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Schedule 1
FORM ECSRC - K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended

December 31, 2015

Issuer Registration number

LUCELEC09091964SL

St. Lucia Electricity Services Limited

(Exact name of reporting issuer as specified in its charter)

Saint Lucia

(Territory of incorporation)

John Compton Highway, Sans Soucis, Castries, Saint Lucia

(Address of principal office)

REPORTING ISSUER'S:

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

Fax number: 758-457-4409

Email address: lucelec@candw.lc

(Provide information stipulated in paragraphs 1 to 14 hereunder)

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

Yes

No

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

CLASS	NUMBER
Ordinary Shares	22,400,000
Non Voting ordinary shares	520,000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Trevor M. Louisy

Trevor M. Louisy
Signature

Date

29th April, 2016

Name of Director:

[Signature]
Signature

Date

Name of Chief Financial Officer:

Ian Peter

[Signature]
Signature

Date

29/4/2016

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

2015 ushered in a new regulatory environment for the utilities sector, with the introduction of new legislation, a new regulator and new licensing arrangements for power producers. The National Utilities Regulatory Commission Act was assented to by the Governor General on 16th December 2015 effectively creating an independent regulator for the water and electricity sectors.

The Electricity Supply Act (ESA) also amended in the latter part of 2015 resulted in:

1. An amendment to the Company's license, by creating a competitive environment as it relates to the generation of electricity from renewable energy sources and
2. The transferring of the responsibility for the regulation of the electricity sector to the National Utilities Regulatory Commission (NURC)

In 2015 the market experienced lows in oil prices. Although consumers experienced a reduction in electricity prices as a result, it was not in tandem with the movement in oil prices. This was due to the impact of hedged contracts placed during the period of rising oil prices. The Board has authorized the Management of the Company to place hedges over a twelve (12) month rolling period up to 75% of estimated monthly volumes. Prior to this unexpected drop in oil prices consumers had benefited from stable and lower electricity prices for approximately four (4) years due to the Company's hedging programme. The Company is also aggressively pursuing its mandate to transition into renewable forms of energy, as a means of further cushioning the impact of fluctuations in oil prices. This strategic direction will also yield the benefit of reducing the country's carbon footprint.

There continued to be limited scope for growth in electricity demand during 2015. Demand is largely driven by factors outside of the Company's immediate control, such as the levels of local and foreign investment and Government policies. The Government's new Citizenship by Investment Programme could be a future driver of the economy and may result in electricity sales growth.

Slow growth in the economy and unemployment, impacted the Company's sales growth and collection efforts. The effective administration of customer debt continued to be a priority for the Company's Management, in 2015.

The Company recorded sales growth for 2015 of 1.7%. The increase in sales was attributed to increased energy consumption in nearly all sectors. Increases were recorded in the Domestic (3.8%), Commercial (0.9%), Hotels (0.1%) and Industrial (1.8%) sectors while there was a reduction in sales to the Street Lights sector of (0.8%). Higher than normal temperatures during the summer months the resulting increased use of cooling equipment and an improved year in the hotel sector contributed to increased energy consumption in most sectors.

The Company continued to explore and analyze the technical, financial and operational feasibility of generating energy from renewable energy sources such as wind, solar and geothermal as well as other traditional sources like heavy fuel oil and natural gas, as part of the long term strategy for power generation.

Plans are underway for the installation of a 75kW Photovoltaic (PV) system at the Cul de Sac Power Station facility and a 3MW system in the south of the island. Additionally, LUCELEC and a wind farm developer have jointly begun undertaking studies towards the development of a 12 MW wind farm. During the year the Company also worked with a geothermal developer, Government of Saint Lucia (GOSL), and the World Bank to advance work on development of the geothermal energy resource.

The replacement transformer at the Praslin substation was commissioned during the first quarter of 2015, allowing the system along the East coast of the Island to be reconfigured to its optimal configuration.

In 2015, the Company continued to roll out the installation of the Automatic Metering Infrastructure (AMI). This Project involves replacing old electromechanical meters to allow, among other things, transitioning customers to automatic billing and reconnection. Approximately 80% of the meters have been replaced and the project should be completed in 2017.

In 2015 LUCELEC and the GOSL commenced discussions on the conversion of the high pressure sodium (HPS) street lights to energy efficient light-emitting diode (LED) lamps. It is anticipated that the project will commence in 2016 and continue through 2017. This may result in a reduction in sales from that sector.

2. Properties

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

PROPERTIES	PRODUCTIVE CAPACITY	FUTURE PROSPECTS
Cul De Sac Complex	Power station and Transmission substation	Completion of development of generation and related activity
Union Complex	Transmission Substation	As existing
Union Complex	Retired generation station	Station to be demolished and the site to be cleared
Faux a Chaud	NIL	For construction of sub station
Soufriere Power Station	Former Power Station	Site to be disposed of
Vieux Fort Power Station	Former Power Station	Station to be demolished and site to be cleared
Cantonement Complex	Transmission Substation and Technical Office	As existing
Soufriere Substation	Transmission Substation	Upgrade facility
Reduit Substation	Transmission Substation	As existing
Praslin Substation	Transmission Substation	Upgrade facility
Castries Substation	Transmission Substation	As existing
Sans Soucis Office	Head Administration Office	Refurbishment of building
Vieux Fort Admin Office	Sub Office	Refurbishment of building
Monchy	NIL	Site to be disposed of
Bocage	NIL	For construction of sub-station

3. Legal Proceedings

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

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

4. Submission of Matters to a Vote of Security Holders

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

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

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

Mrs. Carole Eleuthere Jn-Marie was elected at the 50th Annual Meeting of Shareholders

The following Directors retired by rotation and were re-elected to serve for another three (3) years at the same meeting

- Dr. Trevor Byer
- Ms Sharon Christopher
- Mr. Stephen McNamara

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

In accordance with clause 30 of the Company's By-Laws, at all shareholders meeting a resolution is put to the vote by a show of hands. Unless a poll demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect made in the minute book of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolution. All matters listed below were passed unanimously.

1. To consider and adopt the Directors' Report.
2. To consider and adopt the Auditors' Report and the Financial Statements for the year ended 31st December 2014.
3. To re-appoint the auditor.
4. To sanction a final dividend in respect of the year ended 31st December 2014.
5. To re-elect Directors:
 - Dr. Trevor Byer
 - Ms. Sharon Christopher
 - Mr. Stephen McNamara
6. To elect a Director:
 - Mrs. Carole Eleuthere-Jn Marie

- (d) A description of the terms of any settlement between the registrant and any other participant.
N/A

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

5. **Market for Reporting issuer's Common Equity and Related Stockholder Matters**
Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

N/A

6. **Financial Statements and Selected Financial Data**

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

7. **Disclosure about Risk Factors**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The Company had identified certain risks in the process of preparing for the new regulatory framework. To mitigate this risk, the Company established a Regulatory Reform Team to spearhead the Company's involvement in the regulatory reform process. Employee training, stake holder engagements and the review of the National Utilities Regulatory Commission (NURC) Bill, were some of the activities undertaken by the Regulatory Reform Team as part of their work programme.

The ESA as amended was assented to in the latter part of 2015 and provides the new regulatory body, the NURC with the authority and to allow independent power producers (IPPs) to generate electricity. Associated risk implications for the Company include the possibility of stranded assets and the loss of professional staff to Independent Power Producers (IPPs). The Company will engage the NURC as the energy sector transitions to a competitive environment in the area of generation of electricity, from renewable energy sources.

Fuel prices dropped significantly throughout the year in review. While the Company's fuel price hedging strategy was successful in reducing price volatility over the past five (5) years, in 2015, as a result of the significant drop in oil prices, customers have had to pay more for electricity than they would have, had the Company not hedged. This was largely due to the impact of unexpired hedge contracts placed in a period of rising oil prices. With noticeable reductions in local fuel prices, the Company was exposed to reputational risks as customers' expectation of commensurate reductions in electricity prices was not realized.

The Company had managed the reputational risks by reminding various stakeholders through a series of stakeholder engagements on the purpose of the fuel hedging strategy and the potential risks during sudden changes in prices. During the year, the Company reviewed its fuel price hedging strategy and explored the use of alternative hedging tools to help mitigate some of the risks identified

The Company's rate of return of 11.64% (10.02% in 2014) was within the legislated allowable rate of return bandwidth (10%-14.5%) that does not require the Company to either increase the tariff or provide a rebate for distribution.

The Company continued to explore and analyze the next phase of major generation capacity which it estimates will be required by 2021. A suitable location in the south of the island was identified in 2012 and is currently being leased by the Company, part of which will be used for the establishment of a solar farm. There are a number of key factors to be considered in finalizing this level of capital investment such as:

- The most efficient and effective technology, taking into consideration the environmental effects, reliability of supply, and price.
- The cost of the various options and the likely impact on the financial operations of the Company;
- Access to the required capital on favorable terms;
- The nature and extent of renewable power to be included in the energy portfolio, their costs and likely tariff impact;
- The risk factors to be managed in the event that there are delays in the delivery of new energy capacity requirements, when required;
- The likely impact of changes in the regulatory regime on energy strategy and supply;
- Support and cooperation of other stakeholders such as the GOSL requirements;
- General economic and operating conditions.

The Company therefore needs to monitor and manage progress in all of the above areas so as to ensure that it can mitigate the risk of insufficient generating capacity in a timely manner.

The annual hurricane season between June and November remained a constant risk factor. As far as practicable the Company continued to design its systems to minimize the impact from hurricanes.

Obtaining insurance coverage for the Transmission & Distribution (T&D) plant on the market, at a cost effective rate, has been a challenge in the past. As such, the company established a Self Insurance Fund as a vehicle to mitigate against losses in the event of catastrophic events. As at December 31, 2015 the Fund balance was EC\$28.2M. The Company also had access to a standby credit facility of EC\$10M to meet any emergency asset restoration costs should the need arise. The Net Book Value of the T&D assets were estimated at EC\$139.0 Million at the end of the year. Although periodic risk assessments are conducted to ascertain the most likely potential damage from a natural disaster, the Company is faced with the risk of being under-insured in the event of a total loss, a critical risk in this hurricane-prone region.

With universal access to electricity being achieved in Saint Lucia, the Company's future growth potential is limited. Management has commenced the process of putting in place the requisite legal, operational and structural systems that will allow the Company to explore other revenue opportunities outside its core business area. Shareholders gave approval to the setting up of a subsidiary holding company in 2014 to implement diversification plans. It is anticipated that some of these plans will come to fruition in 2016.

Debt management continued to pose a challenge given the local economic climate leading to a lengthening receivables aging profile, consequently debt management remained a priority for the Company. With respect to its largest debtor, the Company has entered into a financing arrangement which is being honored. All accounts continue to be monitored on an on-going basis to keep delinquency at its minimum.

The Company utilizes *Return On Equity* as one of the measures of its performance. As shareholders' equity increases and profits dwindle, the Company is faced with the risk of continued diminishing *Return On Equity*. Management will continue focusing on cost management through increased efficiencies as a means of mitigating this risk. There are also plans to increase its profitability by diversifying its revenue stream.

System Losses, specifically due to electricity theft, continue to be a concern for the Company, given the implications for the cost of electricity, unrecognized revenues and ultimately reduced shareholder returns. The Company has been in discussions with the Royal St. Lucia Police Force in order to obtain additional resources so that investigation of identified instances of electricity theft can be done on a timely basis.

The Company faces the risk of the imposition of value added tax (VAT) on the electricity services as a source of revenue for the GOSL. The risk implications are increased cost of electricity to customers, customer dissatisfaction, reputational damage and increased debt management costs. Although the Company does not have any control over the imposition of this tax, the Company has conceptualized a communication plan for key stakeholders, intensified its diversification efforts to secure new revenue streams and continues to monitor the situation closely.

8. Changes in Securities and Use of Proceeds

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

NONE

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

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

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

Reserves have been set up for the Company's self insurance and retirement benefits, distribution of which is not permitted.

9. Defaults upon Senior Securities

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

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non- financial indicators.

General Discussion and Analysis of Financial Condition

The Company recorded a profit before tax for the year of \$40.0M, which was greater than prior year profit of \$37.0M.

Sales growth for 2015 was 1.7% compared to a decline of 0.8% in 2014. Electricity sales for 2016 are forecasted at 339.4 million kWh, 0.6% higher than the 2015 results. Growth is expected mainly in the Domestic, Commercial and Industrial, sectors while Hotel and Street Light sectors are expected to decline. It is expected that there will be increases in the housing stock and the completion of major public sector commercial projects which will drive the increases in the domestic and commercial sectors. The fall in sales in the street lighting sector reflects the impact of GOSL conservation techniques with the replacement of the existing streetlights with more efficient LED lamps.

The company continues to maintain a healthy financial position as suggested by its liquidity and debt ratios. There is no planned departure from this position and management will continue to place a strong emphasis on working capital management. We remain optimistic about the achievement of the performance targets for 2016, despite the fact that there are still further amendments to be made to the ESA (tariff formula, license requirements and service standards). The thrust for renewable energy and increases in self-generation will continue to gradually, negatively impact the Company's electricity sales. The Company's future performance will depend on process improvements and the related gains in efficiency, while maintaining an acceptable level of reliability, power quality, safety and customer care.

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

These include:

- Network Improvement - replacement of faulty meters alongside the deployment of AMI meters.
- Renewable Energy – The first phase (2 MW) of a 3MW Solar PV farm is slated for commissioning in 2016.
- Corporate Diversification – use of the Company's existing asset base and skill sets to expand revenue opportunities. A subsidiary holding company has been established for that purpose.
- New Regulatory Environment – Work in 2016 will involve the finalization of internal structures and processes to support the new regulatory regime.
- Customer Care – The implementation of a call center is being planned for 2016 in an effort to improve the customer experience
- HR Strategic Plan – reviewing the organizational structure to align with the new Strategic Business Plan.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfill such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

(1) Liquidity

The main revenue source of the Company continued to be from the sale of electricity to customers in Saint Lucia. Electricity is accessible to approximately 99% of St. Lucian households and other establishments.

The capital expenditure programmes of the Company are customarily financed by long term bank loans on a competitive tender offer basis. However, Capital programmes for 2015 were funded from operational cash flows.

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

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

Liquidity in the banking sector is high and with few sizeable projects available, the market for loan financing is favourable to borrowers. Given LUCELEC strong financial position, financing for capital projects now and in the short term, is not a concern for management.

The Company recorded sales growth for 2015 of 1.7% compared to a decline of 0.8% in 2014. The increases were recorded in all sectors except for the Street Lights sector. Higher than normal temperatures during the summer months and the resulting increased use of cooling equipment, and an improved year in the hotel sector contributed to increased energy consumption in most sectors.

As more residential customers continue to engage in the self-generation of electricity through the use of solar photovoltaic panels and energy efficiency initiatives, this will have a negative impact on electricity sales in the future, particularly if this trend extends to larger commercial and industrial customers. The Company is currently exploring revenue diversification as a strategy to mitigating against this risk.

In terms of the performance of the local economy, the new Citizenship by Investment Programme, if successful will likely bring the necessary stimulation of the economy but has the potential to impact our business positively and negatively depending on the type and area of investment.

(2) Capital Resources

The Company had capital commitments at December 31, 2015 of EC\$0.4M primarily relating to improvements to its Administrative building.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing. The Company does not foresee potential violation of those covenants.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off- balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

N/A

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

Overview of Results of Operations

Results of Operations

The analysis following is based on the consolidated results of St. Lucia Electricity Services Limited and its two subsidiaries - LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.

Sales & Revenues

The Company recorded sales growth for 2015 of 1.7% compared to a decline of 0.8% in 2014. The increase in sales is attributed to increased energy consumption in nearly all sectors. Increases were recorded in the Domestic (3.8%), Commercial (0.9%), Hotels (0.1%) and Industrial (1.8%) sectors while there was a reduction in sales to the Street Lights sector of 0.8%.

Revenue of \$311.8M was lower than last year's total of \$327.6M by 4.8% (\$15.8M). The reduction was due mainly to the decline in tariffs caused by reductions in fuel prices offset by the increase in units of electricity sold. The overall average tariff was EC\$0.92, a reduction of 6.1% compared to that of the previous year (EC\$0.98). Movements in the tariff reflect the effect of changes in the price of fuel including charges associated with derivative financial instruments employed by the Company.

Generation costs (excluding fuel costs) were higher than the previous year by EC\$1.0M (4.8%) primarily due to a provision recorded for decommissioning of generating plant no longer being utilised. In the future similar provisions will be made for plant currently in use.

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

Administrative expenditures declined by EC\$0.9M (2.7%) mainly due to the reduction in the bad debts provision of EC\$1.4M offset by inventory write-offs of EC\$0.5M, these being one-off events.

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

The Profit before tax was EC\$40.0M, EC\$3.0M (8.1%) higher than 2014.

Profit after tax in 2015 was EC\$28.9M an increase of EC\$2.1M (7.8%) compared to 2014.

Earnings per share for the year was EC\$1.26 (2014 - \$1.17) reflecting the higher net profit for the year.

The interim dividend per share is EC\$0.39 (2014 - EC\$0.35). The Board of Directors will make a recommendation to the shareholders on the 2015 final dividend at the Annual Meeting of Shareholders usually held in May of the following year.

The Company achieved a rate of Return on Equity of 11.6% (2014 - 11.5%).

Capital Expenditure

Expenditure for the year 2015 amounted to EC\$21.9M (2014 – EC\$27.7M) comprising mainly of engine overhauls, improvements to the Transmission & Distribution network and continuation of the Automated Metering Infrastructure Project.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

N/A

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Audited Financial Statements

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Information concerning Non-executive Directors:

Position: Director Age: 64 years
Name: Stephen David Rupert McNamara
Mailing Address: P. O. Box 189, Castries, St. Lucia
Telephone No.: (758) 452-2662

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

Partner in the law firm of – McNamara & Company
Generally the responsibility of the Senior Partner

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

Lincoln's Inn – Inn's of Court School of Law, England – 1969 to 1972 Barrister-at-law

Information concerning Non-executive Directors:

Name: Matthew Lincoln Mathurin

Age: 53 years

Position: Director

Mailing Address: C/o National Insurance Corporation

Francis Compton Building, Waterfront, Castries, St. Lucia

Telephone No.: (758) 452-2808

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

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

Deputy Director NIC with responsibility for Finance Investment and Operations

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

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

1983-1985 FCCA Emile Woolf College of Accountancy

Information concerning Non-executive Directors:

Name: Dr. Trevor Byer

Age: 74 years

Position: Chairman

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

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

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

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

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

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

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

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

Information concerning non-Executive Directors:

Name: Sarah McDonald Age: 46 years

Position: Director

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

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

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

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

September 2010 CEO Emera Utility Services

September 2006 President & COO Emera Utility Services

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

M.B.A. St. Mary's, Halifax 2002
LL.B. Dalhousie Law School 1992
B.A. University of Kings College, Halifax

Information concerning non-Executive Directors:

Name: Sharon L Christopher Age: 59 years

Position: Deputy Chief Executive Officer/ Group Corporate Secretary

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

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

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

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

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

London School of Economics & Political Science, University of London – 1980-1981.
Masters of Laws (LLM) Corporate Law
Hugh Wooding Law School – 1978 – 1980, Legal Education of Certificate (LEC)
University of the West Indies, Faculty of Law, Cave Hill, Barbados – 1975-1978
Bachelors of Law (LL.B) Upper Second Class Honours

Information concerning non-Executive Directors:

Name: Andre Chastanet

Position: Director Age: 57 years

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

Telephone No: (758)285-2400

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

2004 - 2013
Managing Director Consolidated Foods Limited
Reports to the Board of Directors for operational and strategic direction of Company

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

Chartered Accountant - 1988

Information concerning non-Executive Directors:

Name: Mkabi Onika Walcott

Position: Director

Age: 44 years

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

Telephone No: (758) 720-4533

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

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

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

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

DVM – Doctor of Veterinary Medicine

PMP – Project Management Professional

1999-2005 University of Havana – Veterinary Medicine

2007 – Project Management (PMI)

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

Information concerning Non-executive Directors:

Name: Carole Eleuthere-Jn Marie

Position: Director

Age: 47

Mailing address: P.O. Box 527, Castries, St. Lucia

Telephone No.: 758-450-2662 Ext. 4400, 758-285-4347

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

Regional Manager EC & Barbados – First Citizens Investment Services Limited

Responsibilities

- Lead and define a rapidly growing Caribbean Regional Investment Brokerage Operation which caters for the investment needs of a wide range of financial and non-bank financial institutions, large corporations and high net worth retail clients
- Lead and drive Capital Market transactions for Regional Caribbean Governments and Large corporations
- Coach and direct the Country Heads in Regional territories
- Lead and drive the execution of comprehensive business plans and strategies that create, develop, educate and nature the Capital markets of the Eastern Caribbean and Barbados
- Maintain a highly driven, motivated and customer focused regional team with a customer centric and proactive sales culture
- Provide regional leadership and guidance with respect to HR, Brand and marketing policies, Compliance, etc.

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

FCCA – Emile Woolf College 1992

BSC (Hons) – UWI Cavehill 1987 - 1990

Information concerning non-Executive Directors:

Name: Reginald Darius (Dr)

Position: Director

Age: 45

Mailing Address: BW 331, Rodney Bay

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

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

Permanent Secretary – Ministry of Finance – Government of Saint Lucia (2009 to present)
International Monetary Fund: Sr. Economist (2009-2012) Economist (2005-09)

European Department, Desk Economist Croatia (2010-2012)

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

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

PhD Economics University of Warwick (2006)
Macroeconomics of Open Economies (Exchange Rate Regime and Welfare)
M Phil Economics University of Cambridge (1995)
International Macroeconomics, Applied Econometrics
B.Sc. Economics (First class Hons.) University of the West Indies (1993)

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Position: Managing Director

Name: Trevor Louisy

Age: 53 years

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

Telephone No.: (758) 457-4400

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

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

Responsible of the management business operations and strategic positioning of LUCELEC

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

Responsible for all engineering functions.

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

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

Also a Director of the Company Yes No

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

Position : Chief Financial Officer

Name: Ian Peter

Age: 47 years

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

Telephone No.: (758) 457-4400

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

St. Lucia Electricity Services Limited – Chief Financial Officer – January 2016 to present
Responsible for the financial management and fiscal integrity of the company

Unicomer (Saint Lucia) Limited formerly Courts (St. Lucia Limited) – OECS Director of Finance &
Technical Services - April 2014 to December 2015

Unicomer (Saint Lucia) Limited formerly Courts (St. Lucia) Ltd – OECS Director of Finance – January 2008
to March 2014

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

Fellow of the Association of Certified Chartered Accountants (FCCA)

BSc (Hons) Management Studies from the University of the West Indies, Cave Hill Campus – 1989 to 1992

Also a Director of the company Yes No

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

Position: Business Development Manager

Name: Victor E. Emmanuel

Age: 54 years

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

Telephone No.: (758) 457-4400

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

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

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

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

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

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

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

Also a Director of the Company Yes No

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

Position: Chief Engineer

Name: Goodwin d' Auvergne

Age: 56 years

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

Telephone No.: (758) 457-4400

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

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

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

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

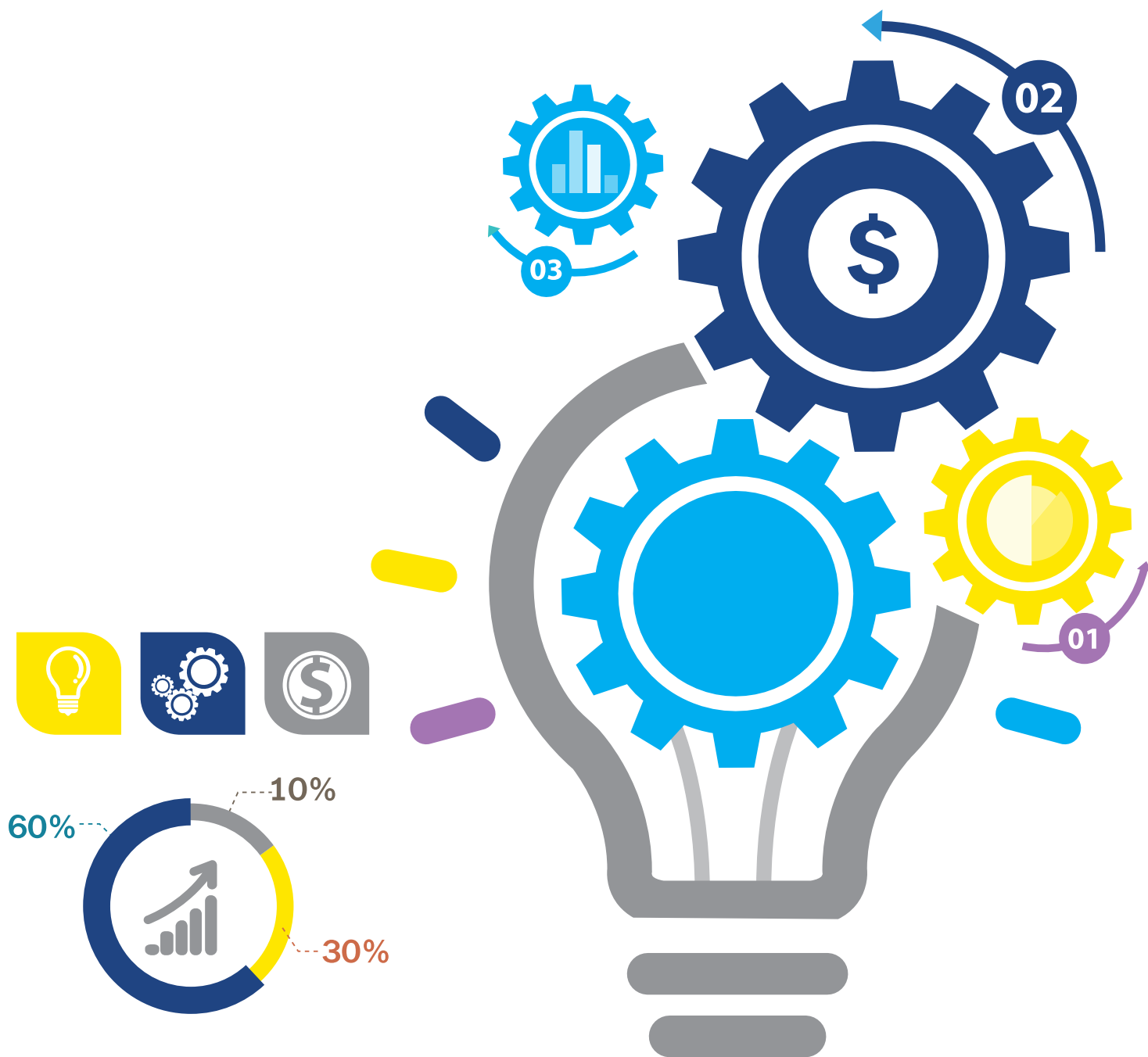
Bachelor of Science - Electrical Engineering - University of Hartford (1984-1988)

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

Also a Director of the Company Yes No

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





FINANCIAL REPORT

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STATEMENT OF CHANGES IN EQUITY	51	STATEMENT OF CASH FLOWS	52	NOTES TO FINANCIAL STATEMENTS	53

PKF Professional Services

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St. Lucia Electricity Services Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of St. Lucia Electricity Services Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of changes in equity, consolidated statement of comprehensive income, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of St. Lucia Electricity Services Limited

Opinion

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



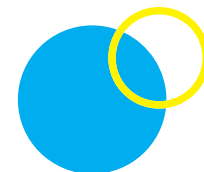
Chartered Accountants
Castries, Saint Lucia
March 11, 2016

ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Statement of Financial Position

As at December 31, 2015

(Expressed in Eastern Caribbean Dollars)



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

Approved on behalf of the Board of Directors:

Director

Director

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

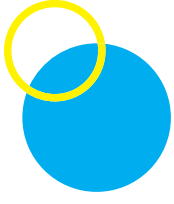
Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital	Retained Earnings	Retirement Benefit Reserve	Revaluation Reserve	Insurance Reserve	Self-Insurance Reserve	Total
Balance at January 1, 2014		\$ 80,162,792	123,613,483	2,448,000	-	21,155,667	227,379,942	
Net profit for the year		-	26,808,407	-	-	-	26,808,407	
Re-measurements of defined benefit pension plans, net of tax		-	1,615,529	-	-	-	1,615,529	
Total comprehensive income for the year		-	28,423,936	-	-	-	28,423,936	
Transfer to retirement benefit reserve		-	(2,317,000)	2,317,000	-	-	-	
Transfer to self-insurance reserve	32	-	(3,539,155)	-	-	3,539,155	-	
Ordinary dividends	26	-	(16,044,000)	-	-	-	(16,044,000)	
Balance at December 31, 2014		\$ 80,162,792	130,137,264	4,765,000	-	24,694,822	239,759,878	
Balance at January 1, 2015		\$ 80,162,792	130,137,264	4,765,000	-	24,694,822	239,759,878	
Net profit for the year		-	28,909,014	-	-	-	28,909,014	
Re-measurements of defined benefit pension plans, net of tax		-	(6,719,300)	-	-	-	(6,719,300)	
Gain on property revaluation	14	-	-	-	15,350,707	-	15,350,707	
Total comprehensive income for the year		-	22,189,714	-	15,350,707	-	37,540,421	
Transfer from retirement benefit reserve		-	3,707,000	(3,707,000)	-	-	-	
Transfer to self-insurance reserve	32	-	(3,509,680)	-	-	3,509,680	-	
Ordinary dividends	26	-	(17,190,000)	-	-	-	(17,190,000)	
Balance at December 31, 2015		\$ 80,162,792	135,334,298	1,058,000	15,350,707	28,204,502	260,110,299	

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

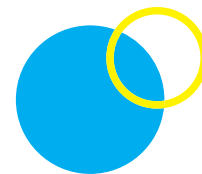
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

1. Incorporation and Principal Activity

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

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

2. Basis of Preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as disclosed in Note 35. Control is achieved when the Company:

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

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation (Cont'd)

(d) *Functional and presentation currency*

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

(e) *Use of estimates and judgments*

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

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

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

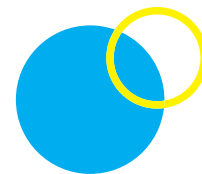
- Note 3(b)(iii): Estimated useful lives of property, plant and equipment
- Note 3(c)(iii): Estimated useful lives of intangible assets
- Note 3(d): Measurement of defined benefit obligations
- Note 3(j): Estimation of unbilled sales and fuel surcharge
- Note 4: Determination of fair values
- Note 30: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

3. Significant Accounting Policies

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

(a) *Foreign currency*

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

The annual rates of depreciation are as follows:

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(c) *Intangible assets*

(i) *Recognition and measurement*

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

(ii) *Subsequent expenditure*

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

(iii) *Amortisation*

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

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

(d) *Employee benefits*

(i) *Defined benefit plans*

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

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

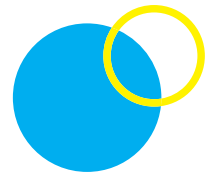
The Group recognises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in other comprehensive income in the period in which they occur.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



3. Significant Accounting Policies (Cont'd)

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

(ii) *Pension benefits assumptions*

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 8.

(iii) *Defined contribution plans*

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

(iv) *Termination benefits*

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

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

(e) *Financial instruments*

(i) *Non-derivative financial instruments*

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(e) Financial instruments (Cont'd)

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

Available-for-sale financial assets

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

Loans and receivables

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

(i) Deposits held in banks

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

(ii) Trade and other receivables

Trade and other receivables are carried initially at fair value and subsequently measured at amortised cost less a provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in profit or loss.

Trade and other receivables, being short-term, are not discounted.

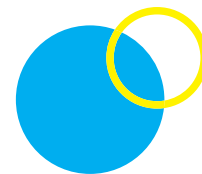
(iii) Cash and cash equivalents

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

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

Borrowings

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

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

Trade and other payables

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

Consumer deposits

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

(ii) *Share capital*

Ordinary shares

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

(f) *Impairment*

(i) *Financial assets*

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(f) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

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

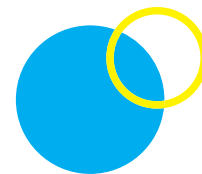
(ii) Non-financial assets

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

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

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(g) Inventories

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

(h) Provision for other liabilities

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

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

(i) Derivative financial instruments

The Group holds derivative instruments to manage the volatility of its fuel costs. Further details of derivative financial instruments are disclosed in Note 21.

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(j) *Revenue recognition*

Sale of energy

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

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the 12 months preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge revenue/rebate is included in accrued income.

Consumer contributions

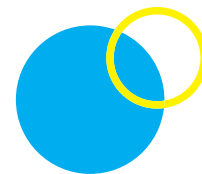
In certain specified circumstances, consumers requiring line extensions for electricity supply are required to contribute the capital cost of the extensions. These contributions are recognised in income in the same period in which the costs are incurred. Contributions in excess of the applicable capital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

(k) *Finance income and expenses*

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

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

Foreign currency gains and losses are reported on a net basis in "other gains, net" in profit or loss.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(l) *Income tax*

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

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

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

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

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

(m) *Earnings per share*

The Group presents basic and diluted Earnings per Share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the inputs to the basic EPS computation for the effects of all dilutive potential ordinary shares, if any.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

(i) *New standards, amendments and interpretations effective in the 2015 financial year are as follows:*

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2015 have been adopted in these consolidated financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2015 which do not affect the Group's consolidated financial statements have not been disclosed below.

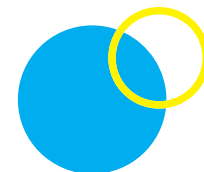
- *IFRS 13, Fair Value Measurement* was amended to clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those that do not meet the definition of financial assets or financial liabilities within IAS 32. The application of this amendment had no impact on the amounts recognised in the Group's consolidated financial statements.
- *IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets* removed perceived inconsistencies in the accounting for accumulated depreciation and amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The application of this amendment had no impact on the amounts recognised in the Group's consolidated financial statements.
- *IAS 19, Employee Benefits* was amended to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The application of this amendment had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



3. Significant Accounting Policies (Cont'd)

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

(i) *New standards, amendments and interpretations effective in the 2015 financial year are as follows: (Cont'd)*

- *IAS 24, Related Party Disclosures* was amended to clarify that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to the management personnel that is paid through another entity is not required. The application of this amendment had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

- *IFRS 7, Financial Instruments: Disclosures* was amended to require additional disclosures when an entity first applies IFRS 9, Financial Instruments, which include the changes in the categories and carrying amounts of financial instruments before and after the application of the new standard. These amendments apply when an entity applies IFRS 9.

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

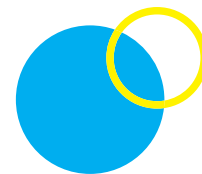
(n) *New standards, amendments to standards and interpretations (Cont'd)*

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

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

Key requirements of IFRS 9

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

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

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

Key requirements of IFRS 9 (Cont'd)

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

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

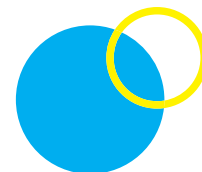
- *IAS 1, Presentation of Financial Statements* was amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
 - clarification that information should not be obscured by aggregating or by providing immaterial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

These amendments are applicable for annual periods beginning on or after January 1, 2016. It is not anticipated that the application of these amendments will have a material impact on the disclosures in the Group's consolidated financial statements.

- *IAS 16, Property, Plant and Equipment* and *IAS 38 Intangible Assets* have been amended to reflect clarifications of acceptable methods of depreciation and amortisation. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

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

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

- *IAS 19, Employee Benefits* was amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid, thus the depth of the market for high quality corporate bonds should be assessed at currency level. The amendment applies retrospectively for annual periods beginning on or after January 1, 2016. It is not anticipated that the application of this amendment will have a material impact on the Group's consolidated financial statements.

4. Determination of Fair Values

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

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

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

The carrying values of loans and receivables and trade and other payables are assumed to approximate their fair values at the reporting date due to their short-term nature.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

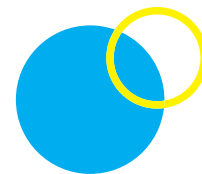
(Expressed in Eastern Caribbean Dollars)

4. Determination of Fair Values (Cont'd)

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

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

Credit risk

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

Trade and other receivables

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

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

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

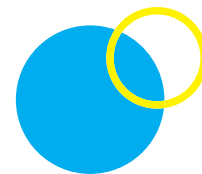
More than 85 percent of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component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

Investments

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

Cash and cash equivalents

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

Liquidity risk

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

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

- An overdraft facility of EC\$10 million which is secured. Interest is payable at the rate of 8% per annum.
- A standby credit facility in the amount of EC\$10 Million which will be utilised to restore transmission and distribution assets damaged by hurricane and other natural disasters, should it become necessary. This facility is convertible into a 12-year term instalment loan subject to the necessary approvals. The interest rate is 7.41% on the credit facility and 6.5% if converted into a demand loan.
- Customs bond valued at \$600,000.

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

Market risk

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

Currency Risk

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

Interest rate risk

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

Equity risk

The Group is not exposed to equity price risk.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

Market risk (Cont'd)

Commodity price risk

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

Operational risk

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

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

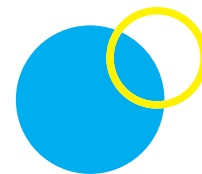
- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



5. Financial Risk Management (Cont'd)

Capital management

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Dollars)

6. Property, Plant and Equipment

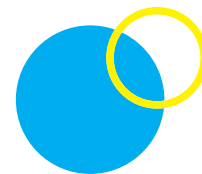
	<u>Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Furniture and Fittings</u>	<u>Work-in-Progress</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2014	\$ 4,715,423	84,257,855	681,544,931	3,685,256	15,338,135	20,863,753	810,405,353
Additions	1,781,039	16,100	1,563,538	122,416	460,945	22,627,342	26,571,380
Transfers	534,802	66,463	25,164,632	-	602,885	(26,368,782)	-
Reclassifications	-	-	-	-	-	352,803	352,803
Disposals	-	-	-	(159,281)	(8,033)	-	(167,314)
Balance at December 31, 2014	7,031,264	84,340,418	708,273,101	3,648,391	16,393,932	17,475,116	837,162,222
Balance at January 1, 2015	7,031,264	84,340,418	708,273,101	3,648,391	16,393,932	17,475,116	837,162,222
Revaluation (Note 14)	15,350,707	-	-	-	-	-	15,350,707
Additions	1,500	73,672	609,134	337,612	436,446	19,719,295	21,177,659
Transfers	(244,543)	125,891	20,539,472	152,746	233,524	(20,807,090)	-
Reclassifications	-	-	-	-	-	(885,671)	(885,671)
Disposals	-	-	(5,995)	(328,730)	-	-	(334,725)
Balance at December 31, 2015	\$ 22,138,928	84,539,981	729,415,712	3,810,019	17,063,902	15,501,650	872,470,192
<u>Accumulated Depreciation</u>							
Balance at January 1, 2014	\$ -	37,044,457	417,160,397	3,031,170	11,283,039	-	468,519,063
Charge for the year	-	2,052,824	27,781,168	311,925	824,125	-	30,970,042
Eliminated on disposals	-	-	-	(159,281)	(7,628)	-	(166,909)
Balance at December 31, 2014	-	39,097,281	444,941,565	3,183,814	12,099,536	-	499,322,196
Balance at January 1, 2015	-	39,097,281	444,941,565	3,183,814	12,099,536	-	499,322,196
Charge for the year	-	2,051,863	28,851,132	219,122	865,063	-	31,987,180
Eliminated on disposals	-	-	(2,448)	(328,730)	-	-	(331,178)
Balance at December 31, 2015	\$ -	41,149,144	473,790,249	3,074,206	12,964,599	-	530,978,198
<u>Carrying Amounts</u>							
Balance at January 1, 2014	\$ 4,715,423	47,213,398	264,384,534	654,086	4,055,096	20,863,753	341,886,290
Balance at December 31, 2014	7,031,264	45,243,137	263,331,536	464,577	4,294,396	17,475,116	337,840,026
Balance at January 1, 2015	7,031,264	45,243,137	263,331,536	464,577	4,294,396	17,475,116	337,840,026
Balance at December 31, 2015	\$ 22,138,928	43,390,837	255,625,463	735,813	4,099,303	15,501,650	341,491,994

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



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

Fair value measurement of the Group's lands

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

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

Assets pledged as security

As stated in Note 15, borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking *pari passu* pursuant to a security sharing agreement and the assignment of insurance policies.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

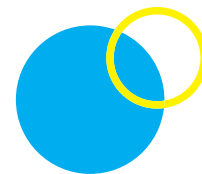
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

7. Intangible Assets

	<u>Information Systems</u>	<u>Wayleave Rights</u>	<u>Work-in- Progress</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2014	\$ 20,052,202	2,685,287	216,291	22,953,780
Additions	504,970	537,185	44,242	1,086,397
Transfers	141,855	-	(141,855)	-
Reclassifications to property, plant and equipment	-	(352,803)	-	(352,803)
Balance at December 31, 2014	<u>\$ 20,699,027</u>	<u>2,869,669</u>	<u>118,678</u>	<u>23,687,374</u>
Balance at January 1, 2015	20,699,027	2,869,669	118,678	23,687,374
Additions	119,810	460,428	183,279	763,517
Transfers	68,292	-	(68,292)	-
Reclassifications from property, plant and equipment	-	489,849	-	489,849
Balance at December 31, 2015	<u>\$ 20,887,129</u>	<u>3,819,946</u>	<u>233,665</u>	<u>24,940,740</u>
<u>Accumulated Amortisation</u>				
Balance at January 1, 2014	7,365,061	-	-	7,365,061
Amortised for the year	<u>2,180,034</u>	-	-	<u>2,180,034</u>
Balance at December 31, 2014	<u>9,545,095</u>	-	-	<u>9,545,095</u>
Balance at January 1, 2015	9,545,095	-	-	9,545,095
Amortised for the year	<u>2,313,936</u>	-	-	<u>2,313,936</u>
Balance at December 31, 2015	<u>\$ 11,859,031</u>	<u>-</u>	<u>-</u>	<u>11,859,031</u>
<u>Carrying Amounts</u>				
At January 1, 2014	<u>\$ 12,687,141</u>	<u>2,685,287</u>	<u>216,291</u>	<u>15,588,719</u>
At December 31, 2014	<u>\$ 11,153,932</u>	<u>2,869,669</u>	<u>118,678</u>	<u>14,142,279</u>
At January 1, 2015	<u>\$ 11,153,932</u>	<u>2,869,669</u>	<u>118,678</u>	<u>14,142,279</u>
At December 31, 2015	<u>\$ 9,028,098</u>	<u>3,819,946</u>	<u>233,665</u>	<u>13,081,709</u>

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

8. Retirement Benefit Asset/ (Liability)

Grade I Employees

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

Grade II Employees

The Group contributes to a defined benefit pension scheme for Grade II employees who were employed prior to January 1, 2008 which, up to December 31, 2008, was administered by CLICO International Life Insurance Company Limited (“CLICO”). Subsequent fundings to the plan are currently administered by RBC Investments Management (Caribbean) Limited (Note 33).

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

Grade III Employees

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

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

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

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

Assumptions regarding future mortality are based on standard mortality tables.

ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Dollars)

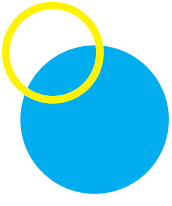
8. Retirement Benefit Assets/ (Liability) (Cont'd)

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

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

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Dollars)

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

The movements in the defined benefit obligations were as follows:

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

The movements in the plans' assets were as follows:

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Dollars)

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

Plans' assets consist of the following:

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

Grade I

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

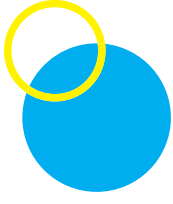
Grade II

The Grade II plan assets' values as at December 31, 2015 were estimated using the assets' values as at September 30, 2015 provided by the Scheme's Investment Manager, RBC, the residual value of the deposit administrative contract with CLICO as at December 31, 2013 as shown in the Scheme's audited accounts at that date and an estimate of the Scheme's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligations. The assets held with CLICO were fully provided for as of December 31, 2015 (see Note 33). The Investment Manager calculates the fair value of government bonds by discounting expected future proceeds using a constructed yield curve. All of the Scheme's government bonds were issued by the governments of countries within Caricom.

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

Grade III

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Dollars)

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

The actual return on plans' assets were as follows:

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

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Dollars)

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

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

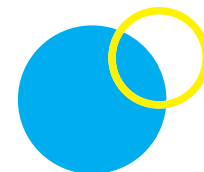
	Grade III		Grade II		Grade I		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening defined benefit assets /(liability)	\$ 1,378,000	(905,000)	2,191,000	1,818,000	1,196,000	1,535,000	4,765,000	2,448,000
Net pension costs	(1,063,000)	(1,205,000)	(392,000)	(437,000)	(157,000)	(131,000)	(1,612,000)	(1,773,000)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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



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

Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2015 would have changed as a result of a change in the assumptions used.

Grade I

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

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

Grade II

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

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

Grade III

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

Duration

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

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

Funding Policy

Grade I

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

Grade II

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

Grade III

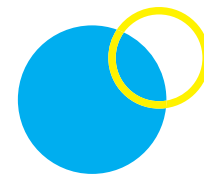
The Group meets the cost of funding the defined benefit pension plan for the Group's employees only and is not liable for outstanding contributions from other employers who contribute to the multi-employer plan. The funding requirements are based on regular (at least every 3 years) actuarial valuations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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



9. Other Financial Assets

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

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

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

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

10. Inventories

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

11. Trade, Other Receivables and Prepayments

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

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

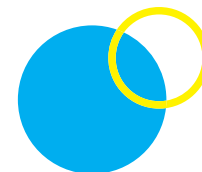
The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 30.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



12. Cash and Cash Equivalents

Cash and cash equivalents comprise:

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

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

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

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

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

13. Share Capital

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

14. Revaluation Reserve

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

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

15. Borrowings

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

Borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking *pari passu* pursuant to a security sharing agreement and the assignment of insurance policies.

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

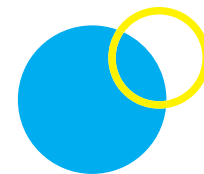
	2015	2014
	%	%
Bank borrowings	8.17	8.15
Related parties	7.63	7.61

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



15. Borrowings (Cont'd)

Maturity of non-current borrowings:

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

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

16. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when the service is terminated. Interest is accrued on these deposits at the rate of 3% (2014 - 3%) per annum.

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

17. Deferred Tax Liabilities

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2014 - 30%). The movement on the deferred tax liability account is as follows:

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

Deferred tax liabilities are attributed to the following items:

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

18. Post-employment Medical Benefit Liabilities

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

The principal actuarial assumptions used were as follows:

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

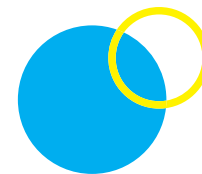
Assumptions regarding future mortality are based on standard mortality tables.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



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

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

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

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

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

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

Reconciliation of opening and closing defined benefit liabilities:

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

Sensitivity Analysis:

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2015 would have changed as a result of a change in the assumptions used.

Grade I & II

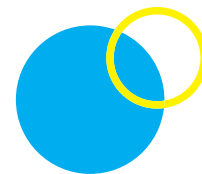
		1% p.a. increase	1% p.a. decrease
Discount rate	\$	(228,000)	297,000
Medical expense increases	\$	301,000	(234,000)

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

Grade III

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

Duration

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

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

Funding Policy

Grades I and II

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

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

Grade III

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

19. Trade and Other Payables

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

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

20. Provision for Other Liabilities

The movement on the provision account is as follows:

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

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

21. Fuel Price Hedging

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

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

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

The fair value of these fixed price swaps at year end as disclosed on the Consolidated Statement of Financial Position as Derivative Financial Liabilities is as follow:

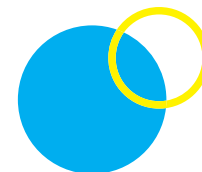
	2015	2014
<i>Derivative financial instruments</i>		
Fixed Price Swaps	<u>\$ 5,588,334</u>	<u>39,745,776</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



22. Other Gains, Net

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

23. Taxation

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

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

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

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

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

24. Basic and Diluted Earnings per Share

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

25. Tariff Reduction

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

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. This was equal to a range of 10% to 14.5% in respect of 2015 (2014 - 10% to 14.5%).

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

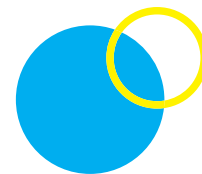
In the event that the actual Rate of Return falls below the minimum of 10%, provision is also made for the upward adjustment of the basic energy rate.

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

26. Ordinary Dividends

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

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

27. Related Parties

(a) Identification of related party

A party is related to the Group if:

(i) Directly or indirectly the party:

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

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

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

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

(b) Related party transactions and balances

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

Transactions with key management personnel

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

27. Related Parties (Cont'd)

Transactions with key management personnel (Cont'd)

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

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

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

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

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

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

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

The Group is controlled by the following entities:

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

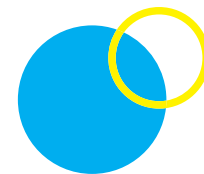
The remaining 14.44% (2014 - 14.44%) of the shares is widely held.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



27. Related Parties (Cont'd)

Transactions with related parties

Transactions with shareholders

Transactions with shareholders during the year were as follows:

Supply of services

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

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

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

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

Other Services

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

27. Related Parties (Cont'd)

Transactions with related parties (Cont'd)

Loans from shareholders

Movements in loans from shareholders for the year and their balances at December 31, 2015 were as follows:

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

The above loans are fully secured (Note 15).

Finance costs

Details of the related finance costs are as follows:

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

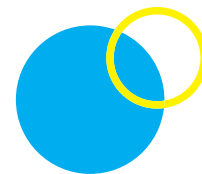
These charges are included in the finance costs of \$11,820,118 (2014 - \$12,956,548) disclosed in the Consolidated Statement of Comprehensive Income.

Lease Charges

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

Joint Operation

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

28. Expenses by Nature

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

29. Employee Benefit Expenses

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

30. Financial Instruments

Credit risk

Exposure to credit risk

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

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

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

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

Analysis of trade receivables

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

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

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

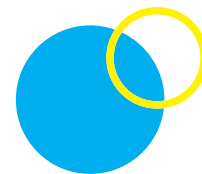
	2015	2014
Past due 31-60 days	\$ 9,104,514	12,794,763
Past due 61-90 days	3,982,531	5,422,800
Past due >90 days	5,567,594	10,829,375
	<u>\$ 18,654,639</u>	<u>29,046,938</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)



30. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Impairment losses

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

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

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

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

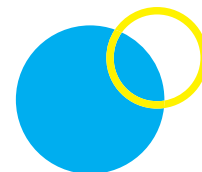
Notes to Consolidated Financial Statements (Cont'd)
For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

30. Financial Instruments (Cont'd) Liquidity risk

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

December 31, 2015	Carrying amounts	Contractual cash flows	December 31, 2015			
			Under 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Borrowings	\$ 137,814,325	196,071,954	26,007,447	25,512,269	52,326,221	92,226,017
Trade and other payables	25,828,230	25,828,230	-	-	-	-
	<u>\$ 163,642,555</u>	<u>221,900,184</u>	<u>51,835,677</u>	<u>25,512,269</u>	<u>52,326,221</u>	<u>92,226,017</u>
Derivative financial liabilities						
Derivative financial liabilities	\$ 5,588,334	5,588,334	5,588,334	-	-	-
	<u>\$ 5,588,334</u>	<u>5,588,334</u>	<u>5,588,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2014						
Non-derivative financial liabilities						
Borrowings	\$ 153,190,969	222,870,562	26,494,550	26,007,447	63,224,223	107,144,342
Trade and other payables	28,423,890	28,423,890	28,423,890	-	-	-
	<u>\$ 181,614,859</u>	<u>251,294,452</u>	<u>54,918,440</u>	<u>26,007,447</u>	<u>63,224,223</u>	<u>107,144,342</u>
Derivative financial liabilities						
Derivative financial liabilities	\$ 39,745,776	39,745,776	39,745,776	-	-	-
	<u>\$ 39,745,776</u>	<u>39,745,776</u>	<u>39,745,776</u>	<u>-</u>	<u>-</u>	<u>-</u>



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

30. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position are as follows:

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

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

Interest rates used for determining fair values

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

31. Commitments

Capital commitments

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

Operating lease commitments

(i) *Motor vehicles and property*

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

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

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

(ii) *Pole rental*

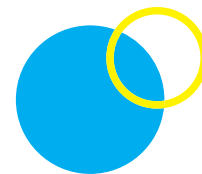
The Group expects to earn annual income from pole rentals of \$891,000 for the foreseeable future.

32. Self Insurance Reserve

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

During 2011, the Group received formal notification from the Registrar of Insurances of the approval in principle, subject to certain conditions, for the establishment of the fund in accordance with the Insurance Act of Saint Lucia. Payments into the fund are exempted from income tax under authority of Statutory Instrument No. 172 of 2007.

LUCELEC Cap-Ins. Inc. was incorporated on December 31, 2014. This subsidiary company has established a reserve which is not available for distribution to the shareholder.



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

32. Self Insurance Reserve (Cont'd)

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

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

The movements in the Self Insurance Reserve were as follows:

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

33. CLICO Investment-Grade II Pension Scheme

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

On January 30, 2009, in accordance with the terms of the deposit administration contract between CLICO and the scheme's trustees, the trustees with the consent of the Company served notice on CLICO to terminate the contract. Under the terms of the contract, CLICO is required to repay the value of the deposit administration contract in monthly instalments of \$250,000, and interest is accrued on the residual balance at a rate of 5% per annum. These monthly instalments were paid to the scheme's new investment manager (RBC Investment Management (Caribbean) Limited) up until October 2010 when payments stopped. The estimated residual balance of the fund held with CLICO at December 31, 2015 was \$6.555 million (2014 - \$6.252 million). In addition, the estimated value of the immediate annuity policies that the scheme holds with CLICO was \$1.500 million as at December 31, 2015 (2014 - \$1.553 million). The total value of the scheme's investment in CLICO was therefore \$8.055 million as at December 31, 2015 (2014 - \$7.805 million).

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

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

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

As at December 31, 2015, the computation of the present value of the pension obligations as required by IAS 19 are reliant on the value placed on the Scheme's investments with CLICO. The Judicial Manager of CLICO has received sanction from the High Court of Barbados to pursue a restructuring plan for the company. The proposed plan will result in a write-down in value of all policyholders' liabilities to match the estimated value of the company's available assets. The restructured policyholder liabilities and all the assets of the company will be transferred to a new company which will be separately governed and managed. Currently, the quantitative effects of this proposed plan is uncertain. As of December 31, 2015, an impairment loss of the entire balance has been taken into consideration in the computation of the Group's asset on the Consolidated Statement of Financial Position for the pension plans and its annual net pension cost as required by IAS 19.

34. Contingent Liability

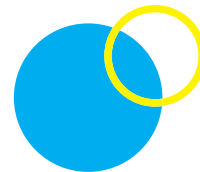
The Group has been named a defendant to a number of claims as at December 31, 2015. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that their defenses to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Group (i) does not consider it appropriate to make any provision in respect of any pending matters and (ii) does not believe that the ultimate outcome of these matters will significantly impair the Group's financial condition. Payments if any, arising from these claims will be recorded in the period that the payment is made.

35. Subsidiary Companies

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

36. Subsequent Events

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



ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2015

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37. Comparatives

Term deposits

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

Unbilled fuel surcharge

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