well as over thirty (30) years' experience in the utilities sector. Mr. Joseph was appointed to the Board of Directors in January 2016 where he represents minority shareholders. Mr. Joseph is the Chairman of the Strategic Planning & Investments Committee and a member of the Audit Committee.

Roger Blackman

Mr. Roger Blackman was appointed to the Board on March 19, 2016 by Emera (St. Lucia) Limited. Mr. Blackman is a member of the Strategic Planning & Investments and Audit Committees. Mr. Blackman is a Mechanical Engineer by profession and holds a BSc in Engineering degree from the University of the West Indies, St. Augustine Campus and an MBA from Durham University, UK. He is also the Managing Director of Barbados Light & Power Company Limited.

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 (with Specialism in Finance) from the Edinburgh Business School of Herriott Watt University. Mr. Mathurin is a member of the Board's Audit Committee and Strategic Planning and Investments Committees.

Charles Serieux

Mr. Charles Serieux was appointed to the Board of Directors on December 2, 2016 representing minority shareholders. Mr. Serieux is a Fellow of the Chartered Association of Certified Accountants and a member of the Institute of Chartered Accountants of the Eastern Caribbean. He has been the Managing Director of Ultramart Inc. chain of supermarkets since 2003.

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.) degree 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 Acting Chief Executive Officer of First Citizen Bank (Barbados) Limited. Mrs Jn. Marie is the Chairman of the Board's Audit Committee and a member of the Human Resource Committee.

Nicholas John

Mr. Nicholas John was appointed to the Board of Directors on August 23, 2016 by the Government of Saint Lucia (GOSL). Mr. John is an Attorney at Law by profession with almost forty (40) years' experience, holding an LLB (Hons.) degree from the London School of Economics. He is the principal with the law firm of Nicholas John & Co., and the Managing Director of the Hewanorra Fiduciary Services Group. Mr. John is a member of the Strategic Planning & Investments Committees.

Karen Darbasie

Ms. Karen Darbasie was appointed to the Board on May 13, 2016 by First Citizens Bank Limited. Ms Darbasie is the Group Chief Executive Officer at First Citizens Bank. She holds a BSc (Hons.) degree in Electrical Engineering from the University of the West Indies, an MSc with distinction in Telecommunications and Information Systems from University of Essex, England and an MBA with distinction from University of Warwick, England. Ms. Darbasie is a member of the Strategic Planning & Investments and Governance Committees.

DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2016.

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 51st Annual Shareholders Meeting were:

Non-Executive Directors:

- Mr. Stephen McNamara
- Mr. Matthew Lincoln Mathurin
- Ms. Sharon Christopher
- Mr. Roger Blackman
- Mr. Leslie Prospere
- Mr. Nicholas John
- Mr. John Joseph
- Mr. Charles Serieux
- Ms. Karen Darbasie
- Mrs. Carole Eleuthere-Jn Marie

Executive Director:

- Mr. Trevor Louisy

Financial Results

The Company sold 348.2 million kWh of electricity, a 3.2% increase over the previous year attributable to increased energy consumption in nearly all sectors. Total revenues were EC$261.9M, a 16% reduction from the previous year, mainly attributable to lower tariffs caused by reductions in fuel prices.

Net profit for the year was EC$34.0M, an increase of 17.6% over the previous year. The Company achieved Earnings per Share of EC$1.48, an increase of 17.5% over 2015 (EC$1.26).

Capital expenditure during the year amounted to EC$28.8M comprising mainly engine overhauls, improvements to the Transmission & Distribution network and continuation of the Automated Metering Infrastructure Project.

Dividends

The Board of Directors declared a total dividend of $0.78 per ordinary share for 2015. The Company paid an interim dividend in December 2016 of $0.39 per ordinary share.

In 2017, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2016 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 August 2016, Directors attended the annual Strategic Planning Session with Executive Management to discuss the continued strategic positioning of the Company to meet future financial, technical and regulatory challenges.

In August 2016, the Board also conducted its Annual

Board Evaluation exercise. The primary focus of this session was to examine the existing governance structure of the Company, the improvements made since the introduction of the Annual Board Evaluation exercise in 2012, the conduct of a gap analysis with a view to identifying areas in need of improvement and to develop a plan for these. 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 2016 internal training for the Board covered areas related to effective implementation and oversight of the Company's Strategic Business Plan.

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, 2016 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

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

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

GOODWIN D'AUVERGNE
Chief Engineer
BSc (Electrical Engineering), MBA (Finance)

IAN PETER
Chief Financial Officer
BSc (Management Studies), FCCA

FRANCIS DANIEL
Manager Strategy Development and Implementation
BSc (Electrical Engineering), MPM (Project Management)

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

GILROY PULTIE
Business Process Support Manager
BSc (Electrical & Computer Engineering), MBA (Finance)

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

WYNN
ALEXANDER

Information Systems Manager
BSc (Computer Science), M. Eng. Internetworking, Dip. Financial Management, Dip. Business Administration, PMP

JENNIFA
FLOOD-GEORGE

Customer Service Manager
BSc (Management Studies/ Psychology)

ROGER
JOSEPH

Corporate Communications Manager
MA (International Communication & Development), Dip. Mass Communication

GILLIAN
FRENCH

General Counsel/Company Secretary
LLB (Hons) LEC MRP (Telecommunications), Acc. Dir., ACIS

ZIVA
PHILLIPS

Finance and Accounts Manager
BSc (Economics and Accounting), FCCA

CALLIXTA
BRANFORD

Internal Audit Manager
CPA, CGA

MIGUELLE
JAMES

Human Resource Manager Designate
BSc (Psychology/Social Policy Administration), MSc (Human Resources)

MICHAEL
THOMAS

Transmission and Distribution Manager (Ag)
BSc Electrical & Electronics Engineering, Cert. Electricity Distribution, ABCP

CORNELIUS
EDMUND

Planning Manager (Ag)
MSc (Electrical Engineering - Systems and Networks), Fellow of the Association of Professional Engineers of Saint Lucia, Registered Professional Engineer, Saint Lucia

SUZETTE
HENRY-CAMPBELL

Human Resources Advisor
(from June 1, 2016)
BA (English), MSc (Human Resource Management), MSc (Conflict Analysis and Resolution)

OPERATIONS REVIEW

CORPORATE PERFORMANCE

The St. Lucia Electricity Services Limited (LUCELEC) continued to pursue the overall objectives of its 2020 strategic vision aimed at improving operational excellence and diversifying revenue streams. The strategic themes of System Enhancement, Corporate Diversification, Human Resource Development, Cost Optimisation and Management, and Customer Care all remained relevant and were fundamental to the work programmes executed by the various business units.

At the end of December 2016 the Company had met or exceeded nine (9) of the eleven (11) targets set at the beginning of the year and achieved the threshold performance in the other two (2). The overall corporate performance score improved by 46.41% points over 2015.

Targets were met or exceeded in Profit After Tax, Improved Working Capital, Customer Satisfaction, Fuel Efficiency, Reliability (SAIDI), System Losses, and Own Use Reduction. The target for adding Solar PV to the generation portfolio was achieved when a 75kW PV System was installed at Cul Dec Sac and just over 50% of the scope of work associated with the utility grade 3 megawatt solar project earmarked for La Tourney Vieux Fort was completed. The target was also achieved for the aspect of employee engagement that supports motivated, skilled and customer centric staff.

The Company achieved threshold performance for adding wind to the generation portfolio when wind studies were completed during the first half of 2016, but was unable to progress this initiative any further due to circumstances outside the control of the organization. Threshold performance was also achieved for effective leadership and management.

Generally, the Company's improved corporate performance is attributable to training that strengthened understanding of the strategic planning process, efforts to keep all staff focused on outcomes, attention to monitoring results, the improved productivity of cross functional teams, and the overall effort throughout the organization.

In 2017 there will be even greater focus on efficiency through business process improvements and cost optimization.

OPERATIONAL PERFORMANCE

The operating environment for the Company in 2016 was similar to the previous year in some respects - sluggish economy, lower fuel prices, and changes in the regulatory framework. 2016 also saw a change in administration at the political level. The inevitable uncertainties or shifts in government policy had implications for the Company's renewable energy and energy efficiency thrusts. Throw in the forced closure of the Company's main administrative building from mid-September for major maintenance and a tropical storm which cut off power to 70% of customers shortly after, and a picture emerges of a fairly challenging year for the Company. And that is the context for the Company's performance in 2016.

Technical Operations

Despite the challenges on numerous fronts, the performance of the Technical Division (Operations) was outstanding in that all three (3) corporate targets (Fuel Efficiency, System Reliability and System Losses) were met or exceeded.

Specific fuel consumption of 4.32 kWh/litre was at stretch performance vs. the target of 4.29 kWh/litre. Adjusted System reliability (SAIDI) using the IEEE (Institute of Electrical and Electronics Engineers) Beta method was 7.27 hours vs. the target of 7.80 hours and again, stretch performance was achieved. The adjustment in SAIDI was necessary due to the passage of Tropical Storm Matthew in late September.

System Losses (the lower the figure the better) performance of 7.52% was achieved vs. the target of 7.55% .

Major overhauls were completed on two of the generators (CDSPS #6 and #9) at the Cul De Sac facility. The successful implementation of the Generation Department's routine maintenance programme and revised operating regime for the engines contributed significantly to system stability and reliability. The combined effects of these measures resulted in an excellent generation reliability performance (SAIDI Gen) of 0.15 hours, far better than the 2.63 hours recorded in 2015.

Other major maintenance on the engines included repairs to the ventilation systems on CDSPS #6, the installation of new fuel meters on CDSPS #8 and #9, upgrading the excitation systems on CDSPS #6 and #7, and the installation of Variable Frequency Drives (VFDs) on CDSPS #6 to reduce own use consumption.

The Transmission & Distribution (T&D) system continued to be impacted by electricity theft and the almost inevitable storms (in this case Tropical Storm Matthew) which inter alia caused flooding of the Union Substation and major disruptions on the primary (11kV) and secondary (415/240V) distribution systems. Staff exemplified the resilience that has become the Company's hallmark in these difficult circumstances, restoring electricity to the 70% of customers affected and returning the substation to normal operations in 24 hours. The automatic de-energisation device that had been installed in the substation to shut off the power supply in the event of flooding functioned well and contributed to the speedy recovery as did the use of sandbags to limit water ingress into the Substation.

Notably, there were no trips on the transmission (66kV) network during the passage of the tropical storm. This can be attributed to the proactive efforts to maintain the robustness of the 66kV Transmission System plus an effective vegetation management programme.

The primary (11kV) and secondary (415/240V) distribution networks were reinforced by changing out degraded poles and replacing insulators on the East Coast with those more resistant to sea blast.

Repairs at the Castries Substation (CSS), part of which had been decommissioned for over one year, was also completed and the substation fully reinstated.

Deployment of AMI (smart) meters which contributed significantly to the reduction in System Losses continued and to date over 60,000 smart meters (approximately 88% of the meter population) have been installed. And all supervisors in the Transmission

& Distribution Department completed training in Live Line Supervision as the Company continues to seek improved efficiencies.

After an extensive tendering process and contract negotiation period the SCADA replacement contract was signed with the vendor early December 2016. The new SCADA System is expected to significantly improve reliability and operational efficiencies over time by leveraging a whole new ensemble of advanced capabilities that will position the Company to transition to the Smart Grid.

During 2016 a state–of-the-art travelling wave fault location system was successfully installed and commissioned on the southern transmission ring. The system provides more precise location of faults on the 66kV transmission lines enabling faster commencement of repairs.

The Company also replaced its fibre optic communication system connecting the substations to the System Control centre. This new communication backbone is essential to the operation of critical systems and is more than a thousand times faster than the old system. The significantly increased bandwidth will also allow the Company to leverage improvements in technology to enhance functionality in many areas including IT and AMI.

Improvements were also made at the Vieux Fort Substation to enable remote configuration of relays from Cul De Sac, eliminating the need to drive to Vieux Fort to make such adjustments. Similarly, the Geographic Information System (GIS) was improved to provide more detailed information on every piece of infrastructure and equipment on the network and how they are interconnected. This will form the basis for distribution planning and management, asset management and outage management.

At the Company's Head Office at Sans Souci the main air-conditioning systems failed after more than 20 years in service, resulting in some air quality issues. This prompted the eventual closure of the building in mid-September to replace the units and to carry out other remedial structural works previously planned. During the execution of these works a number of other problems were found that required rectification and this has now pushed the completion date for the repairs on the building to end of March 2017.

