ST. LUCIA ELECTRICITY SERVICES LIMITED

Consolidated Financial Statements
December 31, 2016
(Expressed in Eastern Caribbean Dollars)

ST. LUCIA ELECTRICITY SERVICES LIMITED

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PKF professional Services Inc.

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

Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St. Lucia Electricity Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **St. Lucia Electricity Services Limited** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

P.O. Choc 8245, Meridian Place, Choc Estate, Castries, LC02 801, St. Lucia
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INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

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

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

PKF

Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

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

Chartered Accountants
Castries, Saint Lucia
March 10, 2017

ST. LUCIA ELECTRICITY SERVICES LIMITED
Consolidated Statement of Financial Position
As at December 31, 2016
(Expressed In Eastern Caribbean Dollars)

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

Approved on behalf of the Board of Directors

_______________________ Director   _______________________ Director

The notes on pages 7 to 66 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2016

(Expressed In Eastern Caribbean Dollars)

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

The notes on pages 7 to 66 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, 2016

(Expressed In Eastern Caribbean Dollars)

	Notes	Share Capital	Retained Earnings	Retirement Benefit Reserve	Fair Value Reserve	Revaluation Reserve	Self-Insurance Reserve	Total
Balance at January 1, 2015		$ 80,162,792	130,137,264	4,765,000	-	-	24,694,822	239,759,878
Net profit for the year		-	28,909,014	-	-	-	-	28,909,014
Re-measurements of defined benefit pension plans, net of tax, as previously stated		-	(6,719,300)	-	-	-	-	(6,719,300)
Prior year adjustments-application of accounting standards	38	-	(1,018,500)	-	-	-	-	(1,018,500)
Re-measurements of defined benefit pension plans, net of tax, as restated	24	-	(7,737,800)	-	-	-	-	(7,737,800)
Gain on property, plant and equipment	13	-	-	-	-	15,350,707	-	15,350,707
Total comprehensive income for the year, as restated		-	21,171,214	-	-	15,350,707	-	36,521,921
Transfer from retirement benefit reserve, as previously stated		-	3,707,000	(3,707,000)	-	-	-	-
Prior year adjustments-application of accounting standards	38	-	1,058,000	(1,058,000)	-	-	-	-
Transfer from retirement benefit reserve, as restated		-	4,765,000	(4,765,000)	-	-	-	-
Transfer to self-insurance reserve	33	-	(3,509,680)	-	-	-	3,509,680	-
Ordinary dividends	27	-	(17,190,000)	-	-	-	-	(17,190,000)
Balance at December 31, 2015, as restated		$ 80,162,792	135,373,798	-	-	15,350,707	28,204,502	259,091,799
Balance at January 1, 2016		**$ 80,162,792**	**135,373,798**	**-**	**-**	**15,350,707**	**28,204,502**	**259,091,799**
Net profit for the year		**-**	**33,967,642**	**-**	**-**	**-**	**-**	**33,967,642**
Fair value loss on available-for sale financial assets	13	**-**	**-**	**-**	**(551,394)**	**-**	**-**	**(551,394)**
Re-measurements of defined benefit pension plans, net of tax	24	**-**	**1,566,600**	**-**	**-**	**-**	**-**	**1,566,600**
Total comprehensive income for the year		**-**	**35,534,242**	**-**	**(551,394)**	**-**	**-**	**34,982,848**
Transfer to self-insurance reserve	33	**-**	**(2,512,541)**	**-**	**-**	**-**	**2,512,541**	**-**
Ordinary dividends	27	**-**	**(17,877,600)**	**-**	**-**	**-**	**-**	**(17,877,600)**
Balance at December 31, 2016		**$ 80,162,792**	**150,517,899**	**-**	**(551,394)**	**15,350,707**	**30,717,043**	**276,197,047**

The notes on pages 7 to 66 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016
(Expressed In Eastern Caribbean Dollars)

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

The notes on pages 7 to 66 are an integral part of these financial statements.

1. Incorporation and Principal Activity

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

The Group's registered office and principal place of business is situated at Hasache Buildings, Goodlands, Castries, Saint Lucia.

