LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

Annual Report 2009

THE POWER OF CARING

Interconnectivity

In our 2009 Annual Report design, we show how intertwined LUCELEC is with everyday life - from staff to customers to the wider community. The imagery displays how many points of contact we have with all our customers, bringing them the security and energy they need everyday, all the while being tied together by the intersecting spheres.

The smooth flowing lines of the spheres represent the energy as it is transfered between people, households, businesses, communities and country. This safe reliable energy which originates from LUCELEC is just the beginning of our operational and social responsibilities. The design reminds readers that we are all connected regardless of our professions or activities, and one of the common thread that holds us together is LUCELEC's Power of Caring.

Power of Caring

LUCELEC cares. That theme resonates in our mission statement, vision, corporate values and our operations.

LUCELEC cares about providing affordable energy and services that are safe, reliable, and environmentally responsible. We care about meeting the expectations of our shareholders and employees while being a catalyst for social and economic development in Saint Lucia. We care about being a world-class provider of energy and other services.

Investing in people has always been a fundamental aspect of LUCELEC's way of doing business because caring has the potential to turn lives around. Whether it's our staff - current or retired - our contractors, our customers, our communities, our young people or our children, LUCELEC cares about being a powerful partner in providing people with opportunities to achieve excellence in performance - to change their lives.

Without a sense of caring, there can be no sense of community. That's why through our operations, services and various philanthropic and sponsorship initiatives, we're energizing lives at home, in the classroom, on the playground, in business, in sports, arts, culture, health care, and in communities.

LUCELEC cares because we believe our success is inextricably linked to the success of our customers and the country. And we recognise that as the sole commercial generator and distributor of electricity in Saint Lucia, LUCELEC has the power to care. In exercising that power to care we are powering a nation, energizing lives, and empowering the future.

We do this not because we have to but because we want to. That's the power of caring!

ST. LUCIA ELECTRICITY

LUCELEC

SERVICES LTD.

Annual Report 2009
THE POWER OF CARING

CONTENTS

MISSION & VISION

MISSION

We will provide affordable energy and services that are safe, reliable, and environmentally responsible.

We will meet the expectations of our shareholders and employees while being a catalyst for social and economic development in Saint Lucia.

VISION

A world-class provider of energy and other services by 2015

REGISTERED OFFICE
Head Office
St. Lucia Electricity Services Limited
Sans Souci
John Compton Highway
Castries
Saint Lucia
Telephone Number: 758-457-4400
Fax Number: 758-457-4409
Email Address: lucelec@candw.lc
Website: www.lucelec.com

ATTORNEYS-AT-LAW
Mc Namara & Company
20 Micoud Street
Castries
Saint Lucia

AUDITORS
KPMG Eastern Caribbean
Chartered Accountants
Morgan Building
L'Anse Road
P.O. Box 1101
Castries
Saint Lucia

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

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

2009 PERFORMANCE INDICES & 2010 TARGETS

Tariff Change Vs Inflation

Percentage change in basic price of electricity (excluding the fuel surcharge cost adjustment) as a percentage of the annual inflation rate.

Target: <97%
Performance: 96.26%

System Average Interruption Duration Index (SAIDI)

SAIDI is a measure of reliability and is the total customer hours of interruption divided by the total number of customers served. It is calculated by summing up the products of the duration of each outage in hours, times the number of customers affected and dividing the result by the total customer base.

Target: 7.5 hours
Performance: 6.03 hours

Reportable Injury Accidents (RIA)

RIA is the number of reportable injury accidents.

Target: Limit the Reportable Injury Accidents that result in two or more sick days, no more than 2
Performance: 1

System Losses

System losses are calculated by dividing the difference between units generated, and the sum of the units sold and units used by LUCELEC by the units generated and expressing the result as a percentage.

Target: 9.97%
Performance: 9.27%

Specific Fuel Consumption

The number of units (kWh) of electricity produced from each gallon of fuel consumed.

Target: 19.75 kWh
Performance: 19.88 kWh

Work Hours Lost

Work hours lost as a percentage of nominal work hours.

Target: 2.2
Performance : 2.4

Safety Audit Rating

A percentage rating assigned during the Company's annual safety audit exercise.

Target: 98%
Performance: 98.6%

Customer Service Perception Vs Expectations

Customer perception of service quality expressed as a percentage of customer expectation of service quality.

Target: 80%
Performance: 84.3%

Return on Equity

(ROE) measures how well the Company is using shareholders' invested money. It tells you the number of dollars of profits the Company can earn for each dollar of shareholders' equity and is calculated by taking a year's worth of after tax earnings and dividing by the average shareholders' equity for that year.

Target: 17.9%
Performance: 18.7%

2010 Targets

TARIFF CHANGE VS INFLATION:
<97%

SAIDI
5.9 hours

RIA
Maximum 1

SYSTEM LOSSES
9%

SPECIFIC FUEL CONSUMPTION
19.75 kWh

WORK HOURS LOST
2.2

ENVIRONMENTAL RATING*
1

CUSTOMER SERVICE PERCEPTION VS EXPECTATIONS:
86%

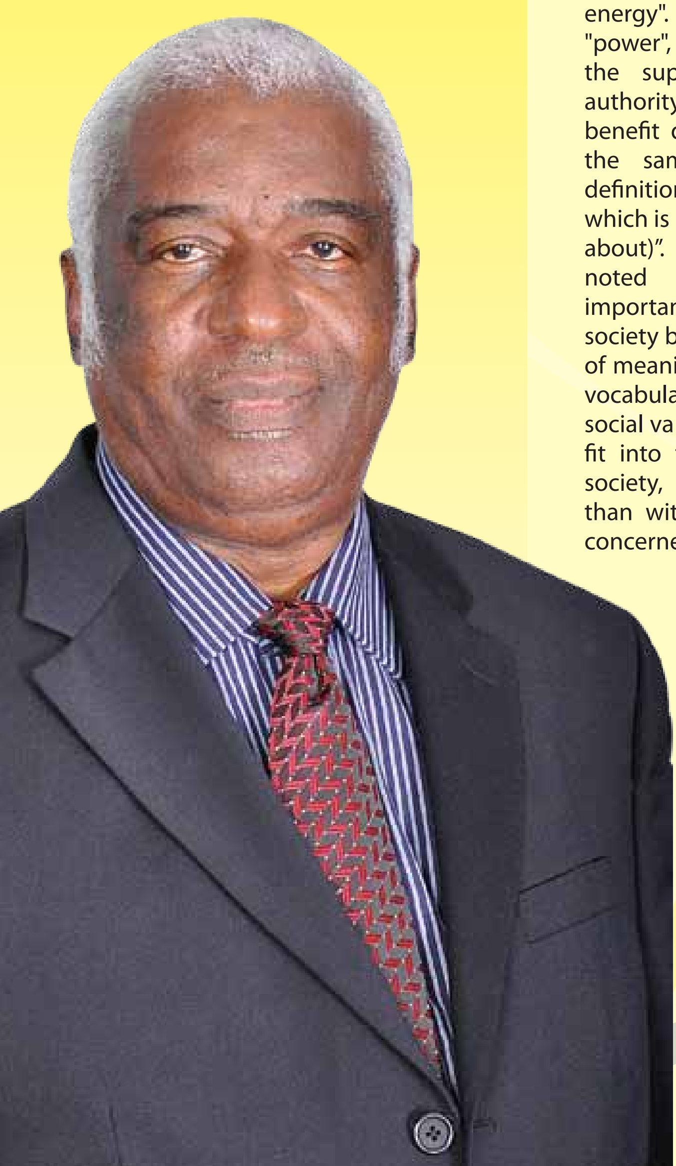
RETURN ON EQUITY
18.0%

*In 2010 the Safety Audit Rating is being replaced by an Environmental Rating. This will take into consideration incidents of oil and fuel spills from the power station and substations where the spill was not contained within the compound.

Safety will remain a Key Performance Indicator (KPI) at the Departmental level.

Chairman's Report

Mr. Marius St. Rose
Chairman



Introduction

LUCELEC has selected "The Power of Caring" as its theme for its activities during 2009 and for the culminating Annual Report. This is a play on the word "power" for which the second edition of The Concise Oxford Dictionary has fourteen definitions and interpretations. These range from "ability to do or act" to "supply with mechanical or electric energy". Of the many definitions of "power", to us it involves the ability to act; the supply of energy; influence or authority; magnification and the intrinsic benefit derived there from. Incidentally, the same dictionary has only one definition or interpretation of "care" which is "to feel concern or interest (for or about)". Parenthetically, it should be noted that linguists correlate the importance of a product or concept to a society by the range of synonyms, shades of meaning and nuances that it has in its vocabulary for it. One hopes that our social value of 'power' and 'care' does not fit into that theory and that we, as a society, are more concerned with care than with power. For LUCELEC, we are concerned with both equally, and virtually as an indivisible mix. It is because we care that we are in the power business.

In my Chairman's Report, I will treat with the subject under three sub-headings: To whom must we and do we manifest our care? Or, in short, who are our stakeholders? How do we manifest and demonstrate our 'power of caring'? What benefits do we derive from behaving in that way?

From the outset let it be said that we at LUCELEC cannot please all interests and everybody all the time. But in our considerations our aim is to endeavour to perform and juggle the very delicate balance of trying to satisfy the greatest number most of the times and to take a long term view of our decisions.

Our Stakeholders

In large part our stakeholders are obvious. First and foremost it is Saint Lucia for which we have been given the monopoly and mandate to serve by providing a safe, reliable, efficiently generated and distributed, and competitively priced power supply. It is the more than fifty thousand (50,000) customers who are the direct beneficiaries of our services and who esteem our product as critical to their economic development and social well being and who are as concerned with its availability, reliability and efficiency as they are with its price. It is our two hundred and thirty eight (238) full time staff assisted by a number of independent contractors without whom the Company would not be able to deliver on its mandate. It is the over eight hundred (800) shareholders and financiers from across Saint Lucia, the region and beyond

Chairman's Report

who, despite their own national needs for resources and competing global demands, have made their resources available to the Company to help Saint Lucia meet its needs for power and who expect the competitive returns that have been stipulated by statute.

In fact, in our operations every person, resident or visitor to Saint Lucia, is a stakeholder whether they consume our power or not. If they do not, and this is still less than one percent of the population, they still depend on somebody who does to help with their own economy and welfare.

But our stakeholders extend beyond our shores and also include future populations, yet unborn. The interdependence of the modern world is not restricted to trade, travel, finance and economics but includes, fundamentally, geography as we are all part of the global village and share in its limited, inter linked and interdependent space. What we do has an effect on the rest of the world, and, vice versa, hence the need for global cooperation and coordination. The very serious and current problem of global warming is a trite reminder of our global interdependence. And of course we have an obligation to husband the global resources so that they are as available to future generations as they have been available to us.

LUCELEC's Manifestations of the 'Power of Caring'

LUCELEC demonstrates its care in virtually all its operations. It does it when it:

1. keeps a reserve generating capacity at a reasonable, statutorily determined level to minimize the inconvenience, cost and equipment damage to customers that could possibly arise from power outages;

2. maintains its equipment to optimize their efficiency and useful life so that the Company can get maximum benefits from their use to the extent that its main international supplier of generating equipment has rated its plant to be the best maintained amongst that supplier's international customers;

3. ensures that all significant communities in Saint Lucia have convenient access to electrical power even though in some communities, and particularly amongst households, the per unit cost of providing the service is higher than the revenue earned;

4. sells power at the lowest average price/tariff in the OECS, and in the wider region, is only higher than Trinidad and Barbados which have their own obvious natural advantages of subsidized fuel, population density and more hospitable terrain for transmission

5. provides interest free credit to customers for an average of two months' consumption before a bill becomes due thus relieving the budgets of customers, unlike in some utilities that have a prepaid service particularly for chronically delinquent customers;

6. encourages and promotes energy conservation and the efficient use of power amongst all its customers to relieve their financial burdens and the very high foreign exchange costs to the economy even though its core business and profit driver is in the expansion of energy sales;

7. uses equipment, technologies, policies, procedures and fuels that have minimal impact on the environment to safeguard the health of Saint Lucian residents and visitors and to make our own small contribution to the preservation of the quality of our global environment;

8. focuses a great deal of its resources on staff training and development so that staff can perform to their true potential, hopefully to world class standards, which would redound to the benefit of all stakeholders;

9. sets a system of performance evaluation based on pre-set mutually agreed performance indicator targets at the levels of the corporation, departments and individuals, assessing performance against these targets and providing bonuses based on the audited performance assessments - a system which improves productivity and benefits all stakeholders;

10. rewards staff competitively and generously in line with their respective comparators and also in sync with their performance and productivity, bearing in mind that unduly high wage costs impact negatively on tariffs, other areas of economic activity and hence on cost of production in the overall economy;

11. shows as much concern for staff welfare in their retirement as during their working life, and towards this end, involves retired staff in many of the Company's social events and activities, and also contributes generously to social security and to an internal pension plan that will ensure that, at retirement, staff have sufficient income to live comfortably;

12. provides shareholders with a return that is based on the risk-free cost of capital in Saint Lucia (the Government's long term borrowing rate) plus a premium to recognize the inherent risks in the industry and economy;

13. ensures that efficiency gains (beyond what is paid out to management and staff as bonuses) are shared equally between the shareholders on the one hand, and industrial and tourism sector customers and low income households to reduce the tariff to users who either have to be internationally competitive or who are poor, low user households;

14. structures its financing so that borrowing costs can be as low as possible and that the tenor of borrowing is closely tied to the useful life of the equipment acquired so that the acquired asset can service its borrowing costs and will not be a burden on future generations of users

Chairman's Report

without a commensurate benefit to them;

15. takes a long term view of its involvement in Saint Lucia and regularly retains for reinvestments thirty per cent of its profits to assist with the growth and expansion of the Company and Saint Lucia;

16. pays promptly its corporate income taxes which amount to roughly about thirty percent of its profits before tax and also pays other taxes on fuel which all help with the financing of government and the development of the country and economy;

17. is a commercial partnership involving the Saint Lucia public sector (47%), two equal strategic investors - one regional and the other international (40%) - and institutional and individual investors, largely social security, insurance companies and mutual funds benefitting many of us across the Caribbean, owning the rest of the shares;

18. appropriates annually about two per cent of its non fuel operating expenses into a Trust Fund that is used to fund deserving requests for social, medical, educational and community assistance and which this year was able, inter alia, to provide generous and timely assistance to help rehabilitate the destroyed St. Jude's Hospital;

19. offers its services and facilities to sister utilities in order to mutually reduce costs and hence tariffs to all parties and is prepared to enter into cost sharing common service arrangements, particularly with respect to WASCO which is very dependent on our services but for which there is room for more cooperation to the mutual benefit of both entities and

20. has very effective internal communication and external public relations and communication arrangements which let our stakeholders know what we are doing, why we are doing it, when we intend to do it and to solicit their views.

And this list is not near exhaustive of our efforts at 'power caring'.

LUCELEC Benefits from 'The Power of Caring'

Most people believe in the power of prayer. One group, the Benedictine monks, correlate work with prayer, and it is biblical that work can wrought more than prayer. Another popular and much believed sentiment is that people shall be known by their deeds and not by their utterances. Juxtaposing those, therefore, we can conclude that there is power (or benefits) to prayer and work and caring.

The LUCELEC experience that caring is beneficial is only one of many individual and corporate experiences. Despite LUCELEC's generosity and care it is able to have the lowest tariff in the sub-region, provides the highest proportion of its population with an affordable and reliable power supply, is well considered among its peers and internationally and is a working model of a small utility that can be emulated. I contend that we do well not despite our generosity, but because of the Company's demonstration of care to all its various stakeholders. To have done otherwise would have depreciated the Company and its service. LUCELEC cost-effectively manages, gives generously and gets bountiful returns particularly in terms of goodwill among its stakeholders.