For 2017, the technical division will continue its maintenance programmes and upgrades to existing infrastructure and equipment. Two overhauls are planned for engines that have reached 120,000 hours of service (CDSPS #4 and #7). The DCS Engine Monitoring System and the Maintenance Management System for the engines will both be upgraded and modernised. Fuel meters will be installed on the remaining four Wartsila units and an operational audit has been planned.

Reinforcement of the transmission and distribution networks will continue and work crews trained in live line will be stationed in the southern part of the island. Further reductions in System Losses will be pursued through completion of the deployment of AMI meters to enable automatic billing of all customers. A pilot project with pre-paid metering has also been planned.

There are plans as well to replace the 66kV GIS Gas insulated switchgear at Castries Substation as additional leaks have been discovered and, replacement of the switchgear has become necessary.

The SCADA replacement project is due to be completed by September 2017. Funds have been allocated for the installation of a travelling wave fault detection system on the northern 66kV ring and for a protection relay replacement programme with upgrades on the generators at Cul de Sac and on IBTs at various substations. The GIS Server and database will be upgraded as well to allow multiple GIS editors to work simultaneously resulting in considerably reduced times for network changes to be reflected in GIS models.

Upgrades to the drainage and spill containment at the Cul de Sac facility are planned and the Vieux Fort Administrative Office will be renovated.

Additionally, new electric vehicle battery charging infrastructure will be installed at various points on the island to promote E-mobility through the use of electric vehicles.

Business Process Review Exercise

For 2016, the exercise which began in September 2015, focused on the Company's meter-to-cash processes - metering, billing, customer service and collections. This was in keeping with a desire to better align the company structure to achieve operational excellence and efficiencies in pursuit of the Company's business strategy.

A consulting firm with experience in performing analyses of meter-to-cash processes was engaged while LUCELEC staff mapped and analysed some other processes on their own. A total of 118 processes were mapped, 92 of which were analysed, leading to 244 opportunities to improve efficiency and customer service. Efforts at implementing the opportunities that emanated from the analysis of the meter-to-cash processes commenced in the last quarter of 2016 and are expected to move ahead with a lot more momentum in 2017.

For 2017, the mapping of all the other company processes is expected to be completed by the end of the first quarter, while the analysis of all company processes and finalization of a list of all opportunities for improving processes are expected to be completed by the end of the third quarter. A detailed implementation plan for the opportunities identified and budget will also be developed.

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, Excellence in Customer Care, Cost Optimisation and Management, Development of an Enterprise-wide Risk Management System, and Environmental Stewardship.

For 2016, 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)

During the year the System Enhancement Team focused on developing an Integrated Resource Plan to guide investments in the electricity sector. The Team also embarked on various energy efficiency (EE) and renewable energy (RE) projects.

The Rocky Mountain Institute and the Carbon War Room worked with LUCELEC and the Government of Saint Lucia (GOSL) to develop this Integrated Resource Plan (IRP) for the electricity sector. The IRP will provide a least cost plan for transitioning the electricity sector from total diesel generation to one that also utilises indigenous renewable sources of energy such as solar, wind and geothermal energy.

Prior to making the transition to the more indigenous renewable forms of energy LUCELEC sought to improve its energy efficiency. In 2015 the company installed LED lighting at most of its premises. In 2016 the Company undertook more EE projects on its premises including the installation and commissioning of a variable frequency drive for the cooling water system of two of its generators at the Cul De Sac Power Station and the retrofitting of the substations around the island with LED lighting. These projects are aimed at reducing energy consumption at these facilities thus improving the overall energy efficiency of LUCELEC's operations.

During the year in focus LUCELEC continued developing capacity in renewable energy and preparing for the introduction of large scale renewable energy projects in its generation portfolio. In February LUCELEC commissioned a 75 kilowatt (kW) solar PV system at the Cul De Sac facility giving its technical staff first-hand operational data on the installation and operation of solar generators.

Unfortunately, two major renewable energy projects that would have reduced dependence on imported fuels did not fare so well. A 3 megawatt (MW) utility scale solar PV project experienced several hurdles in the permitting process impacting the project timelines. The wind studies for a 12 MW wind farm slated for the Dennery area showed great promise, but the project valued at over US$35 million lost momentum during the third quarter as efforts to secure suitable land proved challenging.

In the coming year LUCELEC will be working to bring these two RE projects to commercial operation. The Company plans to develop a project to harness the waste heat from its diesel based operations for cooling the buildings at the Cul De Sac facility. Additionally the Company expects to be laying the infrastructure for its smart grid and developing project plans for the upgrading and extending of its network that will allow the company to better serve its customers.

Regulatory Reform

In January 2016, two new pieces of legislation gave effect to a new regulatory regime for the electricity sector - the Electricity Supply (Amendment) Act No. 2 of 2016 and the National Utilities Regulatory Commission (NURC) Act No. 3 of 2016.

Whilst robust primary legislation has been introduced to give the NURC the requisite authority as regulator over the Company's electricity business, the supporting regulations and similar legislation to replace the Electricity Supply Act and related regulations have been deferred till 2017. In response to the incomplete legislative framework and in the interest of the electricity sector, LUCELEC has engaged the NURC on pertinent issues and by so doing anticipates a seamless transition when the legislative framework is completed.

The electricity sector is dynamic, not only technically, but also in the area of regulation, as the theories, structures and practices continue to evolve. With this in mind the Company, in October 2016, hosted the University of Florida for a one (1) week session for its staff on rate setting. Staff of the NURC and the Water and Sewerage Company (WASCO) also participated.

Having successfully completed its mandate to educate employees on the impending changes to the regulatory environment, the Company's Regulatory Reform Team's work during 2016 focused on the regulatory aspects of cost management and customer care, working in collaboration with the Cost Optimisation and Management Team and the Customer Care Team respectively.

LUCELEC has always been a regulated company. In the early days, the Company came under the jurisdiction of the Public Utilities Commission (PUC), then the Government of Saint Lucia. Now it's the

National Utilities Regulatory Commission (NURC). Due to its agility the Company has advanced under each regulatory regime and anticipates no changes to its successful track record as a premier utility company in the region.

Customer Care

Whilst 2016 may be remembered for its unanticipated challenges and service disruption for the Company, staff remained steadfast in ensuring that the worst impacts on customers were mitigated. With the support of the Customer Care Team (CCT), the Company exceeded the customer satisfaction performance target with a score of 86.92%, its highest rating to date.

Several customer care strategic initiatives were initiated and successfully completed, while others continued into 2017 at various stages of execution. Initiatives geared towards enhancing the Company's image through the delivery of efficient, reliable, cutting edge, responsive and personalized customer services included the development of a justification paper for the implementation of a call management system, as well as Terms of Reference (TOR) for a consultant to assist with the roll out of the project plan. Initial preparations for the assignment of Key Account Representatives (KARs) to major customers were completed and it is expected that staff appointments to this new position will be made in 2017.

The launch of MyAccount, an online customer self-service facility that allows customers to view bills electronically, review payment transactions and history, and download bill statements and consumption data, has received very positive customer and staff reviews and represents a major enhancement to our service offerings. Additional online services via this and other media are planned for future implementation.

The Customer Service Department completed the soft launch of the Customer Care Transition Plan in November 2016. This culture change initiative will involve several activities including staff retooling, training and development, customer engagement sessions, and other activities designed to embed the Company's core values (Accountability, Caring, Ethics and Excellence). This initiative will serve as the starting point for creating and fostering a "caring" organizational service culture within and across departments throughout the Company, to the benefit of both internal and external customers, now and in the future.

The department engaged in the review and revision of its core business processes in order to identify and eliminate bottlenecks to the delivery of excellent customer care. This process will be ongoing as the focus remains on efficiency improvements and customer satisfaction. The annual customer appreciation celebration in October 2016 was hampered by the closure of the Sans Souci office. However, customers visiting the Company's other customer service offices across the island were treated to the customary creole drinks and tasty treats.

Overall, despite the temporary relocation of staff serving at the Administrative building in Sans Souci, to Cul de Sac and Goodlands in March and September 2016 respectively, staff worked diligently to embrace the challenges and used their creativity and resilience to maintain acceptable performance standards in the circumstances. These experiences have prepared the Company to overcome future difficulties through spirited team work and dedication to achieve the common goal of satisfaction for all.

Corporate Diversification

Operationalizing the Subsidiary Holding Company to aid in growing new sources of revenue was delayed to undertake a market survey to reduce uncertainty in forecasting demand and market positioning for one business opportunity.

Cost Optimisation and Management

During the year work continued on Cost Optimisation and Management (COM), a key objective of LUCELEC's strategic business plan. A communication strategy and plan was completed for this initiative which includes a general awareness education campaign for management and staff. The campaign is expected to be rolled out during the first half of 2017.

Qualified consultants were also invited to submit bids to conduct a companywide cost review exercise identifying opportunities in its operations that can enhance performance through increased efficiencies, reduce costs leading to higher profitability, and to institute the necessary knowledge and culture to ensure that the improvements are fully embedded in the organization. The opportunities and cost savings from this exercise are expected to be incorporated into the Company's financial plans for 2018 and beyond.

Other activities planned for 2017 include soliciting ideas from staff on cost management and operating efficiencies, establishing a system to accept and generate new ideas, developing a framework for the assessment and prioritization of ideas, and establishing a reward and recognition framework for ideas resulting in efficiency improvements.

Human Resources (HR) Strategic Plan

2016 yielded a tapestry of highs and lows that set the tone for 2017. Amidst the challenges which confronted the Company in 2016, the Human Resource Department continued to provide support for the execution of LUCELEC's corporate strategy through its people resources. The focus was on achieving internal deliverables as the Company understood that meeting external demands required tremendous effort from within. It also requires aligning the human capital with strategy and strengthening talent capabilities.

To this end a competency framework defining employee and organisation-wide success in terms of desirable behavioural indicators is being developed. This framework will guide how the Company hires, develops, rewards and retains staff for the 'right fit'. The Company continues to do well but imagine how much more can be achieved with a fully functional competency framework in place. Work with this initiative is ongoing and is expected to be completed by June 2017. To date core competencies have been defined, and values, leadership competencies as well as competencies for the Human Resource Team have been built on.

To enhance the HR service efficiency, processes and workflows are being reviewed to minimise redundancies and unnecessary process steps. A company-wide Business Process Review exercise is currently being undertaken, the results of which will drive amendments to the structural design of the company.

During 2016, a designate for the position of Human Resource Manager was appointed and a development programme to enhance her competencies for this role was initiated. In this vein the HR Team welcomed an HR Advisor to drive the development of the HR Team and provide support with shaping the department's strategic direction. Each team member was exposed to development opportunities during the year to assess and enhance current skill sets to further equip them to meet the challenges of delivering quality HR Management expertise and guidance to the organization during the year and going forward.

The HR Team is taking on 2017 as an opportunity to apply the lessons learned in 2016 and demonstrate its resilience and determination to engage and develop the Company's workforce. Efforts in 2017 will be directed primarily towards Employee Engagement. The Team's mandate will be to ensure that the Company has engaged employees who are happier, healthier and more committed to delivering exceptional business performance. The results of the annual Employee Engagement Survey and the feedback received from staff will be used to formulate an action plan with interventions to address employees' concerns and cultivate better communication and engagement within the organization.

Industrial Relations

During the year talks with both unions representing the staff continued with some progress being realised on both counts. The industrial climate although sometimes tense, has been cordial with all parties. Despite differences in views, all parties are committed towards achieving what would be in the best interest of staff and the Company as a whole.

Working with two separate unions presents a myriad of trials, however. Nonetheless, the Company has remained resolute in its quest to effectively manage the relationship with staff and their agents alike. Progress to date reflects the Company's determination towards finalising both Collective Agreements. The finishing line is in sight with both unions but will require some perseverance and collaboration, and the Company is prepared for this.

FINANCIAL OPERATIONS

The following is an analysis of 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's growth in electricity unit sales continued in 2016 with a 3.2% increase achieved compared to a 1.7% increase in 2015. Increases were recorded in the Domestic (6.6%), Commercial (2.3%) and Industrial (2.9%) sectors while sales declined in the Hotels (0.4%) and Street Lights (0.6%) sectors. The increase in consumption is attributable in part to increased consumption brought on by higher than normal temperatures during the summer months and the resulting increased use of cooling equipment.

Despite the increase in unit sales, the decrease in the average tariff charged to customers for 2016 resulted in a 16.0% (EC$49.9M) reduction in total revenue earned by the Group of EC$261.9M, compared to last year's total revenue of EC$311.8M.