2. Basis of Preparation

(a) Statement of compliance

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

The consolidated financial statements were approved for issue by the Board of Directors on March 10, 2017.

(b) Basis of measurement

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

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as disclosed in Note 36. Control is achieved when the Company:

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

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

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

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

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

2. Basis of Preparation (Cont'd)

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

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

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

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

- Note 3(b)(iii) : Estimated useful lives of property, plant and equipment
- Note 3(c)(iii) : Estimated useful lives of intangible assets
- Note 3(d) : Measurement of defined benefit obligations
- Note 3(j) : Estimation of unbilled sales and fuel surcharge
- Note 4 : Determination of fair values
- Note 31 : Valuation of financial instruments

3. Significant Accounting Policies

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

(a) Foreign currency

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

3. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

(ii) *Subsequent expenditure*

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

(iii) *Depreciation*

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

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

The annual rates of depreciation are as follows:

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

3. Significant Accounting Policies (Cont'd)

(c) Intangible assets

(i) *Recognition and measurement*

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

(ii) *Subsequent expenditure*

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

(iii) *Amortisation*

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

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

(d) Employee benefits

(i) Defined benefit plans

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

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

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

3. Significant Accounting Policies (Cont'd)

(d) Employee benefits (Cont'd)

(ii) Pension benefits assumptions

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

(iii) Defined contribution plans

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

(iv) Termination benefits

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

If benefits are payable more than twelve (12) months after the reporting period, then they are discounted to that present value.

(e) Financial instruments

(i) *Non-derivative financial instruments*

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

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

3. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(e) Financial instruments (Cont'd)

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

Trade and other payables

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

Consumer deposits

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

(ii) *Share capital*

Ordinary shares

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

(f) Impairment

(i) *Financial assets*

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

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

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

3. Significant Accounting Policies (Cont'd)

(f) Impairment (Cont'd)

(i) *Financial assets (Cont'd)*

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

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

(ii) *Non-financial assets*

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(g) Inventories

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

(h) Provision for other liabilities

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

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

(i) Derivative financial instruments

The Group holds derivative instruments to manage the volatility of its fuel costs. Further details of derivative financial instruments are disclosed in Note 22.

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

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

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

3. Significant Accounting Policies (Cont'd)

(j) Revenue recognition

Sale of energy

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

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

Consumer contributions

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

(k) Finance income and expenses

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

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

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

3. Significant Accounting Policies (Cont'd)

(l) Income tax

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

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

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

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

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

(m) Earnings per share

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

3. Significant Accounting Policies (Cont'd)

(n) New standards, amendments to standards and interpretations

(i) New standards, amendments and interpretations effective in the 2016 financial year are as follows:

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2016 have been adopted in these consolidated financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2016 which do not affect the Group's consolidated financial statements have not been disclosed below.

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

- *IAS 1, Presentation of Financial Statements* was amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

  (a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

  (b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

  (c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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

3. Significant Accounting Policies (Cont'd)

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

(i) New standards, amendments and interpretations effective in the 2016 financial year are as follows: (Cont'd)

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

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

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

- *IAS 19, Employee Benefits* was amended to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The application of this amendment had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

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

3. Significant Accounting Policies (Cont'd)

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

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

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

  Key requirements of IFRS 9

  - All recognised financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and those contractual cash flows are solely payments of principal and interest, are measured at FVTOCI. All other debt instruments and equity instruments are measured at their fair value at the end of the subsequent accounting periods. In addition, entities may make an irrevocable election to present subsequent changes in the fair value of an equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

3. Significant Accounting Policies (Cont'd)

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

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

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

  Key requirements of IFRS 9 (Cont'd)

  - In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words it is no longer necessary for a credit event to have occurred before credit losses are recognised.
  - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

3. Significant Accounting Policies (Cont'd)

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

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

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

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

  This new standard is applicable for annual periods beginning on or after January 1, 2018. It is anticipated that the application of IFRS 15 in the future may have a material impact on amounts reported in respect to the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is undertaken.

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

  This new standard is applicable for annual periods beginning on or after January 1, 2019. It is anticipated that the application of IFRS 16 in the future may have a material impact on amounts reported in respect to the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review is undertaken.

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

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

3. Significant Accounting Policies (Cont'd)

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

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

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

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

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

4. Determination of Fair Values

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

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

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

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

4. Determination of Fair Values (Cont'd)

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

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

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

5. Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

5. Financial Risk Management (Cont'd)

Credit risk

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

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

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

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

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

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

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

5. Financial Risk Management (Cont'd)

Liquidity risk

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

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

- An overdraft facility of EC$10 million which is secured. Interest is payable at the rate of 5.00% (2015 - 8.00%) per annum.
- A standby credit facility in the amount of EC$10 Million which will be utilised to restore transmission and distribution assets damaged by hurricane and other natural disasters, should it become necessary. Amounts drawn under this facility will be in the form of a term loan amortised over a maximum term of 5 years at an interest rate of 3.95% per annum.
- Customs bond valued at $600,000.

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

Market risk

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

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

Interest rate risk
There is no significant interest rate risk arising on the Group's cash and cash equivalents and deposits. The Group is exposed to interest rate risk on its available-for-sale financial assets as at December 31, 2016. The Group's only interest-bearing financial liabilities are its borrowings which have fixed rates of interest as disclosed in Note 15.

Equity risk
The Group is not exposed to equity price risk as at December 31, 2016.

5. Financial Risk Management (Cont'd)

Market risk (Cont'd)

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

Operational risk

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

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

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

5. Financial Risk Management (Cont'd)

Capital management

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

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

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

6. Property, Plant and Equipment

	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Work-in-Progress	Total
Cost							
Balance at January 1, 2015	$ 7,031,264	84,340,418	708,273,101	3,648,391	16,393,932	17,475,116	837,162,222
Revaluation (Note 14)	15,350,707	-	-	-	-	-	15,350,707
Additions	1,500	73,672	609,134	337,612	436,446	19,719,295	21,177,659
Transfers	(244,543)	125,891	20,539,472	152,746	233,524	(20,807,090)	-
Reclassifications	-	-	-	-	-	(885,671)	(885,671)
Disposals	-	-	(5,995)	(328,730)	-	-	(334,725)
Balance at December 31, 2015	22,138,928	84,539,981	729,415,712	3,810,019	17,063,902	15,501,650	872,470,192
Balance at January 1, 2016	**22,138,928**	**84,539,981**	**729,415,712**	**3,810,019**	**17,063,902**	**15,501,650**	**872,470,192**
Additions	**-**	**5,913**	**1,357,059**	**7,629**	**562,482**	**25,867,857**	**27,800,940**
Transfers	**-**	**41,445**	**25,835,664**	**168,652**	**422,614**	**(26,468,375)**	**-**
Disposals	**-**	**-**	**-**	**(105,000)**	**(14,933)**	**-**	**(119,933)**
Balance at December 31, 2016	**$ 22,138,928**	**84,587,339**	**756,608,435**	**3,881,300**	**18,034,065**	**14,901,132**	**900,151,199**
Accumulated Depreciation							
Balance at January 1, 2015	$ -	39,097,281	444,941,565	3,183,814	12,099,536	-	499,322,196
Charge for the year	-	2,051,863	28,851,132	219,122	865,063	-	31,987,180
Eliminated on disposals	-	-	(2,448)	(328,730)	-	-	(331,178)
Balance at December 31, 2015	-	41,149,144	473,790,249	3,074,206	12,964,599	-	530,978,198
Balance at January 1, 2016	**-**	**41,149,144**	**473,790,249**	**3,074,206**	**12,964,599**	**-**	**530,978,198**
Charge for the year	**-**	**2,051,915**	**29,909,008**	**248,070**	**901,243**	**-**	**33,110,236**
Eliminated on disposals	**-**	**-**	**-**	**(105,000)**	**(14,645)**	**-**	**(119,645)**
Balance at December 31, 2016	**$ -**	**43,201,059**	**503,699,257**	**3,217,276**	**13,851,197**	**-**	**563,968,789**
Carrying Amounts							
Balance at January 1, 2015	$ 7,031,264	45,243,137	263,331,536	464,577	4,294,396	17,475,116	337,840,026
Balance at December 31, 2015	$ 22,138,928	43,390,837	255,625,463	735,813	4,099,303	15,501,650	341,491,994
Balance at January 1, 2016	**$ 22,138,928**	**43,390,837**	**255,625,463**	**735,813**	**4,099,303**	**15,501,650**	**341,491,994**
Balance at December 31, 2016	**$ 22,138,928**	**41,386,280**	**252,909,178**	**664,024**	**4,182,868**	**14,901,132**	**336,182,410**

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

Fair value measurement of the Group's lands

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

Had the Group's lands been measured at a historical cost basis as at December 31, 2016, their carrying amounts would have been $6,788,221 (2015 - $6,788,221).

Assets pledged as security

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

7. Intangible Assets

		Information Systems	Wayleave Rights	Work-in-Progress	Total
Cost					
Balance at January 1, 2015	$	20,699,027	2,869,669	118,678	23,687,374
Additions		119,810	460,428	183,279	763,517
Transfers		68,292	-	(68,292)	-
Reclassifications from property, plant and equipment		-	489,849	-	489,849
Balance at December 31, 2015		20,887,129	3,819,946	233,665	24,940,740
Balance at January 1, 2016		**20,887,129**	**3,819,946**	**233,665**	**24,940,740**
Additions		**338,995**	**579,489**	**51,183**	**969,667**
Transfers		**34,329**	**-**	**(34,329)**	**-**
Balance at December 31, 2016	**$**	**21,260,453**	**4,399,435**	**250,519**	**25,910,407**
Accumulated Amortisation					
Balance at January 1, 2015	$	**9,545,095**	-	-	**9,545,095**
Amortised for the year		**2,313,936**	-	-	**2,313,936**
Balance at December 31, 2015		**11,859,031**	-	-	**11,859,031**
Balance at January 1, 2016		**11,859,031**	-	-	**11,859,031**
Amortised for the year		**2,278,547**	-	-	**2,278,547**
Balance at December 31, 2016	$	**14,137,578**	-	-	**14,137,578**
Carrying Amounts					
At January 1, 2015	$	11,153,932	2,869,669	118,678	14,142,279
At December 31, 2015	$	9,028,098	3,819,946	233,665	13,081,709
At January 1, 2016	$	**9,028,098**	**3,819,946**	**233,665**	**13,081,709**
At December 31, 2016	$	**7,122,875**	**4,399,435**	**250,519**	**11,772,829**

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

8. Other Financial Assets

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

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

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

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

9. Inventories

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

10. Trade, Other Receivables and Prepayments

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

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

The Group's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 31.

11. Cash and Cash Equivalents

Cash and cash equivalents comprise:

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

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

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

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

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

12. Share Capital

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

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

13. Fair Value Reserve

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

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

14. Revaluation Reserve

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

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

15. Borrowings

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

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

15. Borrowings (Cont'd)

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

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

Maturity of non-current borrowings:

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

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

16. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when the service is terminated. Interest is accrued on these deposits at the rate of 2% (2015 - 3%) per annum.

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

17. Deferred Tax Liability

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

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

Deferred tax liability is attributed to the following items:

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

18. Retirement Benefit Liabilities

(a) Background

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

Grade II Employees
The Group contributes to a defined benefit pension scheme for Grade II employees who were employed prior to January 1, 2008 which, up to December 31, 2008, was administered by CLICO International Life Insurance Company Limited ("CLICO"). Subsequent funding's to the plan are currently administered by RBC Investments Management (Caribbean) Limited (Note 34).

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

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

The most recent actuarial valuation of the plan was completed on December 31, 2015 using the "Projected Unit Credit" method of valuation.

18. Retirement Benefit Liabilities (Cont'd)

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

	Grade III		Grade II		Grades I	
	2016 %	**2015 %**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
Discount rates	**7.5**	7.5	**7.5**	7.0	**7.5**	7.0
Future salary increases	**4.5**	4.0	**4.0**	5.5	**4.0**	5.5
Future pension increases	**3.0**	3.0	**0.0**	0.0	**0.0**	0.0
Future promotional increases	**2.0**	2.0	**-**	-	**-**	-
Future NIS earnings increases	**-**	-	**-**	-	**2.0**	2.0

Assumptions regarding future mortality are based on standard mortality tables.

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

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

18. Retirement Benefit Liabilities (Cont'd)

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

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

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

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

18. Retirement Benefit Liabilities (Cont'd)

(f) Plans' assets consist of the following:

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

Grade I
The value of the Grade I plan assets' at December 31, 2016 were estimated using the face value of the deposit administration contract as at September 30, 2016 provided by the Investment Manager, Sagicor Life Inc. These assets are not quoted on an open market and therefore the value is reliant on Sagicor's financial strength.

Grade II
The Grade II plan assets' values as at December 31, 2016 were estimated using the assets' values as at November 30, 2016 provided by the Scheme's Investment Manager, RBC. The Investment Manager calculates the fair value of Government bonds by discounting expected future proceeds using a constructed yield curve. All of the Scheme's government bonds were issued by the governments of countries within Caricom.

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

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

18. Retirement Benefit Liabilities (Cont'd)

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

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

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

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

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

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

18. Retirement Benefit Liabilities (Cont'd)

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

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

18. Retirement Benefit Liabilities (Cont'd)

(k) Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2016 would have changed as a result of a change in the assumptions used.

Grade I

		1% p.a. increase	1% p.a. decrease
Discount rate	$	**(1,053,000)**	**1,331,000**
Future salary increases	$	**857,000**	**(673,000)**

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

Grade II

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

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

Grade III

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

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

18. Retirement Benefit Liabilities (Cont'd)

(l) Duration

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

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

(m) Funding Policy

Grade I

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $336,000 to the pension plan during 2016.

Grade II

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $824,000 to the pension plan during 2016.

Grade III

The Group meets the cost of funding the defined benefit pension plan for the Group's employees only and is not liable for outstanding contributions from other employers who contribute to the multi-employer plan. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $1,184,000 to the pension plan during 2016.

19. Post-employment Medical Benefit Liabilities

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

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

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

Assumptions regarding future mortality are based on standard mortality tables.

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

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

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

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

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

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

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

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

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

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

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

(g) Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2016 would have changed as a result of a change in the assumptions used.

Grade I & II

		1% p.a. increase	1% p.a. decrease
Discount rate	$	**(222,000)**	**287,000**
Medical expense increases	$	**292,000**	**(228,000)**

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

Grade III

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

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

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

(h) Duration

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

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

(i) Funding Policy

Grades I and II

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

The Group expects to pay $44,000 to the plan in 2017.

Grade III

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

The Group expects to pay $4,000 to the plan in 2017.

20. Trade and Other Payables

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

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

21. Provision for Other Liabilities

The movement on the provision account is as follows:

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

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

22. Fuel Price Hedging

The underlying strategy and imperative related to the Group's objective is to reduce, in some measure, the price volatility to its customers caused by the existing arrangements whereby fuel is purchased on a regular basis at market prices.

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

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

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

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

23. Other Gains, Net

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

24. Taxation

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

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

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

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

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

25. Basic and Diluted Earnings per Share

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

26. Tariff Reduction

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

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. This was equal to a range of 10% to 14.5% in respect of 2016 (2015 - 10% to 14.5%).

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

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

As the actual Rate of Return fell within the Allowable Rate of Return range for the year ended December 31, 2016, no appropriation will be made.

27. Ordinary Dividends

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

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

28. Related Parties

(a) Identification of related party
A party is related to the Group if:

(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Group.
- Has an interest in the Group that gives it significant influence over the Group or
- Has joint control over the Group,

(ii) The party is a member of the key management personnel of the Group,
(iii) The party is a close member of the family of any individual referred to in (i) or (ii),
(iv) The party is a post-employment benefit plan for the benefit of employees of the Group or any Group that is a related party of the Group.

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

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

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

28. Related Parties (Cont'd)

Transactions with key management personnel (Cont'd)

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

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

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

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

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

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

Director/Shareholder	Company	Transactions		Transaction Values	
				2016	**2015**
Stephen McNamara	McNamara & Co	Legal fees	$	**24,866**	66,029
		Payments on behalf of third parties	$	**576,263**	517,514

The Group is controlled by the following entities:

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

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

28. Related Parties (Cont'd)

Transactions with related parties

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

Supply of services

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

The Government of Saint Lucia receives a 10% (2015 -10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

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

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

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

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

28. Related Parties (Cont'd)

Transactions with related parties (Cont'd)

Loans from shareholders
Movements in loans from shareholders for the year and their balances at December 31, 2016 were as follows:

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

The above loans are fully secured (Note 15).

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

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

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

Joint Operation

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

29. Expenses by Nature

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

30. Employee Benefit Expenses

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

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

31. Financial Instruments

Credit risk

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

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

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

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

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

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

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

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

31. Financial Instruments (Cont'd)

Credit risk (Cont'd)

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

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

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

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

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

31. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2016

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

December 31, 2015

	Carrying amounts	Contractual cash flows	Under 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Borrowings	$ 137,814,325	196,071,954	26,007,447	25,512,269	52,326,221	92,226,017
Trade and other payables	25,828,230	25,828,230	25,828,230	-	-	-
	$ 163,642,555	221,900,184	51,835,677	25,512,269	52,326,221	92,226,017
Derivative financial liabilities						
Derivative financial liabilities	$ 5,588,334	5,588,334	5,588,334	-	-	-

31. Financial Instruments (Cont'd)

Fair values

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

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

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

Interest rates used for determining fair values
The interest rates used to discount estimated cash flows are based on the market interest rates at the reporting date.

32. Commitments

Capital commitments

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

Operating lease commitments

(i) Motor vehicles and property

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

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

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

(ii) Pole rental

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

33. Self Insurance Reserve

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

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

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

33. Self Insurance Reserve (Cont'd)

The fund balance comprises the following:

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

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

The movements in the Self Insurance Reserve were as follows:

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

34. CLICO Investment - Grade II Pension Scheme

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

On January 30, 2009, in accordance with the terms of the deposit administration contract between CLICO and the scheme's trustees, the trustees with the consent of the Company served notice on CLICO to terminate the contract. Under the terms of the contract, CLICO is required to repay the value of the deposit administration contract in monthly instalments of $250,000, and interest is accrued on the residual balance at a rate of 5% per annum. These monthly instalments were paid to the scheme's new investment manager (RBC Investment Management (Caribbean) Limited) up until October 2010 when payments stopped.

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

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

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

The Judicial Manager of CLICO has received sanction from the High Court of Barbados to pursue a restructuring plan for the company. The proposed plan will result in a write-down in value of all policyholders' liabilities to match the estimated value of the company's available assets. The restructured policyholder liabilities and all the assets of the company will be transferred to a new company which will be separately governed and managed. Currently, the quantitative effects of this proposed plan is uncertain.

In 2015, the estimated residual balance of the fund held with CLICO was $6.555 million, while the estimated value of the immediate annuity policies that the scheme holds with CLICO was $1.500 million. However, as of December 31, 2015, a 100% impairment loss of the total estimated value of the scheme's investment in CLICO of $8.055 million was taken into consideration in the computation of the Group's asset on the Consolidated Statement of Financial Position for the pension plans and its annual net pension cost as required by IAS 19. As of December 31, 2016, the Group continued to value the scheme's investment in CLICO as zero in computing the present value of the pension assets as required by IAS 19.

35. Contingent Liabilities

Claims

The Company has been named a defendant to a number of claims as at December 31, 2016. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Company believes that their defences to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Company (i) does not consider it appropriate to make any provision in respect of any pending matters and (ii) does not believe that the ultimate outcome of these matters will significantly impair the Company's financial condition. Payments if any, arising from these claims will be recorded in the period that the payment is made.

Wage Negotiations

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

Retirement Age

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

36. Subsidiary Companies

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

37. Comparatives

Transmission and Distribution and Administrative Expenses

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

38. Prior Year Adjustments

Application of Accounting Standards

Retirement Benefit Assets and Liabilities

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

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

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

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

38. Prior Year Adjustment (Cont'd)

Deferred Tax

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

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

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

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

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

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

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

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