Concluding Remarks

To the LUCELEC family expressions of care are more than rhetoric. To us love (care) ought to, and does, show itself in deeds more than in words. As I end I can think of no more apt words that exemplify the culture, spirit and ethos and that which, if not a latent inspiration to the Board, Management and Staff, are something that they can identify with. I refer to the famous prayer of St. Ignatius of Loyola, the founder of the Jesuit Order:

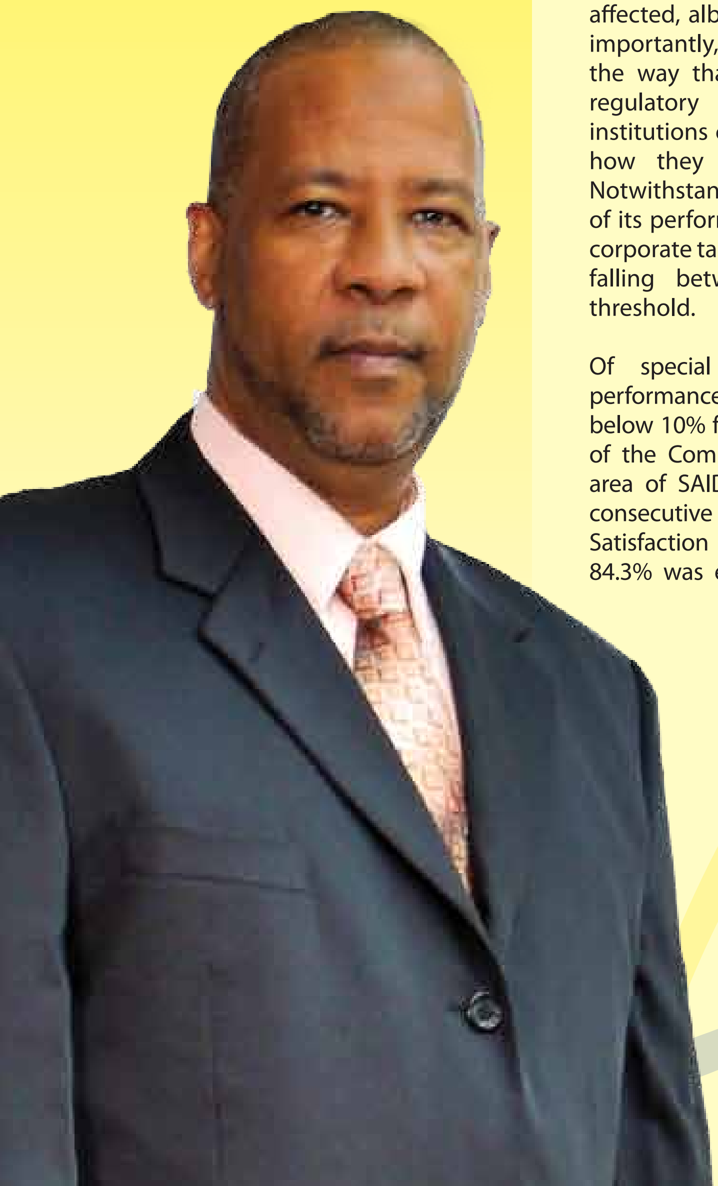
"Teach me, Lord Jesus, to be generous:
to serve You as You deserve;
to give, not counting the cost;
to fight, not heeding the wounds;
to toil, not asking for rest;
to labour, not seeking reward,
save that of knowing that we do Your will."
Amen

I wish to welcome to our Board Dr. Trevor Byer, a world renowned energy consultant who is already contributing invaluable insights into our deliberations. I wish once again to compliment the Board, Management, Staff and other stakeholders for another very successful year, despite the many challenges, and to thank them once again for the unstinting support provided to me throughout my tenure as Chairman.

Marius St. Rose
Chairman
December, 2009

Managing Director's Report

Mr. Trevor M. Louisy
Managing Director



It seems not a year goes by that does not bring with it unique challenges to test our individual and collective mettle. In 2007, we wrestled with natural disasters. In 2008, record fuel prices translated into tremendous customer discomfort with abnormally high tariffs. And 2009 brought the worst financial and economic crisis in recent history. Every country was affected, albeit in varying degrees. And importantly, this crisis has transformed the way that Governments, businesses, regulatory agencies, and other institutions conduct their operations and how they interact with each other. Notwithstanding LUCELEC can be proud of its performance having met 8 of the 9 corporate targets set for 2009 with the 9th falling between the target and the threshold.

Of special note is the Company's performance in reducing system losses to below 10% for the first time in the history of the Company, registering 6.03 in the area of SAIDI, and finally achieving two consecutive years of improved Customer Satisfaction scores. The performance of 84.3% was extremely gratifying versus a target of 80% and considering the performance of 78.5% achieved in 2008. Similarly, the new Company record for working 388 days without a lost time accident and our highest ever Safety Audit Rating of 98.6% are worthy of note.

Despite our successes, 2009 was not without its challenges and disappointments. The major development initiatives in relation to alternative energy sources such as wind, geothermal and waste did not progress to any significant extent despite our fullest cooperation with all relevant agencies and organisations. Neither were we able to acquire a suitable property, preferably in the south, for our next phase of generation expansion, but all is not lost.

LUCELEC's performance in 2009 is the platform upon which we launch 2010. We expect a tough year. Saint Lucia has not recovered from the economic crisis and all indications are that the current trend of high unemployment, reduced or no direct foreign investment and lower remittances from abroad will continue.

Although LUCELEC may have come through 2009 better than most, that should in no way be any measure of comfort. We must ensure that we continue to operate at the highest possible efficiency levels to derive benefits that redound to customers.

Beyond the economy, there are two other critical challenges on the horizon that will have lasting implications for our operations. The first is regulatory reform. The pace of the proposed reform has escalated over the past year. LUCELEC has been an active and willing participant in

Managing Director's Report

the process, providing the industry knowledge and experience as required and is presently immersed in discussions on a proposed draft Energy Policy as well. Our aim is to ensure that these reforms are properly conceived. Even so, any such changes will have implications for the Company's strategy, investment profile, structure and modus operandi, among other things.

The second critical challenge is the imposition of a Value Added Tax (VAT) system. Although consultation is ongoing, the VAT white paper proposes to impose a 15% VAT on electricity for certain customer categories. The Company is monitoring this very closely as this will, in effect, be a tariff increase to the customer. Given our experiences of customers' reactions to any increases in their monthly bills, dealing with the attendant customer issues are likely to be an even bigger challenge than the operational adjustments we will need to make to facilitate the VAT system.

Despite these impending challenges LUCELEC must be better. We will continue to pursue a balanced scorecard approach to measuring our performance while giving emphasis to initiatives that are people and customer related. Therefore, beyond the usual drive to improve technical and operational excellence, the Company's thrust in 2010 will include improving leadership capacity, formalizing its succession and career planning strategies, the implementation of a new Performance Management System and better management of the Human Resources function with emphasis on improving staff morale and motivation, and strengthening and enhancing communication.

Work on improving customer service delivery will be stepped up on all fronts and a Customer Service Working Group has been established to develop strategies for enhancing our customers' experience at every point of interaction with the Company. The group has as its overall goal, the achievement of a 90% customer satisfaction rating by 2012. Part of the strategy will include a customer information campaign to increase public awareness of the Company's service offer, requirements, and performance standards.

2010 will also see greater focus on the environment. For the first time an environmental performance measure will be included in the corporate targets for the Company.

The Company will keep its mission, vision and values in focus because we recognise and understand that the electricity business is not about engines. It is not about transmission and distribution systems or about meters, smart or otherwise. It is about people! And we are committed to make people our focus – internally (team members) and externally (our customers) – to demonstrate in meaningful and practical ways that 'Power of Caring'.

Trevor M. Louisy
Managing Director

Board of Directors

Marius St. Rose, OBE, Acc. Dir. – Chairman*

Mr. St. Rose is an Economic, Management and Financial Consultant. He joined the Board of Directors of the Company in July 1996, representing minority shareholders and has a M. Sc. (Economics) and a Diploma in Management Studies. He chairs the Human Resource and Major Investments and Initiatives Committees of the Board.

Trevor M. Louisy, Acc. Dir. – Managing Director

Mr. Louisy was appointed to the Board on January 1, 2004. He has a B. Sc. (Electrical Engineering) and is a member of the Human Resource and Major Investments and Initiatives Committees.

Isaac Anthony

Mr. Anthony is the Permanent Secretary/Director of Finance in the Ministry of Finance, Economic Affairs and National Development, Government of Saint Lucia. The Government of Saint Lucia appointed him to the Board of Directors on November 6, 2002. He holds a B. Sc in Economics and Accounting and an Executive MBA. Mr. Anthony is also a Certified Government Financial Manager and is the Chairman of the Audit Committee and a member of the Governance and Major Investments and Initiatives Committees.

Dr. Trevor A. Byer

Dr. Byer is an Energy Consultant. He was appointed to the Board of Directors in December 2008, representing minority shareholders. Dr. Byer holds an M.A. and PhD in Nuclear Physics from Cambridge University. He is the Chairman of the Intra-Caribbean Gas Pipeline Company (ICGPC) and a Director/Partner of the Eastern Caribbean Gas Pipeline Company (ECGPC) and of the Association of Caribbean Energy Specialists (ACES). He is a member of the Audit and Major Investments and Initiatives Committees.

Stephen Mc Namara

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

Matthew Lincoln Mathurin, Acc. Dir.

Mr. Mathurin is the Director/Chief Executive Officer of the National Insurance Corporation and was appointed to the Board by that organisation on August 29, 2007. He is a Fellow of the Chartered Association of Certified Accountants and holds an MBA from the Edinburgh Business School of Herriott Watt University. Mr. Mathurin is a member of the Audit Committee.

Michal Andrews, Acc. Dir.

Mrs. Andrews is a self-employed Tax and Value Added Tax (VAT) Consultant. She was appointed to the Board by First Citizens Bank Limited on June 29, 2006. Mrs. Andrews holds a B. Sc. in Accounting, a Diploma from Harvard University (International Taxation) and is a Fellow of the Chartered Association of Certified Accountants. Mrs. Andrews is a member of the Governance Committee.

Larry Howai

Mr. Howai is the Chief Executive Officer of First Citizens Bank Limited. First Citizens Bank Limited appointed him to the Board of Directors on January 2, 2007. Mr. Howai holds a B. Sc. in Economics and is a Certified Management Accountant. Mr. Howai is a member of the Human Resource and Major Investments and Initiatives Committees.

Christopher G. Huskilson

Mr. Huskilson is the President and Chief Executive Officer of Emera Inc. He was appointed to the Board of Directors by Emera St. Lucia Limited (formerly known as CBPF St. Lucia Limited) on January 24, 2007. Mr. Huskilson holds a B. Sc. (Engineering) and a M. Sc. (Engineering) from the University of New Brunswick. Mr. Huskilson is a member of the Audit and Human Resource Committees.

Raymond R. Robinson

Mr. Robinson is the Vice President - Integrated Operations, Emera Inc. He was appointed to the Board of Directors by Emera St. Lucia Limited (formerly known as CBPF St. Lucia Limited) on January 24, 2007. Mr. Robinson holds a B. Sc. (Electrical Engineering) from the University of Saskatchewan. Mr. Robinson is a member of the Governance and Major Investments and Initiatives Committees.

Irvin John

Mr. John is the Chairman of the Castries City Council/Mayor of Castries. He was appointed to the Board of Directors by the Castries City Council on March 5, 2007. Mr. John graduated from the University of Reno, Nevada, Aviation Department, qualifying as a commercial pilot with a twin engine rating specializing in agricultural crop spraying. Mr. John is the principal partner in the firm of John's Utility Services which provides meter reading services to the Company. Mr. John is a member of the Human Resource Committee.

*Mr. St. Rose demitted office on December 31, 2009

Board of Directors

a. Stephen McNamara
b. Marius St Rose
c. Irvin John
d. Raymond R Robinson
e. Christopher G Huskilson
f. Larry Howai

Board of Directors

g. Dr Trevor Byer
h. Isaac Anthony
i. Matthew Mathurin
j.Trevor Louisy
k. Michal Andrews

Directors' Report

The Directors present their report for the year ended 31st December 2009.

Principal Activities

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

Directors

The Directors of the Company since the 44th Annual Shareholders Meeting were:

Non-Executive Directors:
Mr. Marius St. Rose
Mr. Matthew Lincoln Mathurin
Mr. Isaac Anthony
Mr. Irving John
Dr. Trevor A. Byer
Mr. Stephen McNamara
Mrs. Michal Andrews
Mr. Christopher G. Huskilson
Mr. Raymond R. Robinson
Mr. Larry Howai

Executive Director:
Trevor M. Louisy

Financial Results

The Company sold 315 million kWh of electricity earning total revenues of EC$239.8M, a decrease of 21% over the previous year, attributable to lower tariffs due to reduced fuel prices.

Net profit for the year was EC$27.6.M, which was an increase of 15% over the previous year.

The Company achieved Earnings per Share of EC$2.35 which was 15% higher than in 2008 and the dividend distribution was EC$17.2M, a 9.7% increase.

Assets acquired during the year amounted to EC$33.9M, and loan draw downs were EC$10M part of the capital programme.

Dividends

The Board of Directors declared a dividend for the financial year ended 31st December 2009 of 70% of the Company's adjusted after tax net profits, having paid an interim dividend in December 2008 of $0.65 per ordinary share.

The total dividend for the 2009 financial year amounted to $1.47 per ordinary share.

State of Affairs

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

Activities

Two Directors attended training hosted by the Eastern Caribbean Securities Exchange (ECSE) in collaboration with the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC) on the Directors' Education and Accreditation Programme (DEAP).

One Director attended the continuing Professional Development Programme which must be completed annually in order to maintain the accreditation Acc. Dir. awarded by the ICSA.

In keeping with good corporate governance practice, the Board of Directors has committed to conducting an annual evaluation of itself. The first evaluation was held on 8th August 2009. The purpose of the evaluation is to focus on the effectiveness of the Board in an ever changing economic, technological and regulatory environment.

Events Subsequent to Balance Sheet Date

On December 31st 2009, Mr. Marius St. Rose Director representing minority shareholder interest, demitted office. In accordance with clause 60 of By Law No. 1 of the Company, Mr. Laurie Barnard was appointed by the Board of Directors as a Director representing minority shareholders to fill the casual vacancy which resulted. Mr. Barnard will face re-election at the next Annual Meeting of Shareholders. In addition the Board appointed Dr. Trevor A. Byer Chairman of the Board effective 1st January 2010. Dr. Byer will hold the position of Chairman until 2011 when his term as Director expires. He will be eligible for re-election at that time.

Apart from this and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since 31st December 2009 that have significant effect or may significantly affect the operations of the entity in subsequent financial years, the results of those operations, or the state of affairs of the entity in future years.

By order of the Board of Directors

Gillian S. French
Company Secretary

Operations Review

General

Undaunted by the uncertainties arising from the biggest economic downturn since the Great Depression of the 1930s, and threats of a global H1N1 pandemic, LUCELEC employees put their shoulders to the proverbial wheel and collectively produced the Company's best performance ever as defined by its Corporate targets. Eight (8) of the nine (9) targets were achieved with some of the performances significantly exceeding the targets.

Overall system reliability was excellent (SAIDI 6.03 hours) and for the first time ever, losses dropped below the 10% mark with a year-end figure of 9.27% being achieved. Reliability performance is over 19% better than that of the previous year while system losses and fuel efficiency registered 9.6% and 0.7% improvements respectively over the previous year. The combined effect of these efficiency and reliability gains represent nearly EC$3.7M in savings for the Company.

The Generation Department was the vanguard of the Company's drive to provide a reliable and efficiently produced supply of power to its customers and to this end, the Department undertook three major overhauls during the year. The effectiveness of the Department's maintenance programme was clearly evident in the high plant availability and reliability (SAIDI due to generation outages contributed only 0.36 hours to the total) and fuel efficiency for the year was 19.88 kWh/gallon.

The Transmission and Distribution Department continued to maintain the network infrastructure very well thus contributing to the excellent overall system reliability performance. However, the highlight of the year for the Department was the rollout of its AMI (Advanced Metering Infrastructure) programme which saw the installation of over 11,000 smart meters onto the network. The AMI programme, in conjunction with a number of improvements to the primary and secondary distribution (11kV and 415/240) network as well as metering corrections, all contributed to the significant reduction in losses over the past year.

One of the more significant contributors to the excellent SAIDI performance was the deployment of the Distribution Automation (D.A.) System which was undertaken by the System Control Department. The Department also performed its core responsibility of coordinating the Generation and Transmission and

Operations Review

Distribution components of the LUCELEC system to a high standard. Auto reclosers, one of the major components of the D.A. System, were installed in increasing numbers in 2009 on several 11kV circuits and these devices performed flawlessly to reduce the impact of faults. The first automated switches were also installed during the year.

Of special significance was the Safety Audit rating of 98.6%. This is the Company's highest rating to date and places LUCELEC well above the industrial average. During the 2009 Safety Audit, the Auditor commented on the issue of poles and their proximity to the roadways. He noted, "Generally speaking the location of the 'poles' do not present a hazard, however, poor driving skills and bad habits by a motorist, create a hazard. Motorists who drive at proper speeds and who take into consideration the varying road conditions (Defensive Driving) will never experience a collision with a utility pole.

Based upon general observations only, and certainly not based upon an in-depth professional assessment, the pole locations in St. Lucia are comparable to transmission and distribution systems in other countries. Relocation of LUCELEC utility poles is completely impractical and should not be an issue of contention, however, if there were a series of accidents in one specific location, or in the area of one utility pole, then of course an in-depth analysis should be carried out which could result in the relocation of the pole."

Despite the comments by the Auditor, the Company is working on relocating poles along sections of the roads from Choc to Union, Cul de Sac to Marc and Sarrot to Barre d'Isle, to at least six (6) feet from the edge of road as discussed and agreed in principle with the Ministry of Communications, Works, Transport and Public Utilities. Where this is not possible an appropriate means of protection will be agreed with that Ministry. The Ministry has also agreed that an appropriate standard needs to be developed for all roads (primary, secondary, etc). LUCELEC will continue to work with the Ministry in that regard.

All Company facilities were kept in an excellent state of repair by the Building Services Department which helped to foster working environments that were conducive to high rates of employee well being and productivity.

Outlook

Implementation of the new Performance Management System was well underway by year end and it is expected that this initiative will further improve employee performance and job satisfaction in 2010 and beyond.

In 2010, the rollout of the AMI programme will continue and it is expected to contribute significantly to further reductions in system losses. Major refurbishing work on one of the transmission lines will also be undertaken. The Generation Department has planned three (3) major overhauls for the year while the System Control Department will continue with the implementation of the Distribution Automation System.

Exploratory works will be undertaken to leverage the AMI communications infrastructure in distribution automation as well as in the use of fault indicators that communicate their status when there is a fault. Further, transformer metering will be explored using the AMI system with the view to establishing 'system losses' by transformer in real time leading to greater breakthroughs in electricity diversion and metering problems. All of these initiatives are small steps being taken to build a smart grid which is essentially about better monitoring and control of the power grid. In fact, soon it may be possible to automatically re-configure the distribution system to isolate a fault and restore power to as many customers as possible. The smart grid will better facilitate the use of distributed generation including small scale renewable sources such as PV grid tied systems where these systems can be connected to the distribution system as necessary and will allow the remote monitoring of energy flows from and into the distribution system. At present there are at least three such pilot projects that LUCELEC is involved in. Consideration will given to utilizing the AMI system being deployed to control electricity demand by controlling customers' loads, such as heating and cooling, as this is a strategy that may prove useful in making the transition from a total dependence on fossil fuels to other sources of energy. In essence, LUCELEC is moving with the times in taking steps to build a Smart Grid.