The overall average tariff decreased by 18.5% from EC$0.92 in 2015 to EC$0.75 in 2016, driven by lower fuel prices. The average fuel price per gallon for the year was EC$5.76, compared to fuel cost of EC$8.73 per gallon in 2015. Fuel costs are passed through to customers with no mark up.

Generation costs of EC$21.4M (excluding fuel costs) were lower than the previous year's costs of EC$22.0M by EC$0.6M (2.7%), the net effect of higher depreciation and payroll costs of EC$0.3M and EC$1.1M respectively and reductions in insurance premiums of EC$0.2M and maintenance costs on the generation engines and buildings of EC$1.8M.

Transmission and distribution costs of EC$39.2M increased by EC$3.5M (9.8%) compared to the prior year of EC$35.7M due to increases in depreciation costs of EC$0.7M, payroll costs of EC$1.4M, maintenance costs of EC$0.7M and disaster restoration costs of EC$0.7M.

Administrative expenditure of EC$31.4M declined by EC$0.2M (0.6%) from prior year of EC$31.6M. Reductions in bad debts provision (EC$1.0M), meter reading costs of EC$0.4M, debt collection costs of EC$0.3M, public relations costs of EC$0.2M and professional services of EC$0.1M outweighed increases in payroll costs of EC$1.5M and repairs and maintenance costs of EC$0.3M.

The Group successfully negotiated more favourable borrowing terms resulting in a reduction of Finance costs of EC$3.4M (28.8%) from EC$11.8M in 2015 to EC$8.4M in 2016. The average interest rate incurred for 2016 was 6.7% compared to 8.3% in 2015.

Profit

The Group achieved a Profit before Tax of EC$47.4M which was higher than the previous year's result of EC$40.0M by 18.5%.

The Group's Profit after Tax of EC$34.0M increased by 17.6% over the previous year's achievement of EC$28.9M, due mainly to increased unit sales and reduced finance costs.

Earnings per share for the year for the Group was EC$1.48 (2015 – EC$1.26), an increase of 17.5% over the prior year.

The Group achieved a Return on Equity of 12.7% (2015 – 11.6%). However, the Company achieved a Return on Contributed Capital (Rate of Return) of 13.6% as compared to 11.6% in 2015. 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 9.8% (2015 – 8.2%) and Return on Total Assets was 7.1% (2015 - 5.9%).

Retained Earnings for the Group increased from EC$135.4M to EC$150.5M while the Debt to Equity ratio was 30:70 (2015 – 35:65).

Capital Expenditure

Total expenditure for the year amounted to EC$28.8M (2015 – EC$21.5M) 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 56 days, compared to last year's 57 days (after amounts written off were taken into account). Total trade receivables reduced from EC$49.6M at the end of 2015 to EC$40.7M at the end of 2016. The Group's collection strategy, which involved targeting 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 2016. CariCRIS reaffirmed the Company's credit rating of CariBBB (Adequate).

Risk Management

In keeping with best practice, Enterprise Risk Management continues to be an area of focus for the Group. The group has embarked on the process of establishing an Enterprise Risk Management framework to improve the process for identification of upside and downside risks that can impact the achievement of its corporate objectives. During the year the Company maintained 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

During the year, the Company utilised Fixed Price Swaps and Options as part of its fuel hedging programme strategy. As at December 31, 2016, all hedging contracts had expired and the Company had not entered into any new hedging contracts for 2017.

Shareholders' Equity

The Company's shares closed at EC$24 (2015 – EC$20) resulting in a price to earnings (P/E) ratio of 16.2 times (2015 – 15.9 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, 2016 LUCELEC Cap-Ins Inc. had net assets of EC$30.2M (2015 – EC$28.2M). During the year, funds held in restricted accounts by the Parent Company were transferred to the subsidiary. The fund's investment portfolio comprised regional investment grade securities.

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, 2016, the Company held net assets of EC$0.2M (2015 – EC$0.1M).

Outlook

Electricity sales for 2017 for the Company are forecasted at 355.1 million kWh, 2.0% higher than the 2016 results. Growth is expected in all sectors driven by forecast economic growth. It is anticipated that housing activity will increase, as will commercial activity mainly in the north of the island. Construction of new hotels are also in progress.

The Group remains optimistic about the achievement of performance targets for 2017, fully aware of the uncertainties surrounding the new regulatory framework and the impact of these changes on the operating environment. The Group's focus for 2017 is to invest resources in areas that will allow the Company to become more efficient and effective at meeting the needs of our stakeholders, while ensuring that the Group remains a viable entity for the foreseeable future. The Company will therefore continue 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 2017 include:

- Grow Total Revenue by reducing non-technical losses and the establishment of additional business through the Subsidiary Holding Company.
- Establish a cost optimization & control framework to facilitate cost optimization initiatives through employee engagement and a utility cost review assessment to identify sustainable cost savings opportunities.
- Establish a best practice Enterprise Risk Management System to identify, assess, report and manage risks.
- Accounts Receivables reduction and improved DSO (days sales outstanding)

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 2017, earlier in this report.

CONCLUSION

In 2017 and beyond the electricity industry will operate with new legislation, new licences and a new regulator. As the Company moves 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 seeks to contribute to every aspect of Saint Lucian life, such that through our operations, services and various philanthropic and sponsorship initiatives, we're contributing to building resilience in business, sports, arts, culture, health care, charitable institutions, faith-based and non-profit organisations, and in communities.

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 executed under its Power of Caring brand, and details how, through its various interventions, even as it confronts and responds to its own challenges, this thrust is sustained.

Governance

The Board's dedication to its mission statement "Rooted in the Caribbean, world class in governance" continued to be reflected not only in the completion of the review of the Company's By Law No. 1 but also in its consultative and interactive approach to this project. The process spanned twelve (12) months, engaging each shareholder in submitting their own recommendations, and included a meeting with shareholders to discuss the proposed changes.

Testimony to this dedication to good governance is reflected in the improved By Law and the unanimous passage of all amendments at the Special Meeting of Shareholders held on May 13, 2016.

A Request for Proposals for the development of a Corporate Governance Manual was completed in 2016 and a Consultant will be engaged during 2017 by a tender process, to undertake this exercise. Upon completion it is expected that the corporate governance structures of the Company will be greatly enhanced.

Environmental Responsibility

The Company takes active steps within its operations to minimise impact on the environment. In 2016, the Company achieved its target of zero oil spills, following on a similar performance in 2015. The Company also expanded use of shielded conductors in wooded areas to minimise tree trimming. Where such vegetation management is critical for an uninterrupted supply of electricity to customers, it is done utilising proper methods of trimming and cutting of trees along the transmission and distribution network in a manner that minimises negative impacts on the environment.

The Company also harvests rain water for use at its Cul De Sac facility as well as recycles its used oil so it can be repurposed by commercial entities. Through our timely transformer refurbishment programme, we ensured that oil filled transformers were adequately maintained to avoid spillage at the substations and on the distribution network due to excessive corrosion.

And of course, the Company's energy efficiency and renewable energy efforts in solar and wind, described in detail earlier in this report, all have at their core minimising its carbon footprint.

The Group, through the LUCELEC Trust Company Inc. 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), 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 Forestry Department to reinforce and stabilise river banks and mangroves 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 provided assistance to a myriad of organisations targeted at increasing economic activity, improving education and educational facilities, and supporting the more vulnerable in the society. Information on of some of the sponsorships and donations made during 2016 are provided below.

Tourism

LUCELEC's support for tourism related initiatives stem from the appreciation of the vital role that the sector plays as one of the main drivers of economic activity in the country. LUCELEC supported events at the local level that help develop and nurture the industry such as staff recognition awards at the various tourism enterprises, the Chefs in Schools Programme, and the National Tourism Public Speaking Competition. The company supported as well events that help bring international recognition and acclaim to St. Lucia and help drive the island's overall tourism promotional and development efforts such as the participation of Saint Lucia's culinary team to Taste of the Caribbean Culinary Competition, the Atlantic Rally for Cruisers (ARC) and the St. Lucia Jazz and Arts Festival. As 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 LUCELEC helps ensure that the festival achieves its objectives.

Business

Beyond meeting the electricity demand for business, LUCELEC's energies are also directed at supporting initiatives that seek to develop and grow the private sector, especially in the push towards international standards of product and service excellence. In 2016, the Company was a leading sponsor of the St. Lucia Manufacturers' Association Quality Awards Programme and the St. Lucia Chamber of Commerce Industry & Agriculture's St. Lucia Business Awards. The Company also assisted the Association of Management Consultants with the hosting of its 2016 CICM Conference in St. Lucia.

Education

LUCELEC believes that education is the primary means of building country's resilience to the mounting challenges it faces, and a significant component of the sponsorships and donations the Company makes is directed towards support for education. This includes improving educational infrastructure, supporting educational programmes and campaigns that seek to provide diverse experiences to students, and helping to ensure that students can achieve their maximum potential.

In 2016 LUCELEC assisted with the National Awards for Excellence that rewards academic performance, the National Schools' Science and Technology Fair, annual graduation ceremonies and sports meets at schools at all levels of the education system, the Francophonie Spelling Bee competition in celebration of the International Francophonie Day, the OneWorld Schoolhouse Foundation's Third Annual Rainforest of Reading Festival, the University of the West Indies' 2016 Country Conference, and Laborie Boys Primary School's workshops with parents to improve the students' literacy.

The Company also supported educational immersion programmes for students studying French and Spanish at the St. Mary's College and the Sir Arthur

Lewis Community College, and the participation of a St. Lucian student in the Student Programme for Innovation in Science & Engineering (SPISE) – a 4 week resident programme at the Caribbean Science Foundation where participants get the opportunity for hands-on laboratory project work in electronics and robotics.

LUCELEC was also a major sponsor of the Junior Achievement Company Programme at the Choiseul Secondary School and with the Company's help the school captured awards for Company of the Year, and National Achiever of the Year. The Company also assisted the school in ensuring that its winning team was able to attend the Junior Achievement Company of the Americas Competition in South America.

And in the area of improving educational infrastructure, LUCELEC refurbished the library at the Grace Combined School, and installed security gates at the Lady Gordon Opportunity Centre's auditorium.

Arts & Culture

LUCELEC continued to be an active supporter of Arts and Culture as the Company sought to contribute not only to the propagation of St. Lucia's culture, but also to provide critical support to the development of cultural products to help jump start the country's fledgling cultural industries. The Dunstan St. Omer Art Foundation received support for its production of a celebration of Saint Lucia's national flag. Kiddicrew Theatre Company got assistance with it production of Roderick Walcott's "Papa Diable, The Devil at Christmas". The Cultural Development Foundation's Summer of the Arts Workshop and Dove Productions' Caribbean Youth Film Festival both received funding assistance from LUCELEC.

The Company also supported the Carnival Planning Management Agency and various bands with their respective contributions to the 2016 Carnival Season. Similarly, support was provided to the Calypso Management Committee and De Soca-Lypso Revue for the 2016 National Calypso Season.

And the communities of Belle Vue, Choiseul, Gros Islet, Jacmel, and Anse La Raye all received assistance in staging celebrations for Jounen Kwéyòl.

Sports

Support for sports is another area that LUCELEC pays great attention to. The Company assists clubs and associations with participation in and the hosting of local, regional and international tournaments. It assists individual schools and the education districts with putting on their respective annual meets as well. The overall aim is to contribute meaningfully to the development of sport on the island and to provide avenues for young people to develop their respective talents and to excel.

At the club level in 2016 the Company assisted the Rockets Athletics Club, Pace Setters Athletics Club, Elite Track and Field Club, Seajays Swim Club, Lightning Aquatics, Saint Lucia Moto X Club, Vide Boutielle Cultural Club, and the Mon Repos Youth and Sports Council to host events locally, participate in regional championships, and host awards ceremonies.

Similar assistance was provided to national associations such as the St. Lucia Amateur Building & Fitness Association, Saint Lucia Amateur Swimming Association, St. Lucia Taekwondo Federation, St. Lucia National Netball Association, St. Lucia Rugby Football Union, Saint Lucia Basketball Federation, National Cricket Umpires Association, and the Saint Lucia Volleyball Association.

LUCELEC also continued its support for the Castries Football Council Youth Football Tournament. Since the competition began eight years ago, LUCELEC has helped the tournament grow to include fifteen (15) youth clubs and competition in four divisions.

LUCELEC also teamed up with the St Lucia Zouks team to support the Caribbean Premier League T20 tournament as well as assisted with the Saint Lucia's Special Olympics Team's participation in the Special Olympics World Winter Games 2017 in Austria.

Youth At Risk/Youth Development

Several interventions to assist youth at risk were supported during 2016. 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. Sports Academy St. Lucia was also assisted to meet the costs of at-risk-children attending Sports for All sessions. 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, 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 National Community Foundation received 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, Saint Lucia Glaucoma Association, 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.

The Company also teamed up with other corporate entities to raise awareness of health issues such as cancer awareness walks organised by CIBC First Caribbean International Bank and Massy Supermarkets, and HTS/Radio 100's Strut For A Cause.

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 Kiwanis Club of Castries, Friends of the Mentally Challenged Inc., and some of the homes for the elderly - the Marian Home, and the St. Lucy's Home. All of them benefited from LUCELEC support during 2016.

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

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

Community

LUCELEC supports community initiatives and festivals, 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.

The Company also lent its support to the Micoud Brethren Assembly with its annual vacation bible school for under privileged children in the community, as well as the libraries in Marchand, Canaries, and Anse La Raye with their Christmas outreach programmes.

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.

Team Lighthouse comprising staff from the Company's southern offices also continued their Breakfast Always Matters (BAM) and Give Lunch A Day (GLAD) programmes to fund and deliver breakfast and lunch to needy school children in addition to working with the St Vincent de Paul group to feed the sick and shut in Micoud at least twice a year.

Conclusion

LUCELEC's corporate social responsibility thrust is driven by the Company's deep commitment to what we do and who we are. We know that our country depends on us to meet its demand for electricity, day in, day out, and to contribute meaningfully to our communities. And we care deeply about that. That's what drives us in our quest to be the energy that powers our nation's success.

THE YEAR IN PICTURES

LUCELEC, the GOSL and the Carbon War Room sign an agreement for the development of an Integrated Resource Plan (IRP) to map out a National Energy Transition Strategy that includes renewable energy

Potential Bidders for 3-MW Solar Farm on mandatory Site Visit

Public Consultation in Dennery on the proposed 12MW Wind Farm

Public Consultation on the development of the National Energy Transition Strategy (NETS)

LUCELEC Staff undergo training in Process Mapping

Resilience sometimes requires super human abilities

LUCELEC Recognises its Top Performers at its Annual Staff Recognition & Awards Ceremony

Some of our star performers

LUCELEC Power Dancers lightned up Staff Awards

LUCELEC's Annual Scholarship Social was done differently in 2016

Annual Retirees Luncheon as the Company remembers and appreciates those who laid the foundation for the Company's success.

One of the several Staff Meetings held during the year to keep employees up-to-date on what's happening with the Company

Shareholders at Special Meeting to approve amendments to By Law No. 1 & a Section of the Shareholders attending the AGM

NURC Commissioners and Staff on familiarisation Visit to LUCELEC facility at Cul De Sac

LUCELEC Senior Staff receive Training in Utility Regulatory Pricing delivered by PURC

Staff Christmas Luncheon

Technical Staff learn new moves (Yoga) during Safety Month

FINANCIAL STATEMENTS

TABLE OF CONTENTS

PKF professional Services Inc.

Tel. (758) 453 - 2340
Tel. (758) 450 - 7777
Fax (758) 451 - 3079
Email: admin@pkf.lc

PKF Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St. Lucia Electricity Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

P.O. Choc 8245, Meridian Place, Choc Estate, Castries, LC02 801, St. Lucia
PKF International is a network of Legally Independent Member Firms

PKF
Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Richard Surage.

Chartered Accountants
Castries, Saint Lucia
March 10, 2017

	Notes	2016	Restated 2015
Assets			
Non-current			
Property, plant and equipment	**6**	**$ 336,182,410**	341,491,994
Intangible assets	**7**	**11,772,829**	13,081,709
Other financial assets	**8**	**-**	172,278
Total non-current assets		**347,955,239**	354,745,981
Current			
Inventories	**9**	**11,881,268**	14,381,152
Trade, other receivables and prepayments	**10**	**53,396,370**	63,208,484
Other financial assets	**8**	**36,669,002**	18,991,757
Cash and cash equivalents	**11**	**29,600,146**	39,098,895
Total current assets		**131,546,786**	135,680,288
Total assets		**$ 479,502,025**	490,426,269
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	**12**	**$ 80,162,792**	80,162,792
Retained earnings		**150,517,899**	135,373,798
Fair value reserve	**13**	**(551,394)**	-
Revaluation reserve	**14**	**15,350,707**	15,350,707
Self-insurance reserve	**33**	**30,717,043**	28,204,502
Total shareholders' equity		**276,197,047**	259,091,799
Liabilities			
Non-current			
Borrowings	**15**	**100,181,035**	121,712,672
Consumer deposits	**16**	**16,441,756**	16,111,107
Deferred tax liability	**17**	**33,364,975**	33,942,511
Retirement benefit liabilities	**18(c)**	**4,035,000**	6,064,000
Post-employment medical benefit liabilities	**19(b)**	**1,786,000**	1,935,000
Total non-current liabilities		**155,808,766**	179,765,290
Current			
Borrowings	**15**	**19,585,036**	16,101,653
Trade and other payables	**20**	**22,614,479**	25,828,230
Provision for other liabilities	**21**	**1,485,493**	1,485,493
Derivative financial instruments	**22**	**-**	5,588,334
Dividends payable		**444,886**	423,771
Income tax payable		**3,366,318**	2,141,699
Total current liabilities		**47,496,212**	51,569,180
Total liabilities		**203,304,978**	231,334,470
Total shareholders' equity and liabilities		**$ 479,502,025**	490,426,269

Approved on behalf of the Board of Directors:

________________ Director ________________ Director

The notes on pages 47 to 105 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Statement of Comprehensive Income

For the Year Ended December 31,

(Expressed In Eastern Caribbean Dollars)

	Notes	2016	2015
Revenue			
Energy sales		$ **259,885,129**	309,148,671
Other revenue		**1,984,207**	2,624,292
		261,869,336	311,772,963
Operating expenses			
Fuel costs	**29**	**114,854,090**	172,061,379
Transmission and distribution		**39,245,421**	35,683,702
Generation		**21,364,047**	21,952,515
	29	**175,463,558**	229,697,596
Gross income		**86,405,778**	82,075,367
Administrative expenses	**29**	**(31,389,207)**	(31,639,851)
Operating profit		**55,016,571**	50,435,516
Interest income		**727,339**	1,031,219
Other gains, net	**23**	**44,925**	307,043
Profit before finance costs and taxation		**55,788,835**	51,773,778
Finance costs		**(8,352,870)**	(11,820,118)
Profit before taxation		**47,435,965**	39,953,660
Taxation	**24**	**(13,468,323)**	(11,044,646)
Net profit for the year		**33,967,642**	28,909,014
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value loss on available-for sale financial assets	**13**	**(551,394)**	-
Items that will not be reclassified to profit or loss:			
Re-measurements of defined benefit pension plans, net of tax	**24**	**1,566,600**	(7,737,800)
Gain on revaluation of land	**14**	**-**	15,350,707
Total other comprehensive income		**1,015,206**	7,612,907
Total comprehensive income for the year		$ **34,982,848**	36,521,921
Basic and diluted earnings per share	**25**	$ **1.48**	1.26

The notes on pages 47 to 105 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,

(Expressed In Eastern Caribbean Dollars)

	Notes	Share Capital	Retained Earnings	Retirement Benefit Reserve	Fair Value Reserve	Revaluation Reserve	Self-Insurance Reserve	Total
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, as previously stated		-	(6,719,300)	-	-	-	-	(6,719,300)
Prior year adjustments-application of accounting standards	38	-	(1,018,500)	-	-	-	-	(1,018,500)
Re-measurements of defined benefit pension plans, net of tax, as restated	24	-	(7,737,800)	-	-	-	-	(7,737,800)
Gain on property, plant and equipment	13	-	-	-	-	15,350,707	-	15,350,707
Total comprehensive income for the year, as restated		-	21,171,214	-	-	15,350,707	-	36,521,921
Transfer from retirement benefit reserve, as previously stated		-	3,707,000	(3,707,000)	-	-	-	-
Prior year adjustments-application of accounting standards	38	-	1,058,000	(1,058,000)	-	-	-	-
Transfer from retirement benefit reserve, as restated		-	4,765,000	(4,765,000)	-	-	-	-
Transfer to self-insurance reserve	33	-	(3,509,680)	-	-	-	3,509,680	-
Ordinary dividends	27	-	(17,190,000)	-	-	-	-	(17,190,000)
Balance at December 31, 2015, as restated		$ 80,162,792	135,373,798	-	-	15,350,707	28,204,502	259,091,799
Balance at January 1, 2016		**$ 80,162,792**	**135,373,798**	**-**	**-**	**15,350,707**	**28,204,502**	**259,091,799**
Net profit for the year		**-**	**33,967,642**	**-**	**-**	**-**	**-**	**33,967,642**
Fair value loss on available-for sale financial assets	13	**-**	**-**	**-**	**(551,394)**	**-**	**-**	**(551,394)**
Re-measurements of defined benefit pension plans, net of tax	24	**-**	**1,566,600**	**-**	**-**	**-**	**-**	**1,566,600**
Total comprehensive income for the year		**-**	**35,534,242**	**-**	**(551,394)**	**-**	**-**	**34,982,848**
Transfer to self-insurance reserve	33	**-**	**(2,512,541)**	**-**	**-**	**-**	**2,512,541**	**-**
Ordinary dividends	27	**-**	**(17,877,600)**	**-**	**-**	**-**	**-**	**(17,877,600)**
Balance at December 31, 2016		**$ 80,162,792**	**150,517,899**	**-**	**(551,394)**	**15,350,707**	**30,717,043**	**276,197,047**

The notes on pages 47 to 105 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Statement of Cash Flows

For the Year Ended December 31,

(Expressed In Eastern Caribbean Dollars)

	Notes		2016	2015
Cash flows from operating activities				
Profit before taxation		$	**47,435,965**	39,953,660
Adjustments for:				
Depreciation	**6**		**33,110,236**	31,987,180
Amortisation of intangible assets	**7**		**2,278,547**	2,313,936
Finance costs expensed			**8,352,870**	11,820,118
Interest income			**(727,339)**	(1,031,219)
Movement in allowance for impairment			**538,231**	1,509,808
Gain on disposal of property, plant and equipment	**23**		**(12,929)**	(60,517)
Post-retirement benefits			**60,000**	(138,959)
Operating profit before working capital changes			**91,035,581**	86,354,007
Decrease/(increase) in inventories			**2,499,884**	(3,916,343)
Decrease in trade, other receivables and prepayments			**3,685,549**	31,176,397
Decrease in trade and other payables			**(3,214,209)**	(2,595,660)
Increase in provision for other liabilities			**-**	1,485,493
Cash generated from operations			**94,006,805**	112,503,894
Interest received			**893,610**	759,322
Finance costs paid			**(8,298,868)**	(12,072,996)
Income tax paid			**(13,492,640)**	(10,801,259)
Net cash from operating activities			**73,108,907**	90,388,961
Cash flows from investing activities				
Acquisition of property, plant and equipment	**6**		**(27,800,940)**	(21,177,659)
Proceeds from disposal of property, plant and equipment			**13,217**	64,064
Acquisition of intangible assets	**7**		**(969,667)**	(763,517)
Acquisition of other financial assets			**(33,625,294)**	(13,621,670)
Proceeds from disposal of other financial assets			**15,402,661**	-
Net cash used in investing activities			**(46,980,023)**	(35,498,782)
Cash flows from financing activities				
Repayment of borrowings			**(18,008,714)**	(15,347,041)
Dividends paid			**(17,856,485)**	(17,106,411)
Consumer deposits, net			**237,566**	199,224
Net cash used in financing activities			**(35,627,633)**	(32,254,228)
Net (decrease)/increase in cash and cash equivalents			**(9,498,749)**	22,635,951
Cash and cash equivalents at beginning of year	**11**		**39,098,895**	16,462,944
Cash and cash equivalents at end of year	**11**	$	**29,600,146**	39,098,895

The notes on pages 47 to 105 are an integral part of these financial statements.

(Expressed In Eastern Caribbean Dollars)

1. Incorporation and Principal Activity

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

The Group's registered office and principal place of business is situated at Hasache Buildings, Goodlands, 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 10, 2017.

(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 36. 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.

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 31 : 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.

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:

	2016	**2015**
▪ Buildings	**$2^1/_2$% - $12^1/_2$% per annum**	$2^1/_2$% -$12^1/_2$% per annum
▪ Plant and machinery	**4% - 10% per annum**	4% - 10% per annum
▪ Generator overhauls	**$33^1/_3$% per annum**	$33^1/_3$% per annum
▪ Motor vehicles	**20% - $33^1/_3$% per annum**	20% - $33^1/_3$% per annum
▪ Furniture and fittings	**10% per annum**	10% per annum
▪ Computer hardware	**20% per annum**	20% per annum

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.

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 18.

(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 (12) 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.

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.

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.

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.

3. Significant Accounting Policies (Cont'd)

(f) Impairment (Cont'd)
(i) *Financial assets (Cont'd)*
An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. 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.

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 22.

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.

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.

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.

3. Significant Accounting Policies (Cont'd)

(n) New standards, amendments to standards and interpretations

(i) New standards, amendments and interpretations effective in the 2016 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, 2016 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, 2016 which do not affect the Group's consolidated financial statements have not been disclosed below.

- *IFRS 7, Financial Instruments: Disclosures* was amended to remove certain disclosure requirements for financial instruments, as part of a Disclosure Initiative which amended IAS 1, *Presentation of Financial Statements*. The application of this amendment did not have a material impact on the disclosures in the Group's consolidated financial statements.

- *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:

  (a) 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;

  (b) 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;

  (c) 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.

  The application of this amendment did not have a material impact on the disclosures in the Group's consolidated financial statements.

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 2016 financial year are as follows: (Cont'd)

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

  - When the intangible asset is expressed as a measure of revenue; or
  - When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  The application of the amendments to IAS 16 and IAS 38 did not have an impact on the Group's consolidated financial statements.

- *IAS 19, Employee Benefits* was amended to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or 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.

(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.

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* 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.

  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.

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)

  - 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.

  - 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. 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.

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 15, Revenue from Contracts with Customers (Cont'd)*

  In April 2016, IFRS 15 was amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

  This new standard is applicable for annual periods beginning on or after January 1, 2018. 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.

- *IFRS 16, Leases* was issued in January 2016 and will supersede IAS 17, Leases. This standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor.

  This new standard is applicable for annual periods beginning on or after January 1, 2019. It is anticipated that the application of IFRS 16 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 16 until a detailed review is undertaken.

- *IAS 7, Statement of Cash Flows* was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the standard requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

  This amendment is applicable for annual periods beginning on or after January 1, 2017. It is not anticipated that application of this amendment will have a material impact on the disclosures in the Group's consolidated financial statements.

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 12, Income Taxes* was amended to clarify the following aspects:

  (a) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  (b) The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  (c) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  (d) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  This amendment is applicable for annual periods beginning on or after January 1, 2017. It is not anticipated that 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.

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:

		As at December 31, 2016	As at December 31, 2015	Level	Valuation techniques and key inputs
Financial Instruments Measured at Fair Value					
Non-Financial Assets					
Land (Note 6)	**$**	**22,138,928**	22,138,928	2	Market comparable approach. Key inputs-Price per square foot
Financial Assets					
Available-for-sale (Note 8)	**$**	**30,694,784**	172,278	2	Quoted prices in an inactive market
Financial Liabilities					
Derivative financial liabilities (Note 22)	**$**	**-**	5,588,334	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
Financial Instruments Disclosed at Fair Value					
Financial Liabilities					
Borrowings (Note 31)	**$**	**109,987,131**	137,598,986	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.

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.

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.

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 5.00% (2015 - 8.00%) 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. Amounts drawn under this facility will be in the form of a term loan amortised over a maximum term of 5 years at an interest rate of 3.95% per annum.
- 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 and deposits. The Group is exposed to interest rate risk on its available-for-sale financial assets as at December 31, 2016. 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 as at December 31, 2016.

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.

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.

(Expressed In Eastern Caribbean Dollars)

6. Property, Plant and Equipment

		Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Work-in-Progress	Total
Cost								
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
Balance at January 1, 2016		**22,138,928**	**84,539,981**	**729,415,712**	**3,810,019**	**17,063,902**	**15,501,650**	**872,470,192**
Additions		**-**	**5,913**	**1,357,059**	**7,629**	**562,482**	**25,867,857**	**27,800,940**
Transfers		**-**	**41,445**	**25,835,664**	**168,652**	**422,614**	**(26,468,375)**	**-**
Disposals		**-**	**-**	**-**	**(105,000)**	**(14,933)**	**-**	**(119,933)**
Balance at December 31, 2016	**$**	**22,138,928**	**84,587,339**	**756,608,435**	**3,881,300**	**18,034,065**	**14,901,132**	**900,151,199**
Accumulated Depreciation								
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
Balance at January 1, 2016		**-**	**41,149,144**	**473,790,249**	**3,074,206**	**12,964,599**	**-**	**530,978,198**
Charge for the year		**-**	**2,051,915**	**29,909,008**	**248,070**	**901,243**	**-**	**33,110,236**
Eliminated on disposals		**-**	**-**	**-**	**(105,000)**	**(14,645)**	**-**	**(119,645)**
Balance at December 31, 2016	**$**	**-**	**43,201,059**	**503,699,257**	**3,217,276**	**13,851,197**	**-**	**563,968,789**
Carrying Amounts								
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
Balance at January 1, 2016	**$**	**22,138,928**	**43,390,837**	**255,625,463**	**735,813**	**4,099,303**	**15,501,650**	**341,491,994**
Balance at December 31, 2016	**$**	**22,138,928**	**41,386,280**	**252,909,178**	**664,024**	**4,182,868**	**14,901,132**	**336,182,410**

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, 2016, their carrying amounts would have been $6,788,221 (2015 - $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.

7. Intangible Assets

		Information Systems	Wayleave Rights	Work-in-Progress	Total
Cost					
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		20,887,129	3,819,946	233,665	24,940,740
Balance at January 1, 2016		**20,887,129**	**3,819,946**	**233,665**	**24,940,740**
Additions		**338,995**	**579,489**	**51,183**	**969,667**
Transfers		**34,329**	**-**	**(34,329)**	**-**
Balance at December 31, 2016	**$**	**21,260,453**	**4,399,435**	**250,519**	**25,910,407**
Accumulated Amortisation					
Balance at January 1, 2015	$	**9,545,095**	-	-	**9,545,095**
Amortised for the year		**2,313,936**	-	-	**2,313,936**
Balance at December 31, 2015		**11,859,031**	-	-	**11,859,031**
Balance at January 1, 2016		**11,859,031**	-	-	**11,859,031**
Amortised for the year		**2,278,547**	-	-	**2,278,547**
Balance at December 31, 2016	$	**14,137,578**	-	-	**14,137,578**
Carrying Amounts					
At January 1, 2015	$	11,153,932	2,869,669	118,678	14,142,279
At December 31, 2015	$	9,028,098	3,819,946	233,665	13,081,709
At January 1, 2016	$	**9,028,098**	**3,819,946**	**233,665**	**13,081,709**
At December 31, 2016	$	**7,122,875**	**4,399,435**	**250,519**	**11,772,829**

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.

8. Other Financial Assets

		2016	2015
Non-current			
Available-for-sale			
Mutual funds	$	-	172,278
Current			
Available-for-sale			
Equity investments	$	**30,694,784**	-
Deposits			
Term deposits - restricted		-	15,210,318
Term deposits - unrestricted		**5,974,218**	3,781,439
		5,974,218	18,991,757
	$	**36,669,002**	18,991,757

The available-for-sale financial assets are investments in mutual fund which are not available for the day-to-day operations of the Group.

The term deposits earn interest at rates ranging from 1.75% to 2.00% (2015 - 1.75% to 3.50%) per annum and mature between 6 to 11 months (2015 - 2 to 11 month) after year end. In the prior year, term deposits totaling $15,210,318 were not available for the day-to-day operations of the Group.

The Group's exposure to credit risks related to other financial assets is disclosed in Note 31.

9. Inventories

		2016	2015
Fuel inventories	$	**3,015,114**	3,098,503
Generation spare parts		**4,476,768**	4,455,969
Transmission, distribution and other spares		**6,140,946**	6,416,976
Goods-in-transit		**436,617**	2,610,162
		14,069,445	16,581,610
Less: provision for inventory obsolescence		**(2,188,177)**	(2,200,458)
	$	**11,881,268**	14,381,152

10. Trade, Other Receivables and Prepayments

		2016	2015
Trade receivables due from related parties (Note 28)	$	**8,591,897**	8,928,091
Other trade receivables		**32,078,671**	40,716,272
Trade receivables, gross		**40,670,568**	49,644,363
Less: provision for impairment of trade receivables (Note 31)		**(7,239,988)**	(8,428,060)
Trade receivables, net		**33,430,580**	41,216,303
Other receivables due from related parties (Note 28)		**858,073**	858,018
Other receivables		**5,554,004**	3,350,486
Other receivables, gross		**6,412,077**	4,208,504
Less: provision for impairment of other receivables		**(885,197)**	(498,593)
Other receivables, net		**5,526,880**	3,709,911
Accrued income		**12,615,904**	11,440,397
		51,573,364	56,366,611
Deferred fuel costs		**-**	5,588,334
Prepayments		**1,823,006**	1,253,539
	$	**53,396,370**	63,208,484

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 is disclosed in Note 31.

11. Cash and Cash Equivalents

Cash and cash equivalents comprise:

		2016	2015
Cash at bank and in hand	$	**29,600,146**	26,570,541
Bank overdraft		**-**	(8,022)
Term deposits - restricted		**-**	12,536,376
	$	**29,600,146**	39,098,895

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

The term deposits earned interest at rates ranging from 0.75% to 2.00% per annum and matured between 1 to 3 months after year end.

In the prior year, term deposits totalling $12,536,376 were not available for the day-to-day operations of the Group.

The Group's exposure to credit risks related to cash and cash equivalents is disclosed in Note 31.

12. Share Capital

		2016	2015
Authorised:			
Voting ordinary shares		**100,000,000**	100,000,000
Ordinary non-voting shares		**800,000**	800,000
Preference shares		**1,214,128**	1,214,128

		2016	2015
Issued and fully paid			
22,400,000 voting ordinary shares	$	**77,562,792**	77,562,792
520,000 non-voting ordinary shares		**2,600,000**	2,600,000
	$	**80,162,792**	80,162,792

13. Fair Value Reserve

		2016
Balance at beginning of year	$	-
Fair value loss on available-for-sale financial assets		(551,394)
Balance at end of year	$	(551,394)

The fair value reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed.

14. Revaluation Reserve

		2016	2015
Balance at beginning of year	$	15,350,707	-
Gain on revaluation of land		-	15,350,707
Balance at end of year	$	15,350,707	15,350,707

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

		2016	2015
Current			
Bank borrowings	$	5,808,061	4,443,353
Related parties		13,776,975	11,658,300
		19,585,036	16,101,653
Non-current			
Bank borrowings		19,841,218	26,292,560
Related parties		80,339,817	95,420,112
		100,181,035	121,712,672
Total borrowings			
Bank borrowings		25,649,279	30,735,913
Related parties (Note 28)		94,116,792	107,078,412
	$	119,766,071	137,814,325

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.

15. Borrowings (Cont'd)

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

	2016 %	2015 %
Bank borrowings	**4.02**	8.17
Related parties	**5.45**	7.63

Maturity of non-current borrowings:

		2016	2015
Between 1 and 2 years	$	**17,978,532**	16,741,755
Between 2 and 5 years		**33,345,851**	32,311,803
Over 5 years		**48,856,652**	72,659,114
	$	**100,181,035**	121,712,672

The Group's exposure to liquidity risks related to borrowings is disclosed in Note 31.

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 2% (2015 - 3%) per annum.

		2016	2015
Consumer deposits	$	**12,518,475**	12,280,909
Interest accrual		**3,923,281**	3,830,198
	$	**16,441,756**	16,111,107

17. Deferred Tax Liability

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2015 - 30%). The movement on the deferred tax liability account is as follows:

		2016	Restated 2015
Balance at beginning of year	$	**33,942,511**	38,278,917
Recognised in profit and loss (Note 24)		**(1,248,936)**	(1,020,206)
Recognised in other comprehensive income (Note 24)		**671,400**	(3,316,200)
Balance at end of year	$	**33,364,975**	33,942,511

Deferred tax liability is attributed to the following items:

		2016	Restated 2015
Property, plant and equipment	$	**35,111,275**	36,342,211
Retirement benefit assets and liabilities		**(1,746,300)**	(2,399,700)
	$	**33,364,975**	33,942,511

18. Retirement Benefit Liabilities

(a) Background

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 funding's to the plan are currently administered by RBC Investments Management (Caribbean) Limited (Note 34).

The most recent actuarial valuations of these two plans were completed on December 31, 2015 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, 2015 using the "Projected Unit Credit" method of valuation.

(Expressed In Eastern Caribbean Dollars)

18. Retirement Benefit Liabilities (Cont'd)

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

	Grade III		Grade II		Grades I	
	2016 %	**2015 %**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
Discount rates	**7.5**	7.5	**7.5**	7.0	**7.5**	7.0
Future salary increases	**4.5**	4.0	**4.0**	5.5	**4.0**	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.

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

		Grade III		Grade II		Grade I		Total	
		2016	**Restated 2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**Restated 2015**
Present value of defined benefit obligations	$	**(26,086,000)**	(23,275,000)	**(14,355,000)**	(15,183,000)	**(12,500,000)**	(14,379,000)	**(52,941,000)**	(52,837,000)
Fair value of plans' assets		**26,010,000**	22,878,000	**10,396,000**	9,516,000	**16,303,000**	15,796,000	**52,709,000**	48,190,000
Effect of asset ceiling		**-**	-	**-**	-	**(3,803,000)**	(1,417,000)	**(3,803,000)**	(1,417,000)
Defined benefit liabilities	$	**(76,000)**	(397,000)	**(3,959,000)**	(5,667,000)	**-**	-	**(4,035,000)**	(6,064,000)

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2016

(Expressed In Eastern Caribbean Dollars)

18. Retirement Benefit Liabilities (Cont'd)

(d) The movements in the defined benefit obligations were as follows:

		Grade III		Grade II		Grade I		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
Defined benefit obligations as at January 1,	$	**23,275,000**	22,312,000	**15,183,000**	14,583,000	**14,379,000**	14,107,000	**52,837,000**	51,002,000
Service costs		**989,000**	1,011,000	**519,000**	507,000	**181,000**	197,000	**1,689,000**	1,715,000
Interest costs		**1,807,000**	1,737,000	**1,045,000**	995,000	**993,000**	978,000	**3,845,000**	3,710,000
Past service costs		**-**	-	**92,000**	-	**-**	-	**92,000**	-
Members' contributions		**-**	-	**213,000**	208,000	**162,000**	166,000	**375,000**	374,000
Benefits paid		**(348,000)**	(338,000)	**(703,000)**	(767,000)	**(468,000)**	(351,000)	**(1,519,000)**	(1,456,000)
Re-measurements: experience adjustments		**363,000**	(1,447,000)	**(1,994,000)**	(343,000)	**(2,747,000)**	(718,000)	**(4,378,000)**	(2,508,000)
Defined benefit obligations as at December 31,	$	**26,086,000**	23,275,000	**14,355,000**	15,183,000	**12,500,000**	14,379,000	**52,941,000**	52,837,000

(e) The movements in the plans' assets were as follows:

		Grade III		Grade II		Grade I		Total	
		2016	Restated 2015	2016	2015	2016	2015	2016	Restated 2015
Fair value of plan's assets at January 1,	$	**22,878,000**	23,690,000	**9,516,000**	16,774,000	**15,796,000**	15,303,000	**48,190,000**	55,767,000
Contributions paid - employer		**1,304,000**	1,145,000	**875,000**	550,000	**322,000**	224,000	**2,501,000**	1,919,000
Contributions paid - members		**-**	-	**213,000**	208,000	**162,000**	166,000	**375,000**	374,000
Interest income		**1,749,000**	1,802,000	**677,000**	1,172,000	**1,105,000**	1,071,000	**3,531,000**	4,045,000
Return on plans' assets, excluding interest income		**501,000**	(3,304,000)	**(120,000)**	(8,359,000)	**(565,000)**	(564,000)	**(184,000)**	(12,227,000)
Benefits paid		**(348,000)**	(338,000)	**(703,000)**	(767,000)	**(468,000)**	(351,000)	**(1,519,000)**	(1,456,000)
Expense allowance		**(74,000)**	(117,000)	**(62,000)**	(62,000)	**(49,000)**	(53,000)	**(185,000)**	(232,000)
Fair value of plans' assets at December 31,	$	**26,010,000**	22,878,000	**10,396,000**	9,516,000	**16,303,000**	15,796,000	**52,709,000**	48,190,000

(Expressed In Eastern Caribbean Dollars)

18. Retirement Benefit Liabilities (Cont'd)

(f) Plans' assets consist of the following:

	Grade III		Grade II		Grade I		Total	
	2016	Restated 2015	2016	2015	2016	2015	2016	Restated 2015
	$							
Overseas equities	**12,239,000**	9,701,000	**384,000**	-	**-**	-	**12,623,000**	9,701,000
Government issued nominal bonds	**6,417,000**	4,443,000	**7,978,000**	8,096,000	**-**	-	**14,395,000**	12,539,000
Corporate bonds	**4,812,000**	5,262,000	**817,000**	-	**-**	-	**5,629,000**	5,262,000
Cash/money market	**524,000**	1,772,000	**1,217,000**	1,420,000	**-**	-	**1,741,000**	3,192,000
Other	**2,018,000**	1,700,000	**-**	-	**-**	-	**2,018,000**	1,700,000
Deposit administration account	**-**	-	**-**	-	**16,303,000**	15,796,000	**16,303,000**	15,796,000
Total	$ **26,010,000**	22,878,000	**10,396,000**	9,516,000	**16,303,000**	15,796,000	**52,709,000**	48,190,000

Grade I
The value of the Grade I plan assets' at December 31, 2016 were estimated using the face value of the deposit administration contract as at September 30, 2016 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, 2016 were estimated using the assets' values as at November 30, 2016 provided by the Scheme's Investment Manager, RBC. 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, 2016 were estimated using the assets' values as at September 30, 2016 provided by the Scheme's Investment Managers, Deutsche Bank and Sagicor Life Inc. The assets held by Deutsche Bank are all quoted in a formal market. There are no asset-liability matching strategies employed by the Scheme.

18. Retirement Benefit Liabilities (Cont'd)

(g) The actual return on plans' assets was as follows:

	Grade III		Grade II		Grade I		Total	
	2016	**Restated 2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**Restated 2015**
Return on plans' assets	$ **2,250,000**	(1,502,000)	**557,000**	(7,187,000)	**540,000**	507,000	**3,347,000**	(8,182,000)

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

	Grade III		Grade II		Grade I		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Current service cost	$ **989,000**	1,011,000	**519,000**	507,000	**181,000**	197,000	**1,689,000**	1,715,000
Past service cost	**-**	-	**92,000**	-	**-**	-	**92,000**	-
Administrative expenses	**74,000**	117,000	**62,000**	62,000	**49,000**	53,000	**185,000**	232,000
Net interest on defined benefit asset	**58,000**	(65,000)	**368,000**	(177,000)	**-**	(93,000)	**426,000**	(335,000)
Net pension costs	$ **1,121,000**	1,063,000	**1,041,000**	392,000	**230,000**	157,000	**2,392,000**	1,612,000

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

	Grade III		Grade II		Grade I		Total	
	2016	**Restated 2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**Restated 2015**
Experience losses/(gains)	$ **(138,000)**	1,857,000	**(1,874,000)**	8,016,000	**(2,294,000)**	(154,000)	**(4,306,000)**	9,719,000
Effect of asset ceiling	**-**	-	**-**	-	**2,386,000**	1,417,000	**2,386,000**	1,417,000
Total amount recognised in Other Comprehensive Income	$ **(138,000)**	1,857,000	**(1,874,000)**	8,016,000	**92,000**	1,263,000	**(1,920,000)**	11,136,000

(Expressed In Eastern Caribbean Dollars)

18. Retirement Benefit Liabilities (Cont'd)

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

	Grade III		Grade II		Grade I		Total	
	2016	**Restated 2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**Restated 2015**
Opening defined benefit (liabilities)/assets	$ **(397,000)**	1,378,000	**(5,667,000)**	2,191,000	**-**	1,196,000	**(6,064,000)**	4,765,000
Net pension costs	**(1,121,000)**	(1,063,000)	**(1,041,000)**	(392,000)	**(230,000)**	(157,000)	**(2,392,000)**	(1,612,000)
Re-measurements recognised in Other Comprehensive Income	**138,000**	(1,857,000)	**1,874,000**	(8,016,000)	**(92,000)**	(1,263,000)	**1,920,000**	(11,136,000)
Employer contributions paid	**1,304,000**	1,145,000	**875,000**	550,000	**322,000**	224,000	**2,501,000**	1,919,000
Closing defined benefit liabilities	$ **(76,000)**	(397,000)	**(3,959,000)**	(5,667,000)	**-**	-	**(4,035,000)**	(6,064,000)

18. Retirement Benefit Liabilities (Cont'd)

(k) 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, 2016 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	$	(1,053,000)	1,331,000
Future salary increases	$	857,000	(673,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2016 by $154,000.

Grade II

		1% p.a. increase	1% p.a. decrease
Discount rate	$	(1,537,000)	1,859,000
Future salary increases	$	572,000	(518,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2016 by $292,000.

Grade III

		1% p.a. increase	1% p.a. decrease
Discount rate	$	(3,860,000)	5,147,000
		0.5% p.a. increase	0.5% p.a. decrease
Future salary increases	$	759,000	(723,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2016 by $717,000.

18. Retirement Benefit Liabilities (Cont'd)

(l) Duration

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

	2016	**2015**
Grade 1	10.2 years	13.0 years
Grade II	12.6 years	14.1 years
Grade III	17.3 years	18.1 years

(m) Funding Policy

Grade I

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 $336,000 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 $824,000 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 $1,184,000 to the pension plan during 2016.

ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed In Eastern Caribbean Dollars)

19. 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.

(a) The principal actuarial assumptions used were as follows:

	Grade III		Grades I and II	
	2016	2015	2016	2015
	%	%	%	%
Discount rate	**7.5**	7.5	**7.5**	7.0
Medical expense increase	**5.0**	5.0	**5.0**	5.0

Assumptions regarding future mortality are based on standard mortality tables.

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

	Grade III		Grades II & I		Total	
	2016	2015	2016	2015	2016	2015
Present value of defined benefit obligations	$ **289,000**	464,000	**1,497,000**	1,471,000	**1,786,000**	1,935,000
Fair value of plans' assets	**-**	-	**-**	-	**-**	-
Defined benefit liabilities	$ **289,000**	464,000	**1,497,000**	1,471,000	**1,786,000**	1,935,000

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

	Grade III		Grades II & I		Total	
	2016	2015	2016	2015	2016	2015
Defined benefit obligations as at January 1,	$ **464,000**	483,959	**1,471,000**	1,365,000	**1,935,000**	1,848,959
Current service costs	**27,000**	31,788	**47,000**	48,000	**74,000**	79,788
Interest costs	**37,000**	38,412	**102,000**	94,000	**139,000**	132,412
Benefits paid	**(3,000)**	(6,159)	**(41,000)**	(38,000)	**(44,000)**	(44,159)
Re-measurements: experience adjustments	**(236,000)**	(84,000)	**(82,000)**	2,000	**(318,000)**	(82,000)
Defined benefit obligations as at December 31,	$ **289,000**	464,000	**1,497,000**	1,471,000	**1,786,000**	1,935,000

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

	Grade III		Grades II & I		Total	
	2016	2015	2016	2015	2016	2015
Current service cost	$ **27,000**	31,788	**47,000**	48,000	**74,000**	79,788
Interest on defined benefit obligations	**37,000**	38,412	**102,000**	94,000	**139,000**	132,412
Net pension costs	$ **64,000**	70,200	**149,000**	142,000	**213,000**	212,200

47

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

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

	Grade III		Grades II & I		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Experience (gains)/losses	$ **(236,000)**	(84,000)	**(82,000)**	2,000	**(318,000)**	(82,000)
Total amount recognised in Other Comprehensive Income	$ **(236,000)**	(84,000)	**(82,000)**	2,0000	**(318,000)**	(82,000)

(f) Reconciliation of opening and closing defined benefit liabilities:

	Grade III		Grades II & I		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Opening defined benefit liabilities	$ **464,000**	483,959	**1,471,000**	1,365,000	**1,935,000**	1,848,959
Net pension costs	**64,000**	70,200	**149,000**	142,000	**213,000**	212,200
Re-measurements recognised in Other Comprehensive Income	**(236,000)**	(84,000)	**(82,000)**	2,000	**(318,000)**	(82,000)
Benefits paid	**(3,000)**	(6,159)	**(41,000)**	(38,000)	**(44,000)**	(44,159)
Closing defined benefit liabilities	$ **289,000**	464,000	**1,497,000**	1,471,000	**1,786,000**	1,935,000

(g) 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, 2016 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	$	**(222,000)**	**287,000**
Medical expense increases	$	**292,000**	**(228,000)**

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2016 by $50,000.

Grade III

		1% p.a. increase	1% p.a. decrease
Discount rate	$	**(49,000)**	**64,000**
Medical expense increases	$	**63,000**	**(49,000)**

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2016 by $25,000.

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

(h) Duration

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

	2016	**2015**
Grades 1 and II	18.0 years	19.0 years
Grade III	19.5 years	20.0 years

(i) 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 $44,000 to the plan in 2017.

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 $4,000 to the plan in 2017.

20. Trade and Other Payables

		2016	2015
Trade payables	$	**14,474,461**	11,116,635
Accrued expenses		**2,929,693**	10,189,835
Other payables		**5,210,325**	4,521,760
	$	**22,614,479**	25,828,230

The Group's exposure to liquidity risks related to trade and other payables is disclosed in Note 31.

21. Provision for Other Liabilities

The movement on the provision account is as follows:

		2016	2015
Balance at beginning of year	$	**1,485,493**	-
Provision recognised		**-**	1,485,493
Balance at end of year	$	**1,485,493**	1,485,193

The provision represents the estimated decommissioning costs of the old power stations located at Union and Vieux Fort planned for 2017.

22. 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 Board of Directors, as part of the hedging strategy, approved a rolling 12-month hedging programme that commenced in January 2012 utilising Fixed Price Swaps covering up to 75% of estimated monthly volumes. This strategy was further expanded in December 2015 to include the use of Options.

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 hedging contracts at year end as disclosed on the Consolidated Statement of Financial Position as Derivative Financial Liabilities is as follow:

		2016	2015
Derivative financial instruments			
Fixed price swaps	$	**-**	5,588,334

23. Other Gains, Net

		2016	2015
Gain on disposal of property, plant and equipment	$	**12,929**	60,517
Foreign exchange gains		**31,996**	246,526
	$	**44,925**	307,043

24. Taxation

		2016	2015
Current tax	$	**14,717,259**	12,064,852
Deferred tax (Note 17)		**(1,248,936)**	(1,020,206)
	$	**13,468,323**	11,044,646

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

		2016	2015
Profit before taxation	$	**47,435,965**	39,953,660
Tax at the statutory rate of 30% (2015 - 30%)		**14,230,789**	11,986,097
Tax effect of non-deductible expenses		**211,792**	99,220
Tax effect of self-insurance appropriation		**(974,258)**	(1,040,671)
Actual tax charge	$	**13,468,323**	11,044,646

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

	2016			Restated 2015		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Re-measurement of defined benefit pension plans	$ **2,238,000**	**(671,400)**	**1,566,600**	(11,054,000)	3,316,200	(7,737,800)

25. Basic and Diluted Earnings per Share

Basic and diluted earnings per share of $1.48 (2015 - $1.26) is calculated by dividing the profit for the year of $33,967,642 (2015 - $28,909,014) by the weighted average number of shares outstanding during the year of 22,920,000 (2015 - 22,920,000).

26. 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 2016 (2015 - 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, 2016, no appropriation will be made.

27. Ordinary Dividends

		2016	**2015**
Interim 2016 - $0.39 (2015 - $0.39) per share	$	**8,938,800**	8,938,800
Final 2015 - $0.39 (2014 - $0.36) per share		**8,938,800**	8,251,200
	$	**17,877,600**	17,190,000

The final dividend for the year 2016 had not been declared as at December 31, 2016.

28. 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:

		2016	2015
Short-term employee benefits	$	**4,475,202**	3,846,464
Post-employment benefits		**930,365**	728,153
Directors' remuneration		**282,784**	363,768
	$	**5,688,351**	4,938,385

28. Related Parties (Cont'd)

Transactions with key management personnel (Cont'd)

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

		2016	2015
Supply of services	$	**101,066**	119,926

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

		2016	2015
Supply of services	$	**6,774**	7,670

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	
				2016	**2015**
Stephen McNamara	McNamara & Co	Legal fees	$	**24,866**	66,029
		Payments on behalf of third parties	$	**576,263**	517,514

The Group is controlled by the following entities:

	2016	2015
	%	%
Emera St. Lucia Ltd.	**20.00**	20.00
First Citizens Bank Limited	**20.00**	20.00
National Insurance Corporation	**16.79**	16.79
Castries City Council	**16.33**	16.33
Government of Saint Lucia	**12.44**	12.44
	85.56	85.56

The remaining 14.44% (2015 - 14.44%) of the shares is widely held.

28. Related Parties (Cont'd)

Transactions with related parties

Transactions with shareholders
Transactions with shareholders during the year were as follows:

Supply of services

		2016	2015
National Insurance Corporation	$	**2,396,133**	2,965,141
Castries City Council		**1,485,952**	1,680,597
Government of Saint Lucia		**25,442,117**	26,829,745
	$	**29,324,202**	31,475,483

The Government of Saint Lucia receives a 10% (2015 -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 10) were as follows:

		2016	2015
National Insurance Corporation	$	**-**	249,975
Castries City Council		**229,184**	101,944
Government of Saint Lucia		**8,362,713**	8,576,172
	$	**8,591,897**	8,928,091

Other Services
Balances at the reporting date arising from supply of other services to related parties during the year (Note 10) were as follows:

		2016	2015
Government of Saint Lucia	$	**858,073**	858,018

28. 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, 2016 were as follows:

		2016	2015
National Insurance Corporation			
At beginning of year	$	**86,664,603**	91,115,751
Repayments during year		**(11,073,756)**	(11,161,578)
		75,590,847	79,954,173
Interest expense		**4,926,675**	6,710,430
At end of year	$	**80,517,522**	86,664,603
First Citizens Bank Limited			
At beginning of year	$	**20,413,809**	27,218,412
Repayments during year		**(8,129,337)**	(8,892,656)
		12,284,472	18,325,756
Interest expense		**1,314,797**	2,088,053
At end of year	$	**13,599,269**	20,413,809
	$	**94,116,791**	107,078,412

The above loans are fully secured (Note 15).

Finance costs
Details of the related finance costs are as follows:

		2016	2015
National Insurance Corporation	$	**4,926,675**	6,710,430
First Citizens Bank Limited		**1,314,797**	2,088,053
	$	**6,241,472**	8,798,483

These charges are included in the finance costs of $8,352,870 (2015 - $11,820,118) disclosed in the Consolidated Statement of Comprehensive Income.

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.

29. Expenses by Nature

		2016	Restated 2015
Fuel costs	$	**114,854,090**	172,061,379
Depreciation on property, plant and equipment (Note 6)		**33,110,236**	31,987,180
Amortisation of intangible assets (Note 7)		**2,278,547**	2,313,936
Repairs and maintenance		**10,508,590**	10,044,518
Research costs		**652,407**	399,217
Employee benefit expenses (Note 30)		**29,399,935**	26,974,220
Other operating expenses		**16,048,960**	17,556,997
	$	**206,852,765**	261,337,447
Operating expenses	$	**175,463,558**	229,697,596
Administrative expenses		**31,389,207**	31,639,851
	$	**206,852,765**	261,337,447

30. Employee Benefit Expenses

		2016	2015
Wages and salaries	$	**21,669,231**	20,179,502
Pension contributions		**2,865,359**	2,481,082
Medical contributions		**633,593**	568,574
Other employee benefits		**4,231,752**	3,745,062
	$	**29,399,935**	26,974,220

The number of permanent employees at December 31, 2016 was 253 (2015 - 249).

31. 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 2016	Carrying Amounts 2015
Trade and other receivables	**10**	$	**51,573,364**	56,366,611
Other financial assets: available-for-sale	**8**		**30,694,784**	172,278
Other financial assets: deposits	**8**		**5,974,218**	18,991,757
Cash and cash equivalents	**11**		**29,600,146**	39,098,895
		$	**117,842,512**	114,629,541

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

		Carrying Amounts 2016	Carrying Amounts 2015
Business, before deducting provision	$	**29,043,273**	38,036,447
Residential, before deducting provision		**11,627,295**	11,607,916
	$	**40,670,568**	49,644,363

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

		2016	2015
Not past due	$	**19,696,001**	20,117,026
Past due but not impaired		**12,191,638**	18,654,639
Past due and impaired		**8,782,929**	10,872,698
	$	**40,670,568**	49,644,363

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

		2016	2015
Past due 31-60 days	$	**6,217,519**	9,104,514
Past due 61-90 days		**2,371,911**	3,982,531
Past due >90 days		**3,602,208**	5,567,594
	$	**12,191,638**	18,654,639

31. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Impairment losses

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

		2016	2015
Past due 0-30 days	$	**8,122**	264,717
Past due 31-60 days		**34,788**	265,851
Past due 61-90 days		**19,828**	234,586
Past due >90 days		**8,720,191**	10,107,544
	$	**8,782,929**	10,872,698

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

		2016	2015
Balance at January 1,	$	**8,428,060**	11,107,101
Impairment loss recognised		**151,627**	1,566,489
Amounts written off		**(1,339,699)**	(4,245,530)
Balance at December 31,	$	**7,239,988**	8,428,060

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.

(Expressed In Eastern Caribbean Dollars)

31. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2016

	Carrying amounts	Contractual cash flows	Under 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Borrowings	$ 119,766,071	145,689,913	25,250,978	22,703,487	43,454,500	54,280,948
Trade and other payables	22,614,479	22,614,479	22,614,479	-	-	-
	$ 142,380,550	168,304,392	47,865,457	22,703,487	43,454,500	54,280,948

December 31, 2015

	Carrying amounts	Contractual cash flows	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	25,828,230	-	-	-
	$ 163,642,555	221,900,184	51,835,677	25,512,269	52,326,221	92,226,017
Derivative financial liabilities						
Derivative financial liabilities	$ 5,588,334	5,588,334	5,588,334	-	-	-

31. 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, 2016	Fair values as at December 31, 2016	Carrying amounts as at December 31, 2015	Fair values as at December 31, 2015
Other financial assets: available-for-sale	$	**30,694,784**	**30,694,784**	172,278	172,278
Trade and other receivables		**51,573,364**	**51,573,364**	56,366,611	56,366,611
Other financial assets: deposits		**5,974,218**	**5,974,218**	18,991,757	18,991,757
Cash and cash equivalents		**29,600,146**	**29,600,146**	39,098,895	39,098,895
Derivative financial liabilities		**-**	**-**	(5,588,334)	(5,588,334)
Borrowings		**(119,766,071)**	**(109,987,131)**	(137,814,325)	(137,598,986)
Trade and other payables		**(22,614,479)**	**(22,614,479)**	(25,828,230)	(25,828,230)
	$	**(24,538,038)**	**(14,759,098)**	(54,601,348)	(54,386,009)

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.

32. Commitments

Capital commitments

The Group had capital commitments at December 31, 2016 of $3,953,308 (2015 - $444,038).

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:

		2016	2015
Not later than 1 year	$	**764,704**	726,944
Later than 1 year and not later than 5 years		**1,745,298**	2,233,758
	$	**2,510,002**	2,960,702

(ii) *Pole rental*

The Group expects to earn annual income from pole rentals of $896,000 (2015 - $891,000) for the foreseeable future.

33. 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.

33. Self Insurance Reserve (Cont'd)

The fund balance comprises the following:

		2016	2015
Other financial assets: available-for-sale (Note 8)	$	**30,694,784**	172,278
Other financial assets: term deposits (Note 8)		**-**	15,210,318
Cash and cash equivalents: term deposits (Note 11)		**-**	12,536,376
	$	**30,694,784**	27,918,972

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:

		2016	2015
Balance at January 1,	$	**28,204,502**	24,694,822
Transferred from retained earnings		**2,512,541**	3,509,680
Balance at December 31,	$	**30,717,043**	28,204,502

34. 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.

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.

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

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.

In 2015, the estimated residual balance of the fund held with CLICO was $6.555 million, while the estimated value of the immediate annuity policies that the scheme holds with CLICO was $1.500 million. However, as of December 31, 2015, a 100% impairment loss of the total estimated value of the scheme's investment in CLICO of $8.055 million was 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. As of December 31, 2016, the Group continued to value the scheme's investment in CLICO as zero in computing the present value of the pension assets as required by IAS 19.

35. Contingent Liabilities

Claims

The Company has been named a defendant to a number of claims as at December 31, 2016. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Company believes that their defences to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Company (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 Company's financial condition. Payments if any, arising from these claims will be recorded in the period that the payment is made.

Wage Negotiations

The company is currently in wage negotiations with the two trade unions representing the line staff and the supervisory and middle management staff for the two triennia which ends December 31, 2016 and 2017, respectively. It is not practicable to reliably estimate the retroactive pay that would be due to staff once the union agreements are signed.

Retirement Age

The company is currently seeking clarification on the interpretation of the legislation which stipulates the retirement age for employees. The matter is currently being put forward for possible court ruling. It is not practicable to reliably estimate the amount that might become payable to past employees upon settlement of the matter.

36. Subsidiary Companies

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

37. Comparatives

Transmission and Distribution and Administrative Expenses

Certain direct costs have been reclassified from administrative expenses to transmission and distribution operating costs on the Consolidated Statement of Comprehensive Income. The comparative figures for 2015 have been amended to reflect this reclassification of $874,721. This reclassification has had no impact on total comprehensive income.

38. Prior Year Adjustments

Application of Accounting Standards

Retirement Benefit Assets and Liabilities

The value of the Grade III Pension assets, and consequently the net retirement benefit asset and liabilities, were overstated as at December 31, 2015. The consolidated financial statements of 2015 have been restated to correct this error. The effect of the restatement is summarised below:

		Effect on 2015
Statement of Consolidated Comprehensive Income		
Decrease in other comprehensive income	$	1,455,000
Decrease in total comprehensive income	$	1,455,000

		Effect on 2015
Statement of Consolidated Financial Position		
Decrease in retirement benefit asset	$	(1,058,000)
Increase in retirement benefit liability		(397,000)
Decrease in retirement benefit reserve		1,058,000
Decrease in retained earnings	$	(397,000)

There was no impact on earnings per share at December 31, 2015.

38. Prior Year Adjustment (Cont'd)

Deferred Tax

In the prior year, the deferred tax was calculated based on the overstated retirement benefit asset as disclosed above. The consolidated financial statements of 2015 have been restated to correct this error. The effect of the restatement is summarised below:

		Effect on 2015
Statement of Consolidated Comprehensive Income		
Increase in other comprehensive income	$	(436,500)
Increase in total comprehensive income	$	(436,500)

		Effect on 2015
Statement of Consolidated Financial Position		
Decrease in deferred tax liabilities	$	436,500
Increase in retained earnings	$	(436,500)

There was no impact on earnings per share at December 31, 2015.

The net effect of the above restatements as a result of application of accounting standards is summarised below:

		Effect on 2015
Statement of Consolidated Comprehensive Income		
Decrease in other comprehensive income	$	1,018,500
Decrease in total comprehensive income	$	1,018,500

		Effect on 2015
Statement of Consolidated Financial Position		
Decrease in retirement benefit asset	$	(1,058,000)
Decrease in deferred tax liabilities		436,500
Increase in retirement benefit liability		(397,000)
Decrease in retirement benefit reserve		1,058,000
Increase in retained earnings	$	39,500

There was no impact on earnings per share at December 31, 2015.

FINANCIAL STATISTICS

	2016	2015 Restated	2014	2013	2012	2011	2010	2009	2008	2007
Units Sold (kWh x 1000)	348,229	337,540	331,939	334,479	333,324	333,378	330,729	315,082	301,975	297,841
Tariff Sales (EC Cents per kWh)	91.6	97.7	98.7	98.3	95.5	84.0	75.0	75.1	80.7	77.5
Fuel Charge (EC Cents per kWh)	(17.0)	(6.1)	(1.1)	0.4	6.6	11.8	8.1	0.0	19.0	3.4
Operating costs (EC Cents per kWh)	59.4	77.4	84.1	85.2	88.8	82.8	69.1	61.4	86.1	66.3
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	332,804	338,838	334,388	336,395	328,030	250,154	273,400	292,279	292,916	296,606
Retirement Benefit Asset	-	-	4,765	2,448	3,650	9,135	9,017	8,828	8,749	7,768
Other Financial Assets	-	172	171	170	168	166	164	8,504	5,643	3,452
Capital Work in Progress	15,151	15,736	17,594	21,080	33,891	50,846	16,477	9,658	9,582	6,518
Current Assets	131,547	135,680	161,683	130,558	142,353	124,642	99,651	85,080	68,527	63,419
Current Liabilities	(47,496)	(51,569)	(84,853)	(55,418)	(75,535)	(68,511)	(68,796)	(67,635)	(52,483)	(57,776)
Total	432,006	438,857	433,748	435,233	432,557	366,432	329,913	336,714	332,934	319,987
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	150,518	135,374	130,137	123,614	109,375	84,267	76,970	69,338	63,789	58,330
Other Reserves & Consumer Contributions	45,516	43,555	29,460	23,604	21,421	40,670	38,893	37,913	37,177	32,315
Long Term Debt	100,181	121,713	137,726	153,072	167,797	123,396	94,709	107,848	110,754	107,288
Other Long Term Liabilities	55,628	58,052	56,262	56,780	53,801	37,936	39,178	41,452	41,051	41,891
Total	432,006	438,857	433,748	435,233	432,557	366,432	329,913	336,714	332,934	319,987
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	319,001	329,767	327,570	328,735	318,265	280,177	247,945	236,745	243,691	230,754
Fuel Surcharge	(59,115)	(20,618)	(3,671)	1,172	22,083	39,185	26,908	20	57,448	10,178
Other	1,984	2,624	3,662	3,207	3,677	1,657	1,418	1,926	1,081	657
Total	261,870	311,773	327,561	333,114	344,025	321,019	276,271	238,691	302,220	241,589

FINANCIAL STATISTICS

	2016	2015 Restated	2014	2013	2012	2011	2010	2009	2008	2007
Operating Costs										
Fuel	114,854	172,061	190,235	195,798	209,310	185,733	142,471	108,998	182,738	123,875
Generation	9,989	10,943	9,948	10,708	10,918	10,587	9,404	8,793	9,119	8,288
Transmission & Distribution	18,180	15,379	15,418	16,530	15,778	19,318	17,618	20,557	16,601	16,810
Administrative & Selling	28,441	28,654	30,509	29,426	27,286	26,148	24,784	23,266	22,167	21,180
Depreciation and Amortisation	35,389	34,301	33,150	32,656	32,625	34,264	34,314	31,832	29,468	27,171
Total	206,853	261,338	279,260	285,118	295,917	276,050	228,591	193,446	260,093	197,324
Operating Income	55,017	50,435	48,301	47,996	48,108	44,969	47,680	45,245	42,127	44,265
Interest Expense (net)	7,626	10,789	11,368	13,163	9,389	8,761	7,618	6,915	8,997	7,201
Other Gains (net)	(45)	(307)	(67)	(66)	(67)	(66)	(296)	(636)	(462)	(151)
Net Income before Tax	47,436	39,953	37,000	34,899	38,786	36,274	40,358	38,966	33,592	37,215
Taxation	13,468	11,044	10,192	9,584	9,972	10,003	11,138	11,151	11,049	9,125
Net Income after Tax	33,968	28,909	26,808	25,315	28,814	26,271	20,220	27,815	22,543	28,090
Re-measurement of Pension Plans	1,567	(6,719)	1,615	(872)	856	(192)	(178)	(239)	48	-
Dividend Declared	17,878	17,190	16,044	8,022	17,648	18,107	18,666	17,228	15,705	16,642
Retained Earnings for Year	17,657	5,000	12,379	16,421	12,022	7,972	10,376	10,348	6,886	11,448
Retained Earnings Beginning of Year	135,374	130,137	123,614	109,375	84,267	76,970	69,338	62,282	57,061	52,303
Transfer from/(to) Reserves	(2,513)	197	(5,856)	(2,182)	(5,039)	(118)	(189)	(79)	(981)	(644)
Tariff Reduction Reserve	-	-	-	-	-	(557)	(2,555)	(3,213)	(1,953)	(6,046)
Prior Year Adjustment	-	40	-	-	18,125	-	-	-	1,269	-
Retained Earnings End of Year	150,518	135,374	130,137	123,614	109,375	84,267	76,970	69,338	62,282	57,061
Rate of Return	13.56%	11.64%	10.02%	13.42%	14.20%	15.12%	17.41%	18.32%	17.77%	21.42%
Earnings per Share (EC$)	$1.48	$1.26	$1.17	$1.10	$1.26	$1.15	$1.27	$2.36	$1.92	$2.48
Dividend per Share (EC$)	$0.78	$0.75	$0.70	$0.35	$0.77	$0.79	$1.59	$1.47	$1.34	$1.42
Debt/Equity Ratio	30/70	35/65	39/61	43/57	47/53	40/60	36/64	39/61	41/59	43/57
Capital Expenditure (EC$000's)	$28,771	$21,545	$27,658	$28,211	$97,243	$45,390	$22,262	$31,281	$28,344	$51,794

OPERATING STATISTICS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Generating Plant (kW)										
Available Capacity	88,400	88,400	88,400	88,400	88,400	76,000	76,000	76,000	76,000	76,000
Firm Capacity	68,000	68,000	68,000	68,000	68,000	55,600	55,600	55,600	55,600	55,600
Peak Demand	60,300	59,000	58,900	59,700	59,800	60,300	59,200	55,900	54,100	52,700
Percentage growth in peak demand	2.2%	0.2%	-1.3%	-0.2%	-0.8%	1.9%	5.9%	3.3%	2.7%	5.8%
Sales (kWh x 1000)										
Domestic	123,839	116,133	111,922	112,743	112,272	113,505	113,757	107,820	103,214	104,784
Commercial (including Hotels)	194,966	192,442	191,294	193,199	192,847	190,846	188,640	178,518	170,624	168,151
Industrial	18,519	17,999	17,673	17,624	17,679	18,761	18,373	19,002	18,626	15,789
Street Lighting	10,905	10,966	11,050	10,913	10,526	10,263	9,959	9,741	9,510	9,117
Total Sales	348,229	337,540	331,939	334,479	333,324	333,375	330,729	315,081	301,974	297,841
Power Station and Office Use (kWh x 1000)	13,770	13,715	13,918	14,706	14,511	14,599	14,127	14,312	14,256	13,185
Losses (kWh x 1000)	29,432	30,013	33,574	33,791	36,948	37,234	36,033	33,597	36,105	34,672
Units Generated (kWh x 1000)	391,431	381,268	379,431	382,976	384,783	385,208	380,889	362,990	352,335	345,698
Percentage growth in units generated	2.7%	0.5%	-0.9%	-0.5%	-0.1%	1.1%	4.9%	3.0%	1.9%	4.5%
Percentage growth in sales	3.2%	1.7%	-0.8%	0.3%	0.0%	0.8%	5.0%	4.3%	1.4%	4.7%
Percentage Losses (excl. prior year sales adjs.)	7.5%	7.9%	8.8%	8.8%	9.6%	9.7%	9.5%	9.3%	10.2%	10.0%
Number of Consumers at Year End										
Domestic	58,867	59,766	59,790	58,648	55,110	54,415	53,566	52,986	51,444	50,163
Commercial (including Hotels)	6,994	7,128	7,193	7,096	6,629	6,641	6,557	6,479	6,169	5,938
Industrial	94	98	98	98	100	101	100	100	98	101
Street Lighting	19	19	19	20	10	9	9	7	7	7
	65,974	67,011	67,100	65,862	61,849	61,166	60,232	59,572	57,718	56,209
Percentage growth	-1.5%	-0.1%	1.9%	6.5%	1.1%	1.6%	1.1%	3.2%	2.7%	3.1%
Number of Consumers at Year End										
Per Customer (kWh)										
Domestic	2,104	1,943	1,872	1,922	2,037	2,086	2,124	2,035	2,006	2,089
Commercial (including Hotels)	27,876	26,998	26,594	27,226	29,091	28,738	28,769	27,553	27,658	28,318
Industrial	197,011	183,663	180,337	179,837	176,790	185,752	183,730	190,020	190,061	156,327
Diesel fuel consumed (Imp. Gall.)	19,938,352	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

NOTES

NOTES

LUCELEC
ST. LUCIA ELECTRICITY SERVICES LIMITED

CASTRIES
+1 758 452 2165
+1 758 457 4760

VIEUX FORT
+1 758 454 6617

St. Lucia Electricity Services Limited
P. O. Box 230
Sans Souci, Castries,
Saint Lucia, West Indies