With possible changes in LUCELEC's corporate targets to reflect the need to make LUCELEC "greener", a number of energy efficiency initiatives will be pursued including some pilot projects for evaluating new street lighting technologies.

No effort will be spared to ensure that all capital and maintenance programmes will be undertaken in such a manner to ensure the most effective use of resources and minimal wastage which are consistent with LUCELEC's core values and in keeping with the prevailing economic climate.

The summation of these efforts will move LUCELEC closer to its objective of being a world-class utility.

Business Development Unit

In 2009, the Business Development Unit (BDU) embarked on various projects in keeping with the strategic direction of the Company.

Following months of studies, a fuel hedging pilot programme aimed at reducing exposure to the volatility in fuel prices was successfully rolled out. The programme has worked well, particularly during the fourth quarter of the year. Efforts are now focused on expanding the programme to cover

Operations Review

LUCELEC's fuel needs in 2010 and beyond.

The BDU was also successful in moving into the realm of distributed Renewable Energy generation through the introduction of grid-tied small photovoltaic systems. LUCELEC and Solar St. Lucia Limited entered into an agreement to conduct a pilot project regarding grid-tied small photovoltaic systems. These systems range in size from 1kW to 10kW and are aimed at residential customers who want to use solar energy to generate part of their electricity needs. LUCELEC also entered into an agreement with the Government of Saint Lucia (GOSL) on another pilot project for the installation of small photovoltaic systems at the National Trust, the Castries Market and a school in Vieux Fort.

LUCELEC has been undertaking feasibility studies towards the next phase of generation expansion. To this end, the Company has identified an area in the south of the island for the construction of a power generation facility that will allow it to meet the electricity needs of the country for the next 20 years and at the same time spur economic activity in the southern parts of the island. This year LUCELEC and SLASPA collaborated on a couple of airspace planning studies to determine whether the proposed generation facility would interfere with the operations of the Hewanorra Airport.

During the year, the BDU also encountered some major challenges. As far back as 2003, LUCELEC embarked on a project to develop a wind farm that would harness the energy in the wind to generate electricity, but unfortunately access to suitable land has been a major challenge. This year our efforts to erect a 40-metre tower to capture wind data at a particular site met with resistance from parties opposed to the project. With oil prices forecasted to increase in the near future a wind farm would help in reducing the fuel bill.

Additionally a project aimed at converting the generation facilities at Cul De Sac to operate on cheaper Heavy Fuel Oil (HFO) encountered a number of challenges and had to be placed on hold. Not the least of these challenges was that the price differential between Light Fuel Oil (LFO), commonly referred to as diesel, and HFO practically diminished following the precipitous drop in oil prices and the slowdown in world economies during the latter part of 2008. The unavailability of appropriately priced fuel storage facilities was another significant challenge. Finally the escalating cost of the conversion made the project less attractive.

Outlook

In 2010, the BDU will focus on the generation expansion programme to ensure that the generation capacity is available to meet the system demand. To this end, land for the construction of a new power plant will be acquired and a number of essential studies, including the Environmental Impact Study, will be undertaken. Further analysis to ascertain the best technology for this phase of generation expansion will also be undertaken during the year.

In the Company's quest to introduce the use of renewable energy sources into its power generation mix, reduce the dependence on fossil fuels, and minimise the impact of fuel price hikes on electricity rates, the acquisition of suitable lands for the development of a Wind Farm will form another core activity of the BDU in 2010. Additionally, it is expected that activity on the geothermal front will gather momentum as soon as the various agreements between the GOSL and the Developer, and LUCELEC and the Developer are signed. From all indications this is likely to occur within the first half of 2010 and the BDU will be involved in the preparation of business agreements with the developer of the geothermal resource. It should be noted that if this project is successful it will be of critical importance to the country as an indigenous resource and will contribute significantly to the country's energy mix.

In the area of solar energy the BDU will be looking to increase the number of small grid-tied photovoltaic systems installed on residential premises based on the findings of the pilot projects that were commissioned during 2009. The Company will also work along with the GOSL to develop any potential resource from the landfill site at Deglos.

As well, the BDU will pursue a project on environmental monitoring that will collate data on emissions from LUCELEC's Cul de Sac Power Station.

Planning

2009 posed a number of challenges for the Planning Department as there was considerable uncertainty about the impact the economic climate and the resulting fiscal adjustments would have on the energy sector and on sales. However, in 2009 actual sales growth was 4.3% compared with a forecast of 2.4%. The commercial and domestic sectors were the main contributors to growth registering 4.5% (versus a forecast of 2.3%) and 5.7% (versus a projected 0.8%) respectively.

A number of studies were conducted to determine the viability of some major capital projects. These included determining the financial viability of converting the Wärtsilä Engines from LFO to HFO, determining the financial feasibility of constructing a 12.6MW wind farm and the cost of energy produced by that wind farm, determining the likely cost of geothermal energy produced by an Independent Power Producer (IPP), and determining the impact of the cost of land on the financial viability of the 12.6MW wind farm.

In August, LUCELEC signed an MOU and Lending Agreement with CREDP-GTZ outlining the terms and conditions under which CREDP-GTZ will provide technical assistance to LUCELEC in the construction of the 12.6 MW wind farm at Rouane Estate.

The Department concluded land purchases for proposed substations at Careffe in Gros Islet and at Ti Rocher (Castries). Preliminary designs for the

Operations Review

latter are at an advanced stage.

As part of the development of Geographic Information System (GIS) the main aspects of the data gathering exercise - network connectivity and pole labelling - were completed. The platform to support queries on the state and location of the Company's assets is 65% completed, while work was completed on the implementation of New Data Maintenance Systems, Deployment of Maps using AutoCAD Map guide, and obtaining data on Third Party Connections on the network.

The Distribution Planning Section (DPS) was able to successfully complete designs and cost estimates for all capital projects approved under its 2009 capital budget. The projects were designed to provide enhancements in three areas of fundamental importance to the technical division, namely improvement in system reliability, reduction in system losses and reinforcement of the distribution network. In addition, the DPS also provided major support on the pilot photovoltaic (PV) grid-tied system.

The Laboratory enjoyed moderate successes this year as improved diagnostic capabilities and the dispensation of appropriate recommendations resulted in notable advances in both oil and water analysis. In the case of oil analysis, the recent acquisition of a DR Ferrograph permitted the identification of the major oil contaminants.

Outlook

The annual load forecast has indicated that the domestic, commercial and hotel sectors are expected to grow, on average, by 1.52%, 1.63% and 0.85% respectively over the next ten years. The growth rates in these three major sectors indicate that a plateau has been reached in terms of the continued growth in sales and mirrors the state of the economy. This growth is predicated on an average GDP growth of 1.50% for the next 10 years. Peak demand is forecasted to grow by 13.4% during this same period. Consequently, support for initiatives in generation planning will take centre stage in 2010.

Projects geared at reliability, power quality improvement and loss reduction on the distribution network will include continuation of an 11kV loop circuit to reinforce the service to major loads at Pigeon Island Causeway, completing the interconnection between Vieux Fort and Choiseul feeders, commencement of Phase 1 of an interconnection between La Clery and Sans Souci feeders, and upgrading the submarine cable at Marigot Bay.

Major planned work on the transmission network include the construction of the Ti Rocher 66/11kV substation and completing the engineering and tender documents for the second 66kV underground line from Cul de Sac to the Castries substation.

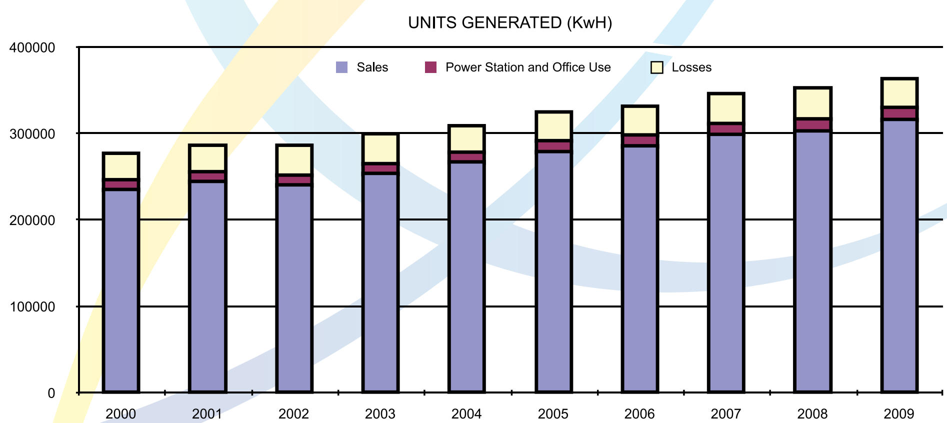
For 2010, the GIS system development will be centred on consolidating systems for maintenance and upkeep of the GIS databases, deploying GIS data and maps for use Company-wide, customizing applications for customer services, engineering analysis, and asset management, all aimed at improving services and efficiency.

In an effort to further leverage its services, the Laboratory will be developing a process geared towards to certifying its operations.

Generation

The global world economy experienced a recession in 2009 which impacted all sectors causing a reduction in the buying power of individuals and by extension the expected demand for Generation. Despite this the Generation Department continued to discharge its responsibility for electricity production utilizing its diesel powered engines in the most cost effective and efficient manner. The available generating capacity of the Cul de Sac Power Station was 76MW which was managed effectively to provide the required system demand while some of the engines were scheduled out for maintenance. The Department's overall performance was good having achieved most of the targets which were set to encourage improvements in operations over the previous year.

With regard to operations, the



Operations Review

Department functioned exceptionally well with an overall plant availability factor of 91.74% and by improving the overall fuel efficiency during the year. Actual production figures for the year indicate that a total of 362.99 million electricity units were generated during 2009 as compared with 352.34 million in 2008, an increase of 3.0%. The system peak demand increased to 55.9MW from 54.1MW in the previous year. Forced outages increased slightly from 20 in the previous year to 23, and the plant fuel efficiency increased to 39.89% from 39.56% due to a strict operational regime based on the efficiencies of the installed engines.

The Cul de Sac Power Station contains nine (9) diesel generating units all of which were maintained during the year to ensure continued performance and reduce the likelihood of breakdowns. The maintenance programme was designed to ensure the availability of sufficient plant to meet the system demand at all times. During the year, the Department undertook 80,000 hour major overhauls on two engines, and a 30,000 hour overhaul on one. The remaining maintenance consisted of inspections at 500 and 1000 hour intervals as recommended by the manufacturer to reduce the risks of breakdowns.

The Department replaced the radiators on one engine which led to an overall improvement of the operating parameters of that engine. Other station improvement projects were implemented to improve and uplift the overall image of the power station.

The garage maintained the fleet of Company vehicles and ensured that all the vehicles were in excellent working condition during the year.

Outlook

During 2010, the Generation Department will seek to continue to provide a high level of operations by ensuring that the maximum possible benefit is derived from the use of its resources. The emphasis will be placed on the strategic use of its assets to ensure reduced cost, at minimal risk through proper maintenance practices.

The planned maintenance programme for the generating facilities will include major overhauls on three engines. Other planned inspections will be completed on all the units to ensure that they operate within the required specifications as designed by the manufacturers.

The need for additional generating capacity has become increasingly evident over the years as the age of some of the existing plant and the growth in demand continue to place a strain on the existing resources. There has been some research and investigation into the new technologies available for the next phase of expansion of the generating facilities, but some decisions on the way forward must be made soon.

Transmission & Distribution

2009 was another very good year for the Transmission & Distribution Department. All four of its major targets, in the areas of Safety, Customer Service, System Losses and System Reliability, were met and in some cases exceeded quite significantly. There was one lost-time injury accident which occurred in October and prevented the Company from achieving its 'Go Zero' goal of going an entire year without a lost-time accident. This lost-time accident is perhaps the only blemish in what otherwise was an outstanding performance.

The emphasis of the Department this year, in terms of new initiatives, was the continued roll-out of an advanced metering infrastructure (AMI). While there was a delay in the commencement of the roll-out, approximately 9,500 single phase meters and 350 three-phase meters were replaced with smart meters bringing the total AMI meter population to 11,500. AMI was one of the most significant contributing factors to a reduction in system losses – an indication that our meter population was relatively old. Some other initiatives that contributed to a reduction in system losses are efforts to ensure that transformers are more optimally loaded and the upgrading of low and high voltage conductors. The Department's increasing proficiency in live line work ensured that such works did not adversely impact system reliability.

All of the equipment for upgrading the VHF radio system was received. However, the works have not been completed as the telecommunications providers from which tower space is being rented, have requested that LUCELEC's radio equipment be housed independently of theirs. Outdoor cabinets have to be ordered to complete the project in the first half of 2010.

Training was undertaken to allow the Department to begin to tackle some new areas under energized conditions. Additional training in 2010, will place the Department on its way to being able to replace a pole under energized conditions. A fully insulated bucket truck necessary for such work has been acquired. Further, the building of expertise in-house to create a better balance between in-house and external resources has commenced. Some new recruits were taken onboard and some of the Department's linemen were exposed to live line work. The Department's efforts at live line works will require regular dielectric testing of gloves, sticks and other equipment for which the necessary testing equipment was procured. Training in the use of the equipment is planned for early 2010. The Department took steps to enhance the proficiency of staff in other areas also such as thermographic inspections – an area that, in the past, was outsourced to foreign contractors.

Operations Review

Along with the above, the Department pursued its refurbishing works on the distribution system as planned and this was conducted very effectively. There was relatively more focus on the low voltage distribution as over the years quite a lot of emphasis had been given to the 11kV distribution system. This will lead to power quality improvements. In addition, a number of projects conceptualized by the Planning Department were implemented, most of which involved conductor upgrading, re-routing of lines and creating ties between feeders for improved reliability.

Line extensions totalling approximately $1.1m were completed to provide new connections to prospective customers who were outside of the normal connecting distance. The time taken to complete these extensions of up to 3 poles, in each case, was on average less than 2 weeks. Approximately $950,000.00 was spent in additional street lighting and associated infrastructure, sanctioned by the Ministry of Communications, Works, Transport and Public Utilities.

Outlook

In 2010, approximately 9,000 more smart meters will be installed. Some exploratory works will be undertaken in the use of fault indicators that communicate their status, when there is a fault, through the AMI system. During the meter replacement programme some refurbishing works, including replacing service lines, connectors and meter bases, will be undertaken to enhance power quality.

As with last year, some focused refurbishing works will be undertaken on the distribution system. In some cases damaged and undersized conductors, as well as transformers, will be replaced or upgraded. Some effort will also be put into load balancing on the system and ensuring that transformers are more optimally loaded. A number of high voltage and low voltage fuses are expected to be installed as well to increase reliability and operational flexibility.

Major refurbishing works are planned for the transmission line that runs along the East Coast to restore its reliability, and for some substations as well. And the Department will assist the System Control and Planning Departments with reinforcements to the transmission and distribution system.

Some pilot projects will be undertaken to assess the impact of using more energy efficient street lighting in order to make decisions for the future, while efforts at building the capacity of staff particularly in the area of line work and under energized conditions will continue to reduce the need for planned outages.

System Control

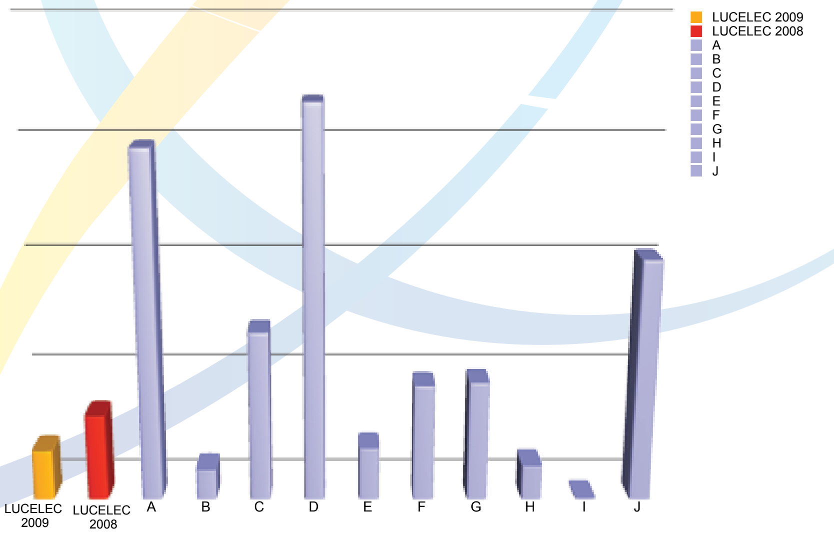
The System Control Department recorded an admirable performance in 2009. The Department again worked closely with the Generation and Transmission and Distribution departments to ensure performance targets were met for reliability, safety and efficiency.

System reliability indices for 2009 revealed marked improvements in all areas as compared to 2008 figures. This was primarily due to benefits reaped from the deployment of 12 autoreclosers on the system, which prevented 16 whole feeder trips in 2009. This together with a commendable performance by the System Control Operators, an effective live line programme and the fortune of having another year virtually free of natural disasters contributed to the achievement of an excellent 2009 SAIDI figure of 6.03 hours. This record low performance is 19.5% better than the target of 7.5 hours. It is anticipated that the 2009 Annual Service Continuity Report, which provides benchmarking of system performance against some Caribbean and North American utilities, will again show LUCELEC making significant progress in comparison to previous years, thereby keeping the Company on track to achieving the target of world class status in the area of reliability by 2015.

Outlook

In 2010, there will be further deployment of SCADA interfaced autoreclosers on the system, with a doubling of numbers expected by the end of the third quarter. Further, additional SCADA interfaced motorized load break switches will be deployed at strategic points on the 11kV

LUCELEC SAIDI 2008 AND 2009 vs CARILEC UTILITIES 2008



Operations Review

network to provide System Control Operators with a much faster means of reconfiguring the system following fault conditions. This is expected to impact positively on reliability figures for 2010.

The focus on reducing system losses will continue in 2010. Already, due to a concerted effort in this area, the Company has noted significant improvement in losses, which dipped below 10% for the first time and further progress is expected this year.

Building Services

The Building Services Section was able to successfully complete its maintenance programme at all Company facilities including administrative and commercial buildings at Sans Souci, Vieux Fort and Soufriere as well as at the Cul de Sac facility and the substations located throughout the island.

During 2009, the Building Services Section also undertook a number of projects including the configuration of a new Customer Service office at Rodney Bay, the extension of the garage, the construction of a covered area for the new T&D fully insulated bucket truck, the installation of a security fence at the Praslin substation, and additional security features at the Company's facilities at Cul de Sac, Soufriere and Vieux Fort. The main access road to the Cul de Sac facility was also rehabilitated.

Outlook

In the upcoming year, the Section will continue its maintenance programme and undertake some selected projects with the objective of providing the highest possible standards of upkeep of Company facilities and facilitating optimum working conditions for all LUCELEC employees.

Customer Service

Despite significant challenges, 2009 was a year of many achievements for the Customer Service Department. In keeping with its commitment to provide optimal service and to ensure that the customer experience is meaningful and enjoyable, the Department recorded reasonable success by achieving seven of its eight targets for the year.

Through the joint efforts of key users and with the assistance of an experienced and methodical consultant, the Department successfully selected a new Customer Information System (CIS) to replace the current legacy system which can no longer provide the level of service required to effectively respond to the needs of customers. A key objective was to select a system that would meet current system requirements, yet be functional and configurable enough to meet future needs.

A reduction of the overall cost of electricity due to significant decreases in the Fuel Surcharge Cost Adjustment Factor (FSCAF) brought welcomed relief to customers. The number of complaints received in relation to billing queries was significantly less than in 2008. One driving factor for this reduction was the persistent efforts of customer service staff in educating customers on the importance of engaging in energy efficiency practices in the home and workplace. The Company's strategic move towards pursuing fuel hedging in 2009 also had a positive impact on the cost of electricity to customers.

Customers continued to experience the benefits of Direct Bill Delivery which was instituted in 2007. This enhanced service has resulted in fewer complaints regarding delayed receipt of bills and earlier payment at the various payment centres island wide. The Department's performance in the area of meter reading efficiency fell slightly below 2008 and the target for 2009. With the partial implementation of the Automated Metering Infrastructure (AMI) by the Transmission & Distribution Department, the Customer Service Department has begun to realize the benefits of this advanced technology and expects to see further improvements in the near future.

While there was an improvement in maintaining the average debt days at an acceptable level, debt collection remains a challenge in certain customer sectors especially given the downturn in the local economy. The Department is engaging in new and better strategies and procedures for ensuring the receipt of all collectible debt. It is anticipated that the new CIS will facilitate the development of more efficient collection processes.

One of the more significant achievements this year was the performance on the annual Customer Satisfaction Survey. The satisfaction rating of 84.3% achieved far exceeded the performance of 78.7% in 2008 and the 2009 corporate target of 80%. This remarkable feat was achieved partly due to the efforts of staff in remaining committed to being professional, courteous and responsive to customers' needs and also due to reduction in the cost of electricity to customers.

Outlook

The implementation of the new CIS scheduled to begin in the first half of 2010 will pose new and major challenges for the Customer Service Department. The Department will need to maintain its high standard of customer service in the absence of some experienced personnel who will be reassigned to the project on a full-time basis

Operations Review

throughout the implementation phase. The new CIS solution will provide our customers with an improved billing system that should result in fewer inquiries and complaints. It will also offer the customer improved functionality in terms of on-line access to various services and the ability to make payment via the internet. The new CIS will considerably improve the business process that Customer Service Representatives (CSRs), currently follow by offering increased functionality within the application and a higher level of integration with other business systems. It will also provide useful tools that will free up time for CSRs to be more proactive with customer care issues.

In keeping with its commitment to upgrade the physical facilities as well as enhancing the customer experience at our satellite offices, the Company has commenced the process of relocating its Rodney Bay office to the Providence Commercial Centre in Rodney Bay. Customers can look forward to being served in a more spacious and comfortable office environment by the end of February.

Human Resources

During 2009, the Department continued work on key Human Resource Development initiatives geared at modernizing the HR function and improving employee relations.

The findings of the job evaluation exercise were accepted and the new grade structure for staff was implemented. Staff education on the performance management project commenced and a successful trial run was conducted. The Department also engaged consultants to conduct a review of the organization's structure geared at improving efficiency and ensuring that management was well placed to deliver on their key objectives. Various policies were reviewed and formalized and new ones implemented to improve transparency.

Staff training continued and by December, 95% of employees had participated in various training programmes. Professional staff attended conferences while there were exchanges with sister utilities to gain knowledge in similar areas of operations. Discussions continued for the development of technical training programmes with colleges locally and overseas. A long awaited leadership programme for Senior Management and Department Heads was finalized and will be conducted throughout the first half of 2010. Improvements were made in the areas of recruitment through the use of psychometric testing, a welcome addition to the selection process as several new positions were filled during the year.

Many pension issues surfaced during the year, particularly for the Grade II Pension Scheme. The Trustees of the Grade II scheme terminated the Deposit Administration Contract with CLICO International Life Insurance Limited in January and RBTT Trust Limited was appointed as the Investment Manager for the Scheme's funds. The Department continued to work with the Amalgamation Taskforce to establish the new Defined Contribution Pension Plan. The new trustees for the former "CDC Grade III Pension Scheme" met during the last quarter to establish the way forward for this plan.

Other initiatives undertaken by the Department in 2009 included the Staff Appreciation function in early February and the second annual employee morale survey in March which showed a 10% increase in employee morale from the previous year. There is still much room for improvement here.

The Department coordinated various annual staff functions such as the Retirees' Luncheon, Health & Safety Month and the Christmas party for children of employees. Ten additional children of employees gained acceptance into the scholarship programme bringing the total number of students currently in the programme to 26. The second Bernard Theobalds Scholarship was also awarded in 2009 to a female student pursuing a Mechanical Engineering degree with the University of the West Indies, Trinidad. Sixty students from schools across the island also participated in the annual work training vacation programme.

The Safety Section launched its "Go Zero" campaign in May geared at promoting an accident free workplace. At the end of September, the Company had worked for 388 days without a lost time accident and this was a noteworthy achievement. Despite one accident in October, the Company achieved a safety audit score of 98.6%. Quarterly health checks continued for all employees and "fun walks" were held to promote fitness among the staff. A comprehensive influenza pandemic plan was also developed. There was continued monitoring of security services as the Company sought to find further ways of improving this area and the security systems at the satellite offices and the Cul de Sac facility were strengthened. The annual health and safety month of activities was held in March which sought to raise awareness on new and emerging health issues such as ergonomics and occupational psycho-sociology, in addition to the common lifestyle diseases.

Negotiations with the St. Lucia Seamen, Waterfront and General Workers' Trade Union were amicably concluded and a three year contract to December 31, 2010 was agreed to with some increased benefits to the unionised employees (Grades I – 3 staff). After over thirty five (35) years of representation, the St. Lucia Seamen, Waterfront & General Workers' Trade Union was decertified by a poll in July and the St. Lucia Civil Service Association became the new bargaining agent through a majority vote.

Outlook

The Department will focus on the Company-wide implementation of the Performance Management Programme to ensure that all employees are fully committed and involved in this key exercise. The recommendations from the

Operations Review

organizational structure review will be considered and the Human Resource Information System will be upgraded to enable the Department to offer improved services to the staff and to streamline its operations. Training and development of staff will be given a renewed focus and an employee wellness programme will be introduced.

Information Systems

The IS Department's work centres on ensuring the development and continuity of the systems and services utilized by the rest of the organization. During 2009 the Department focused largely on improving network communications infrastructure and streamlining recovery operations. This effort has been aimed at enabling employees to work more efficiently and providing ready access to information to support customers' needs.

Towards this end, a more secure VPN was redeployed to facilitate remote access to the network allowing senior staff and key support personnel to work seamlessly while away from the office. The Department also assisted the System Control Department in resolving some challenges with the monitoring and control of equipment in the field via the GPRS cellular network. Other infrastructure related initiatives included improving wireless networks across the Company and the upgrading of servers used by satellite offices to improve their response times to customers at these locations.

The Department also undertook an extensive revision of business continuity procedures to ensure that Company data, including customer related information, was adequately protected and that business continuity systems could be prioritized and brought back on line quickly in the event of a disaster.

Outlook

The Department's 2010 work plan is relatively lean in order to provide major support to key initiatives being undertaken in several other departments. One of these in particular will be the implementation of the new Customer Information System (CIS), scheduled to begin early in 2010 and expected to be completed over a period of 18 months. Assistance will also be provided to the expansion, updating and integrating of the AMI infrastructure and the GIS platform with other applications across the Company to significantly improve access to information and efficiency in delivery of services.

Other initiatives for the year will include the upgrade of core networking hardware to enable full support for and to take advantage of the newer features of evolving operating systems, general security improvements including physical device control for the many client machines and updated web content security monitoring software.

Corporate Communications

The Corporate Communications Department is tasked with the responsibility of the Company's reputation management, public relations, internal communications, and managing the Company's sponsorships and donations. During 2009, the Department continued the task of establishing LUCELEC's presence in the community as a power company with a heart. To a large extent this was achieved through an extensive 'Power of Caring' media campaign, actively supported by increased visibility of the Company's corporate social responsibility initiatives and donations. The Company's 2010 calendars for business and domestic customers were also designed to highlight how LUCELEC is demonstrating its Power of Caring.

LUCELEC also sought to actively engage its various stakeholder groups to increase awareness of its operations and keep stakeholders abreast of its development plans. This was done through visits to the Cul de Sac Power Station and through greater involvement in various stakeholder organisations such as the Chamber of Commerce, St. Lucia Hotel & Tourism Association (SLHTA), and the St. Lucia Manufacturers' Association.

Internally, the Department was engaged in reshaping the internal communication structures. During the year, a Communication Audit was completed that shed light on communication practices within the Company. The results were fed into the development of a draft Communication Policy as well as, among other things, the redevelopment of the Company's Electronic Employee Information Centre (EIC) and Corporate Website. Work on these two projects will be completed during the first quarter of 2010.

The Department also worked closely with several other departments in helping them achieve some of their communication goals. Initiatives such as a 'Go Zero' campaign to galvanise staff to work towards achieving a zero accident year, Health and Safety Month, the Advanced Metering Infrastructure and Performance Management Improvement projects, received extensive support from the Department.

Operations Review

The Department is also responsible for the day to day operations of the LUCELEC Trust Company Inc. through which LUCELEC manages its donations. During the year efforts to streamline the operations of the Trust to allow it to respond more speedily to requests for donations continued. The main focus of interventions by the LUCELEC Trust in 2009 was on Youth at Risk and many of its donations sought to support initiatives that targeted the society's more vulnerable, providing new experiences that exposed hidden talents or opportunities that may have hitherto been unavailable. Notwithstanding, the Trust also continued providing support to schools, sports clubs, national associations, the elderly, charitable causes and institutions such as the National Community Foundation (NCF).

Outlook

In 2010, the Company's public awareness thrust will continue through a year-round sustained campaign across media platforms. Work will continue as well on improving access, efficiency and timely delivery of information to staff, and improving employee and customer feedback mechanisms.

The Department will also produce and launch a follow-up publication to the Electrification of St. Lucia which will chronicle LUCELEC's history from 1986 – 2009.

The first phase of an Information and Document Management project will be initiated in 2010 as well. This project is designed to achieve more efficient and effective information and document management throughout the Company to support programme and service delivery, foster informed decision making, facilitate accountability, transparency, and collaboration, and preserve and ensure access to Company information and records, not just for now, but in the future as well.

Finance & Accounts

In an attempt to improve overall service offerings to its internal customers, the Department assigned its various senior officers to provide active and dedicated support to specific Heads of Departments through the close monitoring and management of their cost centres. The initiative was highly successful resulting in improved cost centre and budget performance.

The Finance & Accounts (F&A) Department conducted its first-ever in-house Company-wide User Training in an effort to increase users' comfort levels with the relatively new software. Additionally, a new Company has been contracted for the provision of support services for the software following a formal tender and evaluation process.

The Department realized increased work efficiencies through the re-arrangement of staff into a more team-oriented structure and the commitment of the F&A staff to the new configurations. All key reporting and statutory targets were met during the year.

Outlook

The Department will continue to deliver support and advice to management and the Board to assist in effective decision making.

With the new support provider for the JDE system, it is expected that the few legacy issues will be resolved through a more formalized and professional relationship. It is expected that there will be some value added to the new relationship as a number of additional services will be provided, including evaluating the system to advise on capabilities and facilities that are currently under-utilized or not being utilized effectively. Some of the key initiatives also to be taken on by the new support provider are a thorough review of the existing Chart of Accounts (COA) and a critical review of the reporting capabilities of the accounting software to ensure that it is effectively and efficiently utilized.

The Department will also assume a new role of Treasury and Cash Management which will fall under the purview of the Management Accountant. The purpose will be to focus proactively on cash management including cash flow evaluation and projections, effective management of surplus cash resources, and managing relationships with the Company's bankers, among other things.

Continued focus will be given to the support of the various departments and the Company generally in terms of financial planning and analysis. Project evaluation will also be given strong focus.

Purchasing and stores efficiencies will continue to be improved as measures have been put in place for supplier evaluation, identification of critical supplies and managing relationships with key suppliers.

With the proposed Value Added Tax (VAT) which is scheduled to come on stream sometime during the year, the Department will be involved in ensuring that the Company is 'VAT compliant' through adequate record keeping and financial reporting.

Operations Review

Internal Audit

The Internal Audit Department is responsible for evaluating whether the Company's risk management, control and governance processes, as designed and represented by Management, are adequate and effective.
The Audit Committee of the Board of Directors provides oversight over the work of the Department approving the work plan and reviewing the reports submitted together with Management's response and follow-up of these reports.

The Department's work plan for the year was based on a risk assessment process as well as new initiatives undertaken by the Company such as the Fuel Hedging Pilot Programme and the acquisition of the new CIS.

Audit findings are reported to the Head of the Department being audited, the Managing Director and the Audit Committee. The Department also submits quarterly reports to the Audit Committee advising on the status of its work, significant issues identified and progress made towards completion.

Outlook

IIn 2010, the Department will be seeking wider audit coverage of those areas having a relatively higher risk profile or that otherwise require audit attention for regulatory or other management reasons.

Financial Operations

Sales & Revenues

Electricity sales increased by 4.3% in 2009, improving over the 1.4% registered during 2008. This increase was driven largely by the significant reduction in fuel prices and the tariffs, following the record high prices in 2008.

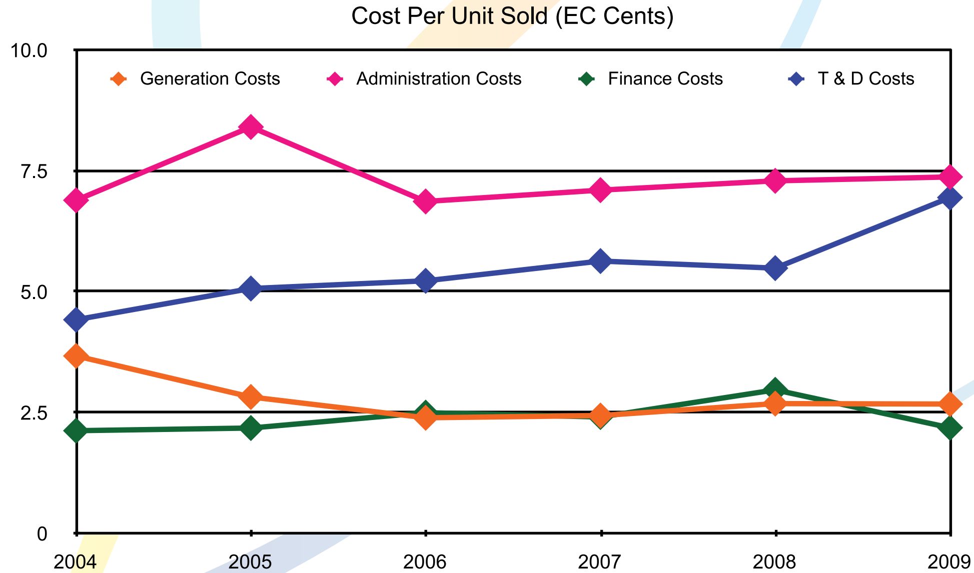
All sectors registered growth reflecting, in addition to the factor above, customer base increases in the Domestic sector which grew by 4.5%, increased activity in the Commercial sector which grew by 5.7%, the full year operations of hotels previously closed for refurbishment culminating in a 2.9% growth and 2.0% increases in the small Industrial sector.

Total revenues for the year were EC$239.8M, a decline of EC$63.4M (21%). This was primarily due to the significant reduction in fuel prices and thus the tariffs. In accordance with the tariff mechanism of the Electricity Supply Act (as amended), customers were provided with a tariff reduction instead of a Fuel Surcharge during the whole year. The total average tariff for 2009 fell by 25% over the previous year.

Average fuel cost per gallon for the year also fell from EC$9.91 to EC$5.93, a reduction of 40%. Following record low prices during the first half of the year, these began to rise gradually by the end of the year. Fuel continues to remain the single largest cost item comprising 64% of direct operating expenditure. Base tariffs remained unchanged as they have been from 2005 when the new tariff mechanism was introduced.

Generation costs (excluding fuel costs) were lower than the previous year by 5% as prudent cost reductions were sufficient to offset increases in depreciation and employee costs.

Transmission and Distribution costs



Operations Review

(excluding the amounts set aside for the Self Insurance Fund) were flat year on year despite higher depreciation charges of EC$0.9M.

Administrative expenditures increased by EC$1.2M (5%) reflecting increased focus on employee training, public relations and advertising activities and pension related costs.

There was a significant decrease of EC$2.1M in finance costs as loans were paid down or paid off.

Profit

At EC$38.7M, profit before tax was EC$4M (11.6%) higher than the previous year representing a return on sales of 16.1% (2008 – 11.6%).

Profit after tax was EC$27.6M, an increase of EC$3.6M compared to 2008. Excluding a one-off item in 2008, the effective tax rate increased from 25.3% to 28.4% as deferred tax benefits declined.

Earnings per share for the year was EC$2.35 (2008 – EC$2.05) reflecting the higher net profit, and total dividends for the year was EC$1.47 (2008 - EC$1.34).

The Company achieved a rate of Return on Equity of 18.8% (2008 - 17.0%), reflecting the improved performance over the previous year. The net profit for the year translated to a 8.2% return on Fixed Assets (2008 – 8.2%) and 6.8% on Total Assets (2008 – 6.2%).

The utility industry is such that, due to the nature of its business and the longevity of the useful lives of its main assets, there are very large capital expenditures which occur at intervals where significant upgrades or expansions are required. As a result, the 18.7% return on equity reflects returns based on the depreciated historical cost of its assets. The Company conducted an independent appraisal in 2008 to determine the Replacement Cost New (RCN) of its major assets and based on these costs its Return on Equity would be 8.5% to reflect the replacement cost of its assets.

The Company's share price traded firm at EC$25 during the year. The price earnings ratio registered 10.6 times (2008 – 12.2 times). The total return to shareholders was 9.4% (2008 – 8.2%), a significant accomplishment taking all the relevant operating, financial and economic conditions into account.

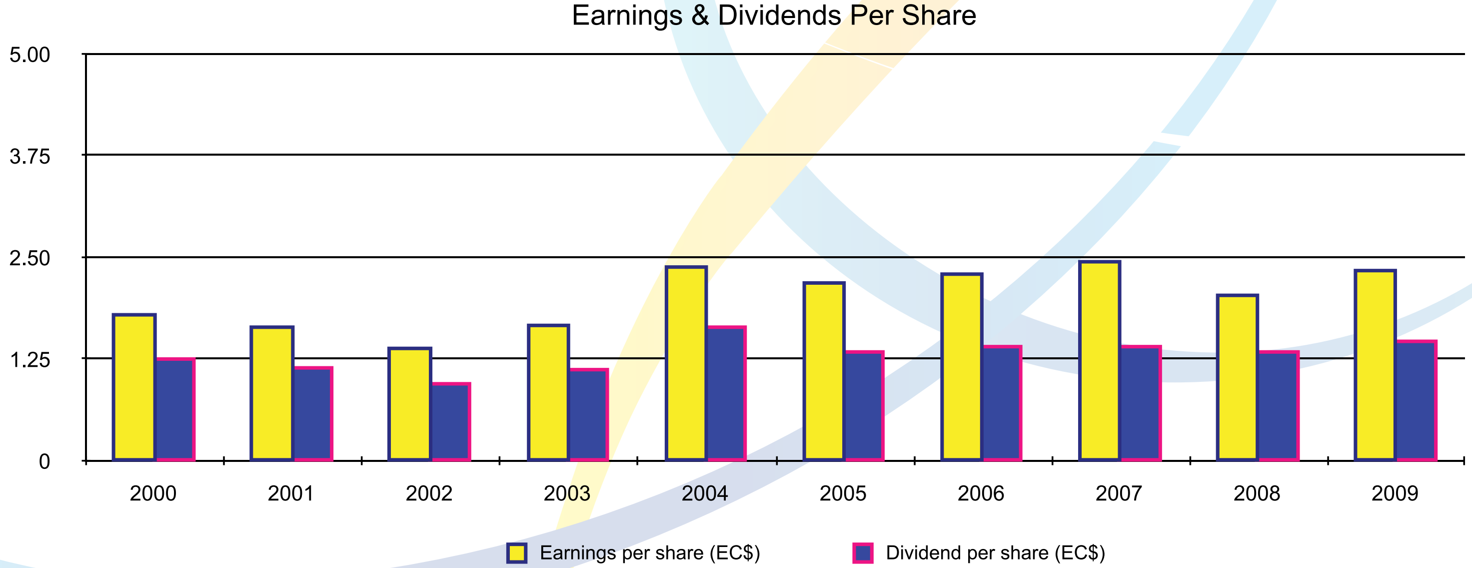
In accordance with the provisions of the Electricity Supply Act (as amended), an amount of EC$3.0M (2008 - EC$2.7M) was set aside out of net profits for distribution as rebates to Hotel and Industrial customers during 2009. This amount is equivalent to 3.7 cents per unit to these customers and will be credited against these customers' bills during 2010.

Capital Expenditure

Expenditure for the year amounted to EC$30.1M (2008 – EC$27.6M) focusing on the continued upgrade of the Transmission & Distribution network, the rollout of the Automated Metering Infrastructure (AMI) programme, continuation of the Distributed Automation (DA) programme, the Geographic Information System (GIS) programme, and Generation improvements.

Working Capital Management

There were many challenges in this area during the year as the Company continued to work with its customers on a case by case basis where they faced cash flow challenges. In light of these challenges, the Days Sales Outstanding (DSO) registered 62 days compared to 42 days in 2008. This will be the focus of additional work during 2010.



Operations Review

Capital Financing

The sum of EC$10M was drawn down during the year to partly fund the capital programme. A line of credit remains available to the Company for its future capital programmes subject to approval by the lenders.

The Board authorised Management to conclude arrangements with its lenders to amend the Security Sharing Agreement (SSA) to allow the Company the capability to increase its borrowing as additional requirements, especially new generation expansion, come to the fore. This is expected to be formally completed in 2010.

Self Insurance

The amount of EC$8M was set aside during the year for payment into the fund. During the year an investment policy was approved by the Board that will allow the Company to invest the funds in varied instruments based on strict criteria.

It is expected that with these payments in 2010, the fund balance will be approximately EC$17M and will substitute for commercial cover on the Company's Transmission & Distribution (T&D) assets. Additionally, the standby facility of EC$10M remains available to the Company in the event of a disaster.

A study will be commissioned in 2010 to estimate potential losses on the T & D network based on various disaster scenarios. This will provide a guide to the Company with respect to the attainment of a suitable fund balance going forward. As the fund balance increases it is expected that other assets of the Company will be covered and that there will be a reduction in the level of commercial cover.

Credit Rating

The Company's credit rating was reaffirmed in December, 2009 as CariBBB (Adequate) on the local and foreign currency scale by CariCRIS, the Caribbean credit rating agency. This is one notch below the Government of Saint Lucia's rating of CariBBB+ which is also in the "Adequate" category.

Risk Management

Risk management remains one of the most significant areas of governance for the Board and management. Sustained focus has been mandated by the Board on all Company risk, which can be classified as follows:

- Business continuity risk
- Strategic risk
- Regulatory compliance risk
- Operational risk
- Reputation risk
- Credit risk
- Liquidity risk
- Market risk
- Economic risk
- Environmental risk

Initial training and sensitisation sessions were conducted for the senior staff and the members of the Audit Committee of the Board. In this regard, a formalised structure is in place for identifying, evaluating, managing, monitoring and reporting on the Company's risk profile to the Audit Committee and the Board on a quarterly basis.

Management scans the environment on a continuous basis to identify any new risks or changes in the profile of existing risks. New risks are evaluated by Management based on their likely impact and probability of occurrence. Existing risks are evaluated quarterly for progress on mitigation efforts and the adequacy of their ranking and the appropriate actions initiated or amended as necessary.

Fuel Price Hedging

Following the recent dramatic volatility in fuel prices, and in seeking to mitigate these impacts on its customers, the Company commenced a fuel price hedging pilot programme in the second half of 2009. This volatility arises out of the Company's current contractual arrangements providing for the purchase of fuel at regular intervals based on existing market prices. The underlying strategy of the programme is to reduce price volatility and to provide some measure of price stability to its customers to allow them to plan, budget and to generally manage their cash flows more effectively.

The pilot programme covered a limited period for limited amounts of fuel consumption so as to evaluate its potential success to mitigate risk and generally to facilitate the learning process. In December, 2009, the Board approved a full-fledged price hedging programme covering a one year period, limited to the use of Fixed Price Swaps and with a review at the end of the first six months. This initiative is managed by the Fuel Risk Management Committee comprising senior management staff, guided by best practice and governance criteria and with regular reporting to the Board through the Audit Committee.

Outlook

All indications point to a slow recovery or smaller negative growth results during 2010. Rising unemployment, reduced remittances from abroad and the recommencement of meaningful Foreign Direct Investment remain critical issues to be monitored as they are key to the success of any recovery.

The Company will continue to remain committed to efficiency improvements, sustained positive financial performance and the effective delivery of services to the country to serve as an engine of growth and to deliver value to its customers.

Management Team

a. Roger Joseph
b. Francis Daniel
c. Wynn Alexander
d. Ziva Phillips
e. Trevor Louisy
f. Callixta Branford
g. Victor Emmanuel
h. Jevon Nathaniel

Management Team

i. Gary Eugene
j. Gillian S French
k. Nicole DuBoulay
l. Gilroy Pultie
m. Jennifa Flood-George
n. Goodwin d'Auvergne
o. Earl Estrado

Management Team

Trevor Louisy
B.Sc. (Electrical Engineering), Acc. Dir.
Managing Director

Earl Estrado
CGA
Financial Controller

Victor Emmanuel
B. Eng. (Electrical Engineering), M.Sc. (Information Systems Engineering)
Business Development Manager

Goodwin d'Auvergne
B.Sc. (Electrical Engineering)
Chief Engineer (Ag.)

Gary Eugene
M. Eng. (Electronics Engineering)
System Control Engineer (Ag.)

Francis Daniel
B.Sc. (Electrical Engineering), MPM (Project Management)
Planning Manager

Jevon Nathaniel
B.Sc. (Electrical Engineering), M.Sc. (Computer Science)
Generation Engineer

Gilroy Pultie
B.Sc. (Electrical & Computer Engineering), Certified Diploma Accounts & Finance (ACCA)
Transmission & Distribution Manager

Wynn Alexander
B.Sc. (Computer Science), M. Eng. Internetworking, DipFM
Information Systems Manager

Nicole Duboulay
BA (Psychology), MBA (Human Resource Management), M.Sc. (Training and Performance Management)
Human Resource Manager

Jennifa Flood-George
B.Sc. (Management Studies/Psychology)
Customer Service Manager

Roger Joseph
MA (International Communication & Development), Diploma Mass Communication
Corporate Communications Manager

Gillian French
LLB (Hons) L.E.C. MRP (Telecommunications), Acc. Dir.
General Counsel/Company Secretary

Ziva Phillips
FCCA, B. Sc. (Economics and Accounting)
Finance and Accounts Manager

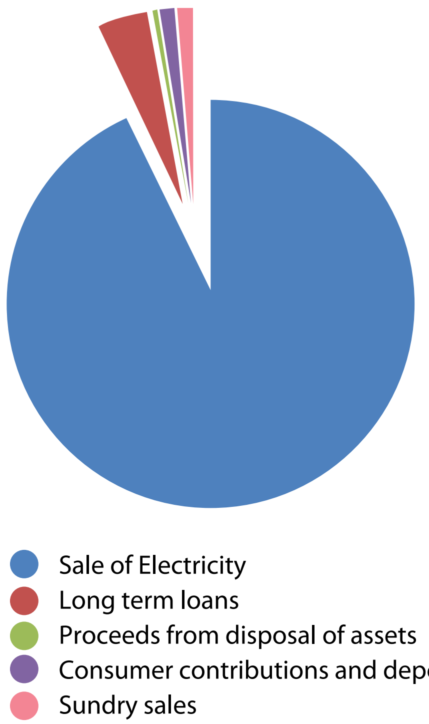
Callixta Branford
CGA
Internal Audit Manager

Financial Highlights

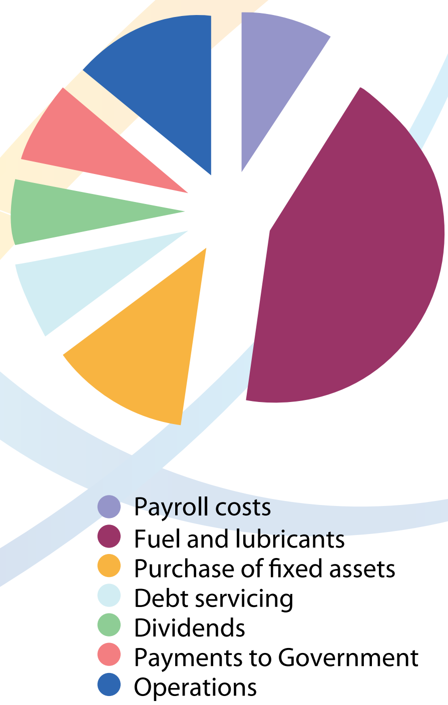
Financial Highlights

	2009 EC $ 000	2009 EC $ 000
Financial Statistics		
Capital Investment	31,281	28,344
Operating Revenue	239,805	303,199
Fuel Surcharge Costs	0	57,915
Finance Costs	6,915	8,997
Net Profit after Taxation	27,639	24,050
Ordinary Dividend Declared	17,228	15,705
Return on Rate Base	18.32%	17.77%
Return on Equity	18.75%	17.03%
Earnings per Share (EC$)	2.35	2.05
Ordinary Dividend per Share (EC$)	1.47	1.34
Ordinary Dividend as % of Net Profit after Tax	62%	65%
Debt/Equity Ratio	44/56	47/53
Operating Statistics		
Sales (MWh)	315,081	301,975
Customers	59,572	57,718
Peak Demand (MW)	55.9	54.1
Available Capacity (MW)	76.0	76.0

Where the LUCELEC $ came from



How the LUCELEC $ was spent



Corporate Social Responsibility

Power of Caring

Education

LUCELEC cares about being a powerful partner in providing people with opportunities to achieve excellence; to change their lives. Education is one of the most powerful means of achieving this. We contribute to the national effort in educating and training young minds through our support for individual schools and the development of the education system generally. And just as we're powering the entire nation, our power of caring in education spans the entire spectrum of schools, from day care centres to tertiary institutions in the north, south, east and west of the country.

Through donations of equipment our power of caring is improving the quality of school life and educational instruction for hundreds of students and teachers. Some of our interventions include assisting with the purchase of photocopying machines for the Gros Islet Combined School, Laborie R.C. Girls' Primary School, Roseau Combined School and Leon Hess Comprehensive Secondary School. The La Guerre Primary School was gifted a computer, Plain View Combined School received assistance in purchasing books for a school library, and Dennery Infant School got support towards establishing a numeracy rich classroom. At the Morne du Don Government School assistance was provided to purchase books and computers for a new school library, and the Grace Combined School was able to complete the tiling of its classrooms with our assistance.

Our support for the Ciceron Secondary School's Christmas production presented by the School's Dance & Drama Club, the Ti Rocher Primary School's hosting of its first School Christmas Concert, the Corinth Secondary School's Department of Theatre Arts Workshop, the printing of the Millet Primary School's "INSIGHTS" Magazine, and the purchase of chairs to facilitate the introduction of the School's "Author's Chair" programme to improve students' language development, helps to ensure that students receive opportunities for creative expression that contribute to their holistic development.

As Gold Sponsors of the National Schools' Science Fair and of the Junior Achievement Programme at the Choiseul Secondary School, as well as through our support for the Bocage Secondary School's production of the Smart Math Educational game, we're helping to nurture innovation in Business and Science and Technology, and helping our nation's youth explore the limitless possibilities of the future.

And we assisted in rewarding excellence and academic and sporting achievement through our donations of trophies and medals for annual graduations, sports meets and essay competitions to twenty five (25) schools in 2009.

Our Power of Caring in education extends beyond the boundaries of academics and sports or major projects to simple things like helping children have fun. Through contributions to various parties at schools, at Christmas or otherwise, we're helping to make school enjoyable, touching lives, creating wonderful memories that will last a lifetime.

Corporate Social Responsibility

Power of Caring

Sports

Beyond our support for sports at the school level, LUCELEC's Power of Caring encompasses sport at the club and national levels. LUCELEC was a proud partner in Saint Lucia's hosting of the 2009 CARIFTA games, two preliminary rounds of the regional tournaments of the 2010 World Volleyball Championships, and the 2009 OECS Cycling Championships as part of our continuing support for the St. Lucia Athletics Association, the St. Lucia Volleyball Association and the St. Lucia Cycling Association.

We also provided support to the St. Lucia Amateur Bodybuilding Association towards St. Lucia's participation in the Central American and Caribbean (CAC) Championship in Grenada, the St. Lucia National Netball Association to send a team to the OECS Under 23 Championships in Nevis, the St. Lucia Amateur Swimming Association to facilitate St. Lucia's participation in the 19th Annual OECS Swim Meet in Grenada, and the St. Lucia Rugby Football Union towards participation in the North America and Caribbean Rugby Association 7-A Side Championship.

At the club level, we assisted the Vempers Sports Athletic Dramatic Club (VSADC) in staging the Michael Fedee Memorial Invitational Football Tournament. We contributed to the Morne Stars Athletic Club's participation in the 34th Hampton Games in Trinidad & Tobago and provided bronze level sponsorship to the Annual Inter-Club Invitational Swim Meet at the Rodney Heights Aquatic Centre.

And through the Ministry of Education & Culture we contributed towards District II's Inter-School Football Competition and the Annual Sports Meet for District IV.

Corporate Social Responsibility

Power of Caring

Youth at Risk

Caring has the potential to turn lives around. That's why LUCELEC's Power of Caring embraces the more vulnerable among us – our youth at risk. In 2009 through our various philanthropic and sponsorship initiatives we supported programmes that sought to provide basic needs and new experiences and opportunities in the classroom, on the playground, in sports, arts, culture, and at the community level for those who otherwise may not have had these opportunities or experiences.

That's why our Power of Caring was indelibly stamped on initiatives such as annual Summer Youth Clinics put on by the Sir Arthur Lewis Community College, the Ministry of Youth & Sports, and Options Designs that provided opportunities for underprivileged students from Ciceron Primary and Secondary schools, the Morne Du Don Primary School, and Castries to be gainfully occupied during the summer vacation.

Similarly, LUCELEC moved to assist disadvantaged students, at the Ciceron Secondary School and in Aux Lyons, Dennery, to meet the costs of stationery, uniforms, other school supplies and bus fare. We also donated footballs and first aid kits to the New Village Development Committee in support of a Discipline Campaign for primary schools in the Castries Basin and provided scholarships to three underprivileged primary school students to allow them to participate in the Valley Soccer Academy's programme for a year. And we were a major sponsor of the Castries Football Council's 2009 Youth League played in 3 divisions targeting children 15 and under, inclusive of youth at risk.

Our efforts to provide new experiences to the disadvantaged included contributing towards the "Swim to Change" Programme put on by the Community Action Programme for Safety (C.A.P.S.) which sought to teach underprivileged children from Marchand, Wilton's Yard and New Village to swim using the pool at the Rodney Heights Aquatic Centre.

And LUCELEC's Power of Caring really came through in the Orchestra Programme for Youth at Risk in St. Lucia – a collaborative effort between the OAS, Ministry of Social Transformation, and the School of Music. This potentially life-changing project involves sixty (60) young people from the Marchand community participating in this special programme to develop a youth orchestra, choir and centre for teaching orchestra music to youth in that community. The project provides after-school classes in orchestra and choir at the Marchand Combined and the Entrepot Secondary School, for 2 hours a day, up to four days a week. It is designed to reduce violent behaviour by redirecting spare time for youth at risk into an activity that takes advantage of their inherent strengths and talents. The programme complements regular education with musical training to stimulate intellectual and cultural growth, contribute to instilling civic values, increase school retention levels, and create future employment opportunities.

LUCELEC's initiatives targeting youth at risk included support for institutions like the Holy Family Children's Home and the Upton Gardens Girls' Centre, and the Lions Club of Castries Kids-in-Sight project administered by the St. Lucia Blind Welfare Association to correct eye problems in underprivileged children.

Corporate Social Responsibility

Power of Caring

Charitable

Among those who felt LUCELEC's Power of Caring in 2009 were the myriad of charities and charitable institutions in St. Lucia.

Several interventions were made in support of fundraising efforts - the Marian Home's Annual Poverty Meal, the Lions Club of Gros Islet's Independence Charity Golf Tournament, the St. Lucia Crisis Centre's Fathers Day Luncheon, and the annual fundraising dinners of the Friends of St. Jude Hospital, St. Lucy's Home and Rotary Club of St. Lucia.

Other contributions were made to support worthy causes such as to the Feed the Poor Ministry's feeding programme for elderly persons, the Poppy Appeal Fund to assist veterans and their dependants, the Friends of Golden Hope Society Annual Christmas Dinner for patients at Golden Hope Hospital, and the distribution of food hampers to the underprivileged in various communities at Easter and Christmas through the St. Vincent de Paul Society of Augier and the Streams of Power Youth Aflame Ministry. The Salvation Army, the Marian Home, Upton Girls' Garden Centre and Grow Well Inc. also received various forms of assistance towards meeting the increased demand for the services offered by these institutions.

And there were indirect contributions too, through Government House to support the Governor General's various charities, and Le Pavillon Royal Museum in aid of the restoration of St. Jude Hospital.

Corporate Social Responsibility

Power of Caring

Medical

LUCELEC recognises that health care and access to funds for major medical expenses remain a challenge for many. Our Power of Caring, therefore, seeks to support preventive, diagnostic and treatment programmes and facilities.

Through our annual contribution of $25,000 to the National Community Foundation since its inception we continue to support requests for medical assistance.

We work closely with the St. Lucia Diabetic & Hypertensive Association, the St. Lucia Heart, Lung and Blood Foundation, and various other health and wellness organisations to provide equipment, support workshops, health and wellness outreach programmes, and fundraising efforts, to assist in encouraging healthy lifestyles and supporting initiatives that seek to prevent and treat lifestyle related diseases.

We provide major support for our medical facilities as well. In 2009, LUCELEC contributed over $45,000 towards the extension of the electrical system and installation of uninterruptible power supplies (UPSs) for the Intensive Care Unit, Radiology Department, Operating Theatres and Recovery Room at Victoria Hospital. And we responded immediately to the St. Jude's Hospital fire with nearly $100,000 in urgent assistance to upgrade the power supply at the George Odlum Stadium to facilitate its transformation to a temporary hospital and for the air conditioning of medical supplies, and another $250,000 in cash to the rebuilding effort.

Corporate Social Responsibility

Power of Caring

Community

Without a sense of caring, there can be no sense of community. LUCELEC is proud, therefore, to bring people together through its power of caring that supports community initiatives, large and small, around the island.

From Independence Day celebrations in Fond St. Jacques to talent shows in Saltibus, from Nobel Laureate Week activities in Micoud to Christmas parties for underprivileged children in Roseau and Ti Colon/Barre St. Joseph, LUCELEC's Power of Caring is being felt in every nook and cranny of St. Lucia.

We supported the Canaries Community Club's first Academic Awards Ceremony in Canaries to celebrate academic excellence to inspire young people to achieve. We provided uniforms for a football development programme for Under-15 & Under-21 teams in Mon Repos. We assisted the Challengers Sports & Cultural Club from Soufriere in getting to Antigua for the Warriors Cup Football Tournament in which they emerged champions.

The extension of the power supply to the Goodwill Fishermen Cooperative Society Limited in Vieux Fort, the painting of the Dennery Bus Shelter, the sponsorship of the Community Nursing Service's Health Centre Attendant Biannual Conference, and support for the St. Lucia National Trust's Youth Environment Forum (YEF), are other examples of how far and wide LUCELEC's Power of Caring extended in 2009.

Corporate Social Responsibility

Power of Caring

Arts & Culture

Art and Culture tell the story of a people and inspire minds, both young and old. LUCELEC's Power of Caring extends to supporting the aspirations and creative endeavours of numerous artists, artistic and cultural groups, national festivals and budding photographers.

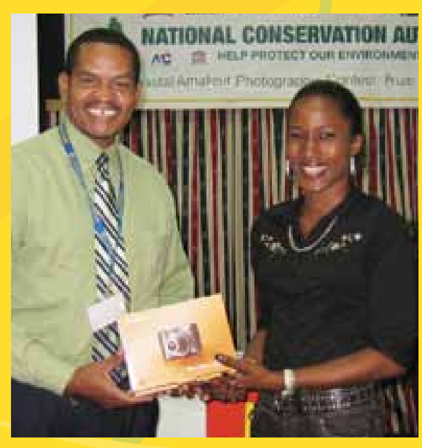
We continue to be major sponsors of St. Lucia Jazz – at Pigeon Island, Fond d'Or, Tea Time Jazz at La Place Carenage, Jazz on the Pier at Pointe Seraphine, and Jazz on the Square.

As a partner sponsor of Zenaida Productions we supported a study tour for a group of young dancers and actors that included theatre and film workshops in Jamaica aimed at developing and refining budding talent.

Our commitment to the continued development of the calypso art form was expressed in our sponsorship of the Spectrum International Calypso Tent, the South Calypso Tent and the Tempest concert.

We helped playwrights, directors and actors give expression to their respective talents through our support for the Gemstones Theatre Workshop's production of "A Black Woman's Tale", and we are proud to be associated with the production of the sound track for Derek Walcott's Ti Jean and His Brothers feature film.

And as a sponsor of the National Conservation Authority's Amateur Coastal Photography Contest we helped young people provide new pictorial perspectives of our beautiful island and discover hitherto untapped talents found in the coordinated efforts of their hands, eyes and creative minds.



Corporate Social Responsibility

Power of Caring

National

LUCELEC's Power of Caring was released in several other national activities as well.

LUCELEC was a proud participant and exhibitor at the 2009 National Independence Exhibition in commemoration of Saint Lucia's 30th Anniversary of Independence. And we continued our support for the Atlantic Rally for Cruisers (ARC) that seeks to provide additional revenue generation opportunities in tourism.

We supported the National Emergency Management Organisation's public awareness drive in responding to the H1N1 flu threat. We contributed $25,000 towards the establishment of a police substation at Rodney Bay in response to efforts to combat increasing incidence of crime in the area. And we supported efforts to recognise the contribution that the Police and the St. Lucia Fire and Emergency Services make to our individual and collective well being.

As a major sponsor and participant in Energy Awareness Week we continued the national effort in promoting energy efficiency that seeks to reduce expenditure on energy in the short term and improve and secure our quality of life in the long run.

Religious

Our donations span a range of organizations so that the widest possible cross section of society can benefit from our Power of Caring. In 2009, LUCELEC continued to support the religious community through their respective organisations and satellite groups.

We provided support to the Diocesan Clergy in efforts to promote the priesthood as a vocation for young men and the Mon Repos Catholic Youth Organization to assist in sending several young people to the 3rd AEC Youth Conference in Jamaica. The Grace Catholic Youth Organisation received assistance for its music ministry as did the Cathedral Parish for its annual fundraising dinner.

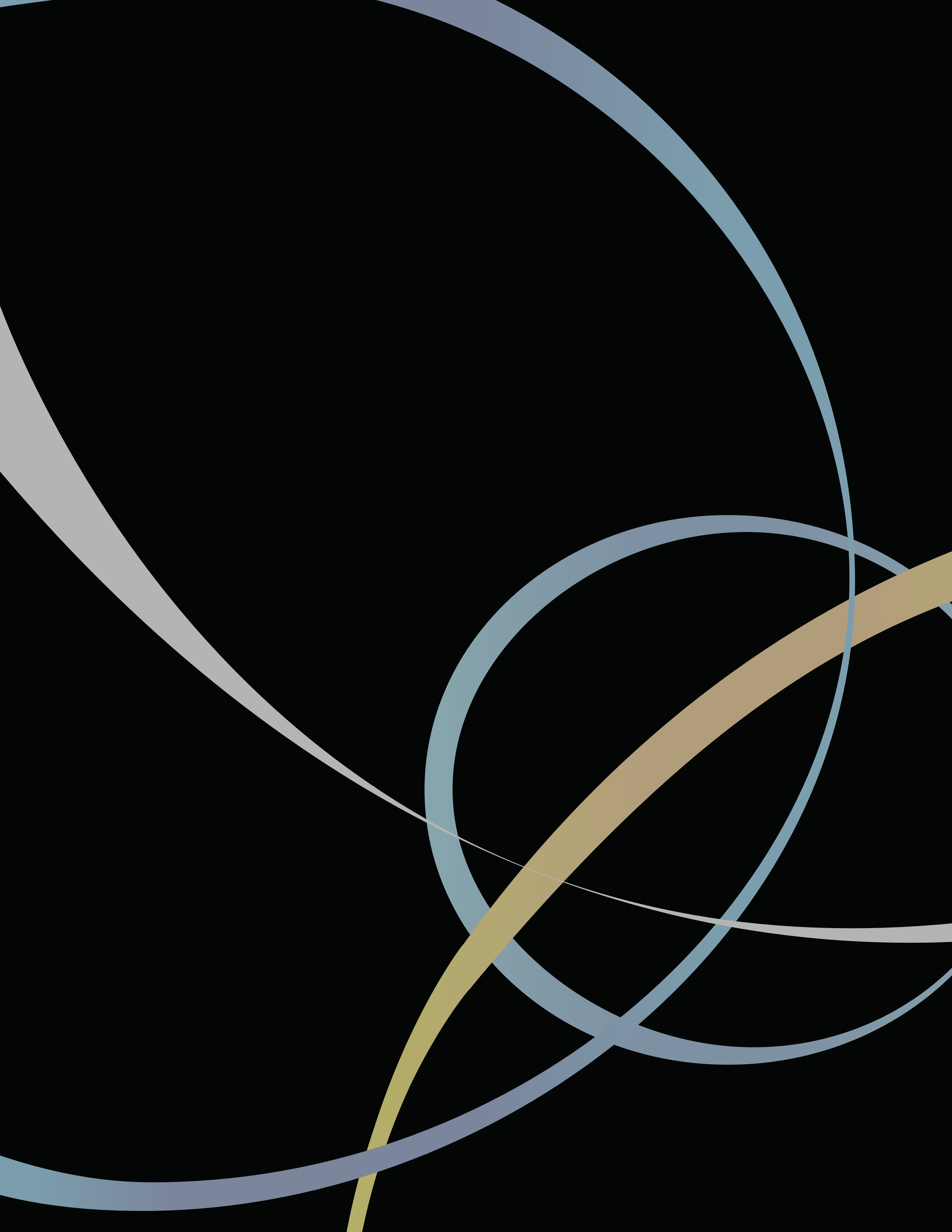
LUCELEC's support for efforts to nurture strong moral values and discipline among young people included contributing towards the Streams of Power Ministries' Annual Youth Camp that accommodated 200 young people.

And the Gros Islet Church of the Nazarene, the Plateau Seventh Day Adventist Church, the Evangelical Church of the West Indies, and the Fellowship Chorale all received assistance with various activities such as concerts and health fairs in their efforts to touch lives in their respective communities in meaningful ways.

2009
Financial Statements

ST. LUCIA ELECTRICITY SERVICES LIMITED

December 31, 2009



KPMG EASTERN CARIBBEAN
Morgan Building
L'Anse Road
P.O. Box 1101
Castries, St. Lucia

Telephone (758) 453 -1471
(758) 453 -0625
Fax (758) 453 -6507
e-Mail kpmg@kpmg.lc

INDEPENDENT AUDITORS' REPORT

Members
St. Lucia Electricity Services Limited

We have audited the accompanying financial statements of St. Lucia Electricity Services Limited (the Company), which comprise the statement of financial position as at December 31, 2009, and the statements of comprehensive income, changes in equity, , and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT, cont'd

Members
St. Lucia Electricity Services Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

KPMG Eastern Caribbean
March 5, 2010

Castries,
St. Lucia

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Financial Position
December 31, 2009
with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	Notes		2009	2008 Restated
Assets				
Non-current				
Property, plant and equipment	6	$	298,127,080	298,774,746
Intangible assets	7		3,810,787	3,723,679
Retirement benefit asset	8		8,828,000	8,749,000
Available-for-sale financial asset	9		8,504,527	5,642,575
Total non-current assets			319,270,394	316,890,000
Current				
Inventories	10		17,719,024	15,739,799
Trade, other receivables and prepayments	11		53,933,896	41,939,612
Cash and cash equivalents	12		16,425,245	10,847,374
Total current assets			88,078,165	68,526,785
TOTAL ASSETS		$	407,348,559	385,416,785
Equity and liabilities				
Shareholders' equity				
Share capital	13	$	80,162,792	80,162,792
Retained earnings			70,667,638	63,788,706
Hedging reserve	24		1,428,830	-
Total equity attributable to shareholders			152,259,260	143,951,498
Retirement benefit reserve	8		8,828,000	8,749,000
Total shareholders' equity			161,087,260	152,700,498
Liabilities				
Non-current				
Borrowings	14		107,848,046	110,753,706
Consumer deposits	15		12,666,892	11,682,301
Deferred tax liabilities	16		27,704,168	28,364,847
Consumer contributions	17		29,085,469	28,428,097
Retirement benefit liability	18		1,081,408	1,004,159
Total non-current liabilities			178,385,983	180,233,110
Current				
Bank overdraft	12		2,981,733	4,442
Borrowings	14		12,115,386	16,738,618
Trade and other payables	19		41,721,706	25,748,467
Income tax payable			1,283,532	1,740,497
Dividends payable			9,772,959	8,251,153
Total current liabilities			67,875,316	52,483,177
Total liabilities			246,261,299	232,716,287
TOTAL EQUITY AND LIABILITIES		$	407,348,559	385,416,785

Approved by:

Director

Director

The notes on pages 47 to 89 are an integral part of these financial statements

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Comprehensive Income

December 31, 2009

with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	Notes		2009	2008 restated
Revenue				
Energy sales		$	237,858,510	244,669,087
Fuel surcharge recovered			19,928	57,448,282
Other revenue			1,926,360	1,082,005
			239,804,798	303,199,374
Operating expenses				
Diesel generation			132,788,363	147,522,342
Transmission and distribution			37,108,093	30,869,482
Fuel surcharge	27		-	57,914,734
			169,896,456	236,306,558
Gross income			69,908,342	66,892,816
Administrative expenses			(24,915,489)	(23,676,289)
Operating profit			44,992,853	43,216,527
Other gains	22		636,406	462,282
Profit before finance costs and taxation			45,629,259	43,678,809
Finance costs			(6,915,402)	(8,997,221)
Profit before taxation			38,713,857	34,681,588
Taxation	23		(11,075,204)	(10,631,557)
Net profit for the year from continuing operations			27,638,653	24,050,031
Other comprehensive income:				
Cash flow hedge	24		1,428,830	-
Actuarial (losses)/gains on defined benefit plans			(239,144)	47,706
Other comprehensive income for the year			1,189,686	47,706
Total comprehensive income for the year			28,828,339	24,097,737
Earnings per share	25	$	2.35	2.05

The notes on pages 47 to 89 are an integral part of these financial statements

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity

For the year ended December 31, 2009

with comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	Notes	Stated Capital	Retained Earnings	Retirement Benefit Reserve	Hedging Reserve	Total
Balance at December 31, 2007 as restated		$ 80,162,792	58,330,104	7,768,000	-	146,260,896
Total comprehensive income for the year as previously reported		-	24,869,338	-	-	24,869,338
Prior year's adjustment	32	-	(771,601)	-	-	(771,601)
Total comprehensive income for the year as restated		-	24,097,737	-	-	24,097,737
Transfer to retirement benefit reserve as previously reported		-	(1,079,000)	1,079,000	-	-
Prior year's adjustment	32	-	98,000	(98,000)	-	-
Transfer of tariff reduction rebate		-	473,945	-	-	473,945
Transfer to tariff reduction reserve		-	(2,427,280)	-	-	(2,427,280)
Ordinary dividends	21	-	(15,704,800)	-	-	(15,704,800)
Balance at December 31, 2008 as restated		80,162,792	63,788,706	8,749,000	-	152,700,498
Total Comprehensive Income for the year		-	27,399,509	-	1,428,830	28,828,339
Transfer to retirement benefit reserve		-	(79,000)	79,000	-	-
Transfer to tariff reduction rebate	20	-	(231,538)	-	-	(231,538)
Transfer to tariff reduction reserve	20	-	(2,981,639)	-	-	(2,981,639)
Ordinary dividends	21	-	(17,228,400)	-	-	(17,228,400)
Balance at December 31, 2009		$ 80,162,792	70,667,638	8,828,000	1,428,830	161,087,260

The notes on pages 47 to 89 are an integral part of these financial statements

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year ended December 31, 2009
with comparative figures for 2008
(Expressed in Eastern Caribbean Dollars)

	Notes	2009	2008 restated
Cash flows from operating activities			
Profit before taxation		$ 38,713,857	34,681,588
Adjustments for:			
Depreciation	6	30,740,624	28,456,497
Amortization of intangible assets	7	1,090,503	1,011,936
Finance costs expensed		6,915,402	8,997,221
Gain on disposal of property, plant and equipment	22	(701,797)	(189,527)
Amortization of consumer contributions	17	(1,443,482)	(1,534,186)
Post Retirement benefits		(240,896)	70,866
Adjustment to plant and equipment	6	-	(505,574)
Gain on cash flow hedge	24	1,428,830	-
Operating profit before working capital changes		76,503,041	70,988,821
(Increase)/decrease in trade and other receivables		(11,994,284)	4,327,016
Increase in inventories		(1,979,225)	(1,736,798)
Increase in trade and other payables	19	15,973,239	471,765
Cash generated from operations		78,502,771	74,050,804
Interest received		237,470	52,061
Finance costs paid		(7,291,084)	(9,233,050)
Income tax paid		(12,192,848)	(12,353,582)
Net cash from operating activities		59,256,309	52,516,233
Cash flows from investing activities			
Acquisition of available for sale financial asset		(2,598,613)	(2,000,000)
Acquisition of property, plant and equipment	6	(30,102,983)	(27,625,711)
Proceeds on disposal of property, plant and equipment		711,822	196,292
Acquisition of intangible assets	7	(1,177,611)	(718,049)
Net cash used in investing activities		(33,167,385)	(30,147,468)
Cash flows from financing activities			
Proceeds from borrowings		10,000,000	20,000,000
Repayment of borrowings		(17,380,697)	(19,504,661)
Dividends paid		(15,706,594)	(16,622,282)
Transfer of tariff reduction rebate		(3,213,176)	(1,953,335)
Consumer contributions received	17	2,100,854	5,415,444
Consumer deposits received net		711,269	371,512
Net cash used in financing activities		(23,488,344)	(12,293,322)
Net increase in cash and cash equivalents		2,600,580	10,075,443
Cash and cash equivalents at beginning of year	12	10,842,932	767,489
Cash and cash equivalents at end of year		$ 13,443,512	10,842,932

The notes on pages 47 to 89 are an integral part of these financial statements

1. Reporting Entity

St. Lucia Electricity Services Limited (the Company) was incorporated under the laws of St. Lucia on November 9, 1964 and re-registered as a public company on August 11, 1994. The Company was also re-registered under the Companies Act of St. Lucia on October 22, 1997. The Company operates under the Electricity Supply Act, 1994 (as amended), and has an exclusive license for the exercise and performance of functions relating to the supply of electricity in St. Lucia. It is listed on the Eastern Caribbean Securities Exchange.

The Company's registered office is situated at Sans Soucis, John Compton Highway, Castries, St. Lucia.

2. Basis of preparation

(a) *Statement of compliance*
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs)

The financial statements were approved for issue by the board of directors on March 5, 2010.

(b) *Basis of measurement*
The financial statements have been prepared using the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) *Functional and presentation currency*
These financial statements are presented in Eastern Caribbean dollars, which is the Company's functional currency. All financial information presented in Eastern Caribbean dollars has been rounded to the nearest dollar.

(d) *Use of estimates and judgements*
The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 recognized 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 recognized in the financial statements is included in the following notes:

- Note 3 (h): Measurement of defined benefit obligations.
- Note 3 (i): Estimation of unbilled sales and fuel surcharge.
- Note 4: Determination of fair values.
- Note 29: Valuation of financial instruments

3. Significant Accounting Policies

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

(a) Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 assets and liabilities denominated in foreign exchange currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges which are recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans, trade and other payables, consumer deposits, and consumer contributions.

Non-derivative financial instruments are recognized 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.

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company'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 (i).

3. Significant Accounting Policies (Cont'd)

(b) Financial instruments (Cont'd)

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

Trade Receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company 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 receivables, being short term, are not discounted.

Trade and Other Payables

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

Borrowings

Borrowings are recognized initially as the proceeds are received and are initially recognised at fair value, 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

Consumer Deposits

Given the long-term nature of the customer relationship, customer deposits are shown in the balance sheet as non-current liabilities (i.e. not likely to be repaid within twelve months of the date of the statement of financial position).

Consumer Contributions

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 5%. The annual amortisation of consumer contributions is deducted from the depreciation charge provided in respect of the capital cost of these line extensions. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. The capital costs of consumer line extensions are included in property, plant and equipment.

3. Significant Accounting Policies (Cont'd)

(b) Financial instruments (Cont'd)

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

Available-for-sale financial assets

The Company's investment in equity securities and certain debt 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(e)), and foreign exchange gains and losses on available-for-sale equity instruments (see note 3(a)), are recognized in other comprehensive income and presented with equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(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.

(c) Property, Plant and Equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other gains" in profit or loss.

(ii) *Subsequent Expenditure*

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

3. Significant Accounting Policies (Cont'd)

(c) Property, Plant and Equipment (Cont'd)

(iii) *Depreciation*

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

The annual rates of depreciation for the current and comparative periods are as follows:

■ Building	$2^1/_2$ - $12^1/_2$% per annum
■ Plant and machinery	5 - 14% per annum
■ Motor vehicles	20 - $33^1/_3$% per annum
■ Furniture and fittings	10 - 25% per annum
■ Computer hardware	$12^1/_2$ - 25% per annum

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

(d) Intangible assets

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

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.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than way leave rights, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 20-25% per annum

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Inventories

Inventories are measured at the lower of cost and replacement value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for slow-moving and damaged goods. Goods in transit are stated in invoice cost.

3. Significant Accounting Policies (Cont'd)

(f) Impairment

(i) *Financial assets*

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

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

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

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

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

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

(ii) *Non-financial assets*

The carrying amounts of the Company'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.

3. Significant Accounting Policies (Cont'd)

(f) Impairment (Cont'd)

(ii) *Non-financial assets (Cont'd)*

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

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

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

(g) Derivative financial instruments

The Company holds derivative financial instruments to hedge the volatility of its fuel costs. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

(g) Derivative financial instruments (Cont'd)

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(h) Employee benefits

(i) Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government securities that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised past service costs and 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 Company recognises actuarial gains and losses arising from defined benefit plans in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

(h) Employee benefits (Cont'd)

(ii) *Pension benefits assumptions*

The present value of the pension obligations depends on a number of factors that are determined by independent qualified actuaries using a number of assumptions. The assumptions used in determining the net cost (income) for pensions 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 expected return on plan assets assumption is determined on a uniform basis taking into consideration long-term historical returns, asset allocation and future estimates of long-term obligations.

The Company 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. In determining the appropriate discount rate, the Company considers the interest rates of the Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

(iii) *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 12 months after the reporting period, then they are discounted to that present value.

(i) Revenue recognition

Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 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 of 57.2% at year end is based upon the actual information subsequent to the year end. 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 is included in accrued income.

3. Significant Accounting Policies (Cont'd)

(i) Revenue recognition (Cont'd)

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

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

Finance expenses comprise interest expense on borrowings and 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.

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(k) Income tax (Cont'd)

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

(l) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(m) Presentation of financial statements

The Company applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts the presentation aspects, there is no impact on earnings per share.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company, except for *Eligible Hedged Items – amendment to IAS 39 Financial Instruments: Recognition and Measurement,* which clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, which becomes mandatory for the Company's 2010 financial statements, is not expected to have a significant impact on the financial statements.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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.

(i) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

4. Determination of Fair Values (Cont'd)

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial Risk Management

Overview

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

- Credit risk
- Liquidity risk
- Market risk.
- Currency risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these 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 the Audit Committee, which oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by Internal Audit, 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 Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. Geographically there is no concentration of credit risk.

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

These payment terms are stipulated under the provisions of the Electricity Supply Act of 1994 (as amended) and include providing discretion to the Company 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. Customers that fail to meet the Company'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 Company's customers have been transacting with the Company for over four years, and losses have occurred infrequently.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components 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 Company limits its exposure to credit risk by only investing in liquid securities. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

5. Financial Risk Management (Cont'd)

Liquidity risk (Cont'd)

Typically the Company 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 Company maintains the following lines of credit:

- Two overdraft facilities of EC$5 million and EC$3 million which are secured. Interest is payable at the rate of 9% and 8% respectively.

- A standby credit facility in the amount of EC$10 Million which will be utilised to restore transmission and distribution lines and related assets damaged by hurricane and other natural disasters, should it become necessary. This facility is convertible into a 12-year term instalment loan subject to the necessary approvals. The interest rate is 7.41% on the credit facility and 6.5% if converted into a demand loan.

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 Company'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 Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency. The currency in which these transactions primarily are denominated is United States Dollars.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company.

The exchange rate of the Eastern Caribbean dollar (XCD) to the United States dollar (USD) has been formally pegged at XCD2.70 = USD1.00 since 1974.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company'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 company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

5. Financial Risk Management (Cont'd)

Operational risk (Cont'd)

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

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

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 Company defines as net profit after tax divided by average shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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

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

6. Property, Plant and Equipment

		Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Work in Progress	Total
Cost							
Balance at January 1, 2008	$	84,926,219	480,305,405	3,624,980	9,605,389	6,518,187	584,980,180
Adjustments		-	(1,861,426)	-	-	2,417,056	555,630
Additions		263,335	-	264,779	791,775	26,305,822	27,625,711
Transfers		956,028	24,703,500	-	-	(25,659,528)	-
Disposals		-	(284,998)	(531,304)	(141,430)	-	(957,732)
Balance at December 31, 2008		86,145,582	502,862,481	3,358,455	10,255,734	9,581,537	612,203,789
Balance at January 1, 2009		86,145,582	502,862,481	3,358,455	10,255,734	9,581,537	612,203,789
Adjustment		-	(244,071)	-	-	244,071	-
Additions		1,199,728	8,770,626	714,968	781,153	18,636,508	30,102,983
Transfers		-	19,591,266	-		(19,591,266)	-
Disposals		(62,924)	-	-	(13,188)	-	(76,112)
Balance at December 31, 2009		87,282,386	530,980,302	4,073,423	11,023,699	8,870,850	642,230,660
Accumulated Depreciation							
Balance at January 1, 2008		24,937,050	249,937,073	3,073,424	7,925,910	-	285,873,457
Adjustment		421	47,849	-	1,786	-	50,056
Charge for the year		2,017,327	25,560,687	297,835	580,648	-	28,456,497
Eliminated on disposals		-	(282,218)	(531,304)	(137,445)	-	(950,967)
Balance at December 31, 2008		26,954,798	275,263,391	2,839,955	8,370,899	-	313,429,043
Balance at January 1, 2009		26,954,798	275,263,391	2,839,955	8,370,899	-	313,429,043
Charge for the year		2,024,816	27,918,842	274,569	522,397	-	30,740,624
Eliminated on disposals		(53,136)	-	-	(12,951)	-	(66,087)
Balance at December 31, 2009		28,926,478	303,182,233	3,114,524	8,880,345	-	344,103,580
Carrying Amounts							
At January 1, 2008	$	59,989,169	230,368,332	551,556	1,679,479	6,518,187	299,106,723
At December 31, 2008	$	59,190,784	227,599,090	518,500	1,884,835	9,581,537	298,774,746
At January 1, 2009	$	59,190,784	227,599,090	518,500	1,884,835	9,581,537	298,774,746
At December 31, 2009	$	58,355,908	227,798,069	958,899	2,143,354	8,870,850	298,127,080

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

Borrowing costs amounting to $1,595,616 (2008 - $100,000) were capitalized during the year.

7. Intangible Assets

	JDE Software	Way Leave Rights	Other Software	Work In Progress	Total
Cost					
Balance at January 1, 2008	$ 4,026,400	509,332	-	-	4,535,732
Additions	256,145	461,904	-	-	718,049
Balance at December 31, 2008	4,282,545	971,236	-	-	5,253,781
Balance at January 1, 2009	4,282,545	971,236	-	-	5,253,781
Additions	-	280,495	109,426	787,690	1,177,611
Balance at December 31, 2009	4,282,545	1,251,731	109,426	787,690	6,431,392
Accumulated Amortization					
Balance at January 1, 2008	518,166	-	-	-	518,166
Amortized for the year	1,011,936	-	-	-	1,011,936
Balance at December 31, 2008	1,530,102	-	-	-	1,530,102
Balance at January 1, 2009	1,530,102	-	-	-	1,530,102
Amortized for the year	1,070,504	-	19,999	-	1,090,503
Balance at December 31, 2009	$ 2,600,606	-	19,999	-	2,620,605
Carrying Amounts					
At January 1, 2008	$ 3,508,234	509,332	-	-	4,017,566
At December 31, 2008	$ 2,752,443	971,236	-	-	3,723,679
At January 1, 2009	$ 2,752,443	971,236	-	-	3,723,679
At December 31, 2009	$ 1,681,939	1,251,731	89,427	787,690	3,810,787

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

8. Retirement Benefit Asset

Grade I Employees
The Company contributes to a defined benefit pension scheme with Sagicor Life Inc. for Grade I employees who were employed prior to January 1, 2008.

Grade II Employees
The Company contributes to a defined benefit pension scheme for Grade II employees who were employed prior to January 1, 2008 and which, up to 31st December, 2008 were held with Colonial Life Insurance Company Limited.

In accordance with the terms of the agreement between the parties the Company served notice on Colonial Life Insurance Company Limited of the termination of the agreement effective January, 2009. The accumulated funds held on behalf of the scheme will be transferred to the new Fund Manager, RBTT Asset Management Limited over a designated period of time in monthly installments.

The most recent actuarial valuation of these two schemes is dated December 31, 2009. The plans were valued using the "Projected Unit Credit" method of valuation.

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

The most recent actuarial valuation of the plan was completed December 31, 2009.

The plan was valued using the "Projected Unit Credit" method of valuation.

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

	Grade III		Grades I and II	
	2009	**2008**	**2009**	**2008**
	%	**%**	**%**	**%**
Discount rate	7.5	7.5	7.0	7.0
Expected return on plan assets	8.0	8.0	7.0	7.0
Future salary increases	6.5	6.5	5.5	5.5
Future pension increases	3.0	3.0	0.0	0.0

8. Retirement Benefit Asset (Cont'd)

The amounts recognized in the balance sheet at December 31, 2009 are determined as follows:

		Grade III		Grade II		Grade I		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
Present value of funded obligations	$	(14,455,000)	(13,128,000)	(10,858,000)	(9,736,000)	(10,331,000)	(9,614,000)	(35,644,000)	(32,478,000)
Fair value of plan assets		14,470,000	11,582,000	14,009,000	13,055,000	12,780,000	11,984,000	41,259,000	36,621,000
Unrecognized actuarial loss/(gain)		4,590,000	6,447,000	(1,531,000)	(1,944,000)	154,000	103,000	3,213,000	4,606,000
Defined benefit asset	$	4,605,000	4,901,000	1,620,000	1,375,000	2,603,000	2,473,000	8,828,000	8,749,000

The amount of $8,828,000 (2008 - $8,749,000) is recognized as a defined benefit asset as it will be available to the Company to fund a contribution reduction in the future. The Trustees of the pension schemes are precluded from paying out any part of this amount to the Company.

8. Retirement Benefit Asset (Cont'd)

The movements in the defined benefit obligation for the year ended December 31, 2009 were as follows:

	Grade III		Grade II		Grade I		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Defined benefit obligation as at January 1, 2009	$ 13,128,000	12,347,000	9,736,000	8,982,000	9,614,000	9,283,000	32,478,000	30,612,000
Services and interests costs	1,888,000	1,650,000	1,224,000	1,071,000	855,000	839,000	3,967,000	3,560,000
Members' contributions	-	-	215,000	178,000	169,000	245,000	384,000	423,000
Benefit improvements	-	-	-	-	60,000	-	60,000	-
Benefits paid	(181,000)	(176,000)	(240,000)	(363,000)	(361,000)	(588,000)	(782,000)	(1,127,000)
Expense allowance	-	-	(43,000)	(36,000)	(37,000)	(43,000)	(80,000)	(79,000)
Actuarial gain/(loss)	(380,000)	(693,000)	(34,000)	(96,000)	31,000	(122,000)	(383,000)	(911,000)
Defined obligation benefit as at December 31, 2009	$ 14,455,000	13,128,000	10,858,000	9,736,000	10,331,000	9,614,000	35,644,000	32,478,000

The movements in the plans' assets for the year ended December 31, 2009 were as follows:

	Grade III		Grade II		Grade I		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Fair value of plan assets at January 1, 2009	$ 11,582,000	17,333,000	13,055,000	12,005,000	11,984,000	11,287,000	36,621,000	40,625,000
Contributions paid - company	918,000	821,000	445,000	397,000	207,000	300,000	1,570,000	1,518,000
Contributions paid - members	-	-	215,000	178,000	169,000	245,000	384,000	423,000
Expected return on plan assets	956,000	1,236,000	981,000	896,000	838,000	843,000	2,775,000	2,975,000
Benefits paid	(181,000)	(176,000)	(240,000)	(363,000)	(361,000)	(588,000)	(782,000)	(1,127,000)
Expense allowance	-	-	(43,000)	(36,000)	(37,000)	(43,000)	(80,000)	(79,000)
Actuarial loss	1,195,000	(7,632,000)	(404,000)	(22,000)	(20,000)	(60,000)	771,000	(7,714,000)
Fair value of plan assets at December 31, 2009	$ 14,470,000	11,582,000	14,009,000	13,055,000	12,780,000	11,984,000	41,259,000	36,621,000

8. Retirement Benefit Asset (Cont'd)

Plan assets consist of the following:

	Grade III		Grade II		Grade I		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Equity securities	98%	93%	-	-	-	-	-	-
Debt securities	-	-	5.8%	-	-	-	-	-
Cash/Money Market	-	-	14.6%	-	-	-	-	-
Other (Deposit administration account)	2%	7%	79.6%	100%	100%	100%	100%	100%
Total	100%	100%	100%	100%	100%	100%	100%	100%

The actual return on plan assets for the year ended December 31, 2009 was as follows:

	Grade III		Grade II		Grade I		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Return on plan assets	$ 2,151,000	(6,395,000)	577,000	874,000	818,000	783,000	3,546,000	(4,738,000)

The amounts recognized in the statement of comprehensive income for the year ended December 31, 2009 were as follows:

	Grade III		Grade II		Grade I		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Current service cost	$ 847,000	740,000	549,000	453,000	188,000	187,000	1,584,000	1,380,000
Interest on defined benefit obligations	1,041,000	910,000	675,000	618,000	667,000	652,000	2,383,000	2,180,000
Expected return on plan assets	(956,000)	(1,236,000)	(981,000)	(896,000)	(838,000)	(843,000)	(2,775,000)	(2,975,000)
Past service cost	-	-	-	-	60,000	-	60,000	-
Amortized net loss/ (gain)	282,000	-	(43,000)	(48,000)	-	-	239,000	(48,000)
Net pension costs	$ 1,214,000	414,000	200,000	127,000	77,000	(4,000)	1,491,000	537,000

8. Retirement Benefit Asset (Cont'd)

The credit is recognized in the following line item in the statement of comprehensive income:

		2009	2008
Administrative expenses	$	24,915,489	23,464,445

Movement in asset recognized in the statement of financial position was as follows:

		2009	2008
At beginning of year	$	8,749,000	7,768,000
Total expenses as shown above		(1,491,000)	(537,000)
Contributions paid		1,570,000	1,518,000
At end of year	$	8,828,000	8,749,000

Actuarial gains and losses recognized directly in equity were as follows:

		Grade III		Grade II		Grade I		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
Cumulative amount as at January 1, 2009	$	6,447,000	(492,000)	(1,944,000)	(1,918,000)	103,000	165,000	4,606,000	(2,245,000)
Recognised during the period		(1,857,000)	6,939,000	413,000	(26,000)	51,000	(62,000)	(1,393,000)	6,851,000
Cumulative amount as at December 31, 2009	$	4,590,000	6,447,000	(1,531,000)	(1,944,000)	154,000	103,000	3,213,000	4,606,000

8. Retirement Benefit Asset (Cont'd)

Historical information for Grade I, Grade II and Grade III is as follows:

Grade III

		2006	2007	2008	2009
Defined benefit obligation	$	11,592,000	12,347,000	13,128,000	14,455,000
Fair value of plan assets		(15,866,000)	(17,333,000)	(11,582,000)	(14,470,000)
Surplus		(4,274,000)	(4,986,000)	(1,546,000)	(15,000)
Experience adjustment on plan liabilities		-	702,000	(693,000)	(380,000)
Experience adjustment on plan assets	$	-	(210,000)	(7,632,000)	1,195,000

Grade II

		2006	2007	2008	2009
Defined benefit obligation	$	8,772,000	8,982,000	9,736,000	10,858,000
Fair value of plan assets		(10,979,000)	(12,005,000)	(13,055,000)	(14,009,000)
Surplus		(2,207,000)	(3,023,000)	(3,319,000)	(3,151,000)
Experience adjustment on plan liabilities		(34,900)	(534,000)	(96,000)	(34,000)
Experience adjustment on plan assets	$	(59,000)	84,000	(22,000)	(404,000)

Grade I

		2006	2007	2008	2009
Defined benefit obligation	$	8,409,000	9,283,000	9,614,000	10,331,000
Fair value of plan assets		(10,469,000)	(11,287,000)	(11,984,000)	(12,780,000)
Surplus		(2,060,000)	(2,004,000)	(2,370,000)	(2,449,000)
Experience adjustment on plan liabilities		(115,000)	169,000	(122,000)	31,000
Experience adjustment on plan assets	$	(31,000)	(99,000)	(60,000)	(20,000)

9. Available-for-sale Financial Asset

		2009	2008
Securities: available-for sale			
At beginning of year	$	5,642,575	3,452,103
Additions for year		2,861,952	2,190,472
At end of year	$	8,504,527	5,642,575

There were no disposals or impairment provisions with respect to the available-for-sale financial asset in 2009.

The available-for-sale financial asset as at December 31, 2009 has a stated interest rate of 2.05% (2008 – 4.86%).

The Company's exposure to credit, currency and interest rate risks related to the available-for-sale financial asset is disclosed in note 29.

The Company has established a "Self Insurance Fund" to assist in financing risk exposures on certain assets that are under-insured due to the non-availability of the relevant cover or prohibitive pricing. The Company will be setting aside funds on an annual basis and has, at December 31, 2009, subscribed for US$3,138m, 156,910 units (2008 – US$2.083m, 104,167.11 units) in a "US Dollar Money Market Fund" established by the Unit Trust Corporation of Trinidad and Tobago. The effective interest rate at December 31, 2009 was 2.05% (2008 – 4.86%).

10. Inventories

		2009	2008
Fuel inventories	$	4,206,716	3,130,863
Generation spare parts		8,597,992	7,384,013
Transmission, distribution and other spares		7,489,788	7,732,401
Gross inventories		20,294,496	18,247,277
Less: provision for impairment of inventories		(2,575,472)	(2,507,478)
	$	17,719,024	15,739,799

11. Trade, Other Receivables and Prepayments

		2009	2008
Trade receivables due from related parties	$	4,481,605	3,991,260
Other trade receivables		34,869,763	31,196,900
Less: provision for impairment of trade receivables		(4,853,357)	(4,637,186)
Trade receivables, net		34,498,011	30,550,974
Other receivables		3,116,644	1,519,415
Less: provision for impairment of other receivables		(180,931)	-
Other receivables, net		2,935,713	1,519,415
Accrued income		12,196,976	8,917,746
Prepayments		4,303,196	951,477
		16,500,172	9,869,223
	$	53,933,896	41,939,612

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 29.

12. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

		2009	2008
Cash at bank and in hand	$	16,425,245	10,847,374
Bank overdraft		(2,981,733)	(4,442)
	$	13,443,512	10,842,932

The bank overdraft is secured as in note 14.

13. Share Capital

		2009	2008
Authorised:			
Voting ordinary shares		15,000,000	15,000,000
Non-voting ordinary shares		800,000	800,000

		2009	2008
Issued and fully paid			
11,200,000 (2008 – 11,200,000) voting ordinary shares	$	77,562,792	77,562,792
520,000 (2008 – 520,000) non-voting ordinary shares		2,600,000	2,600,000
	$	80,162,792	80,162,792

14. Borrowings

This comprises:

	Notes		2009	2008
Current				
Bank borrowings		$	4,143,371	8,730,760
Related parties	26		7,972,015	8,007,858
			12,115,386	16,738,618
Non-current				
Bank borrowings			50,931,146	46,156,172
Related parties	26		56,916,900	64,597,534
			107,848,046	110,753,706
Total borrowings		$	119,963,432	127,492,324

Borrowings include liabilities amounting to $119,963,432 (2008 - $127,492,324) which are secured by hypnotherapy obligations and mortgage debentures creating fixed charges over all immovable property and floating charges over all other assets, all ranking pari passu pursuant to a security sharing agreement, and assignment of insurance policies. Also included in borrowings are loans guaranteed by the Government of St. Lucia amounting to $3,622,533 (2008 - $6,065,014).

14. Borrowings (Cont'd)

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

	2009 %	2008 %
Current		
Bank borrowings	6.07	6.07
Related parties	7.37	7.37

Maturity of non-current borrowings:

	2009	2008
Between 1 and 2 years	$ 11,988,268	32,506,038
Between 2 and 5 years	32,122,743	32,195,567
Over 5 years	63,737,035	46,052,101
	$ 107,848,046	110,753,706

The Company's exposure to interest rate, foreign currency, and liquidity risks related to borrowings is disclosed in note 29.

15. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum at December 31, 2009 (2008 – 3% per annum). Accrued interest of $3,222,976 (2008 - $2,990,988) is included in consumer deposits.

16. Deferred Tax Liabilities

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2008 – 30%). The movement on the deferred tax liability account is as follows:

	2009	2008 restated
At beginning of year	$ 28,364,847	30,580,018
Reversed during the year	(660,679)	(2,215,171)
At end of year	$ 27,704,168	28,364,847

16. Deferred Tax Liabilities (Cont'd)

Deferred tax liabilities are attributed to the following items:

		2009	2008 restated
Property, plant and equipment	$	25,380,190	26,041,307
Pensions and retirement benefit asset and liabilities		2,323,978	2,323,540
	$	27,704,168	28,364,847

17. Consumer Contributions

		2009	2008
At beginning of year	$	28,428,097	24,546,839
Contributions received		2,100,854	5,415,444
Amortization for the year		(1,443,482)	(1,534,186)
At end of year	$	29,085,469	28,428,097

18. Retirement benefit liability

The Company contributes to a post retirement medical scheme with The Beacon Insurance Co Ltd for all its current employees and retirees.

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

	Grade III		Grades I and II	
	2009	**2008**	**2009**	**2008**
	%	**%**	**%**	**%**
Discount rate	7.5	7.5	7.0	7.0
Medical expense increase	5.0	5.0	5.0	5.0

The amounts recognized in the statement of financial position at December 31, 2009 are determined as follows:

	Grade III		Grade II & I		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Present value of funded obligations $	98,566	88,603	993,000	927,000	1,091,566	1,015,603
Fair value of plan assets	-	-	-	-	-	-
Unrecognized actuarial loss	(10,158)	(11,444)	-	-	(10,158)	(11,444)
Post retirement liability $	88,408	77,159	993,000	927,000	1,081,408	1,004,159

18. Retirement Benefit Liability (Cont'd)

The movements in the post retirement benefit obligation for the year ended December 31, 2009 were as follows:

		Grade III		Grade II		Total	
		2009	**2008**	**2009**	**2008**	**2009**	**2008**
Defined benefit obligation as at January 1, 2009	$	88,603	81,757	927,000	864,000	1,015,603	945,757
Services and interests costs		12,789	10,582	94,000	89,000	106,789	99,582
Benefits paid		(1,682)	(1,682)	(28,000)	(26,000)	(29,682)	(27,682)
Actuarial gain		(1,144)	(2,054)	-	-	(1,144)	(2,054)
Defined obligation benefit as at December 31, 2009	$	98,566	88,603	993,000	927,000	1,091,566	1,015,603

18. Retirement Benefit liability (Cont'd)

The amounts recognized in the statement of comprehensive income for the year ended December 31, 2009 were as follows:

		Grade III		Grade II		Total	
		2009	2008	2009	2008	2009	2008
Current service cost	$	5,771	4,597	30,000	29,000	35,771	33,597
Interest on defined benefit obligations		7,018	5,985	64,000	60,000	71,018	65,985
Expected return on plan assets		-	-	-	-	-	-
Past service cost		-	-	-	-	-	-
Amortized net gain		144	294	-	-	144	294
Net pension costs	$	12,933	10,876	94,000	89,000	106,933	99,876

Actuarial gains and losses recognized directly in equity were as follows:

		Grade III		Grade II		Total	
		2009	2008	2009	2008	2009	2008
Cumulative amount as at January 1, 2009	$	11,444	13,791	-	-	11,444	13,791
Recognized during the period		(1,286)	(2,347)	-	-	(1,286)	(2,347)
Cumulative amount as at December 31, 2009	$	10,158	11,444	-	-	10,158	11,444

19. Trade and Other Payables

		2009	2008
Trade payables	$	17,478,894	9,215,876
Accrued expenses		15,144,536	9,597,714
Other payables		9,098,276	6,934,169
Related parties - shareholders		-	708
	$	41,721,706	25,748,467

The Company's exposure to foreign currency and liquidity risks related to trade and other payables is disclosed in note 29.

20. Tariff Reduction Reserve

In accordance with the provisions of the Electricity Supply Act Nos. 12 of 2006 and 13 of 2006, a new mechanism was put into effect for the computation of the Allowable Rate of Return, based on a predetermined range of Return on 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%. In respect of 2009, this was equal to a range of 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 Allowable Rate of Return falls below the minimum of 10%, provision is also made for the upward adjustment of the basic energy rate.

Under the provisions of these amendments, an amount of $2,981,639 (2008 - $2,427,280) is due to qualifying customers, and for this reporting period, has been included in trade and other payables.

21. Ordinary Dividends

		2009	**2008**
Interim - $0.65 (2008 - $0.65) per share	$	7,618,000	7,618,000
Final - $0.82 (2008 - $0.69) per share		9,610,400	8,086,800
	$	17,228,400	15,704,800

22. Other Gains, Net

		2009	**2008**
Gain on disposal of property, plant and equipment	$	701,797	189,527
Foreign exchange (loss)/gain		(65,391)	272,755
	$	636,406	462,282

23. Taxation

		2009	**2008 restated**
Current tax	$	11,735,883	12,846,728
Net change in deferred tax liabilities (Note 16)		(660,679)	(2,215,171)
	$	11,075,204	10,631,557

23. Taxation (Cont'd)

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

		2009	2008 restated
Profit before taxation	$	38,713,857	34,681,588
Tax at the statutory rate of 30% (2008 – 30%)		11,614,157	10,404,477
Tax effect of expenses not allowed for tax purposes		-	(20,119)
Tax effect of income not subject to tax		(433,045)	(460,256)
Tax effect of unadjusted differences		(105,908)	(1,106,686)
Withholding tax on insurances		-	1,814,141
Actual tax charge	$	11,075,204	10,631,557

24. Fuel Price Hedging

Under the provisions of the Electricity Supply Act (as amended) fuel prices are passed through to customers at cost. During the year the Company engaged in a pilot programme covering the period June to December, 2009 to hedge the cost of fuel used in the generation of electricity.

The underlying strategy and imperative related to the Company's objective 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 company used the fixed price swaps during the period to cover the related contracts, all of which were expired on or before December 31, 2009. Contracts were placed for limited periods and limited quantities in accordance with the Company's intention to limit its exposure during this new and significant strategic initiative.

However, the Board of Directors, as part of the hedging strategy, approved the continuation of the hedging program in 2010.

25. Earnings Per Share

Earnings per share have been calculated by dividing the profit for the year of $27,638,653 (2008 restated - $24,050,031) by the weighted average number of issued ordinary shares of 11,720,000(2008 - 11,720,000).

26. Related Parties

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

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

(ii) The party is a member of the key management personnel of the Company
(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 Company or any Company that is a related party of the Company,

(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 Company 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:

- Short-term employee benefits
- Part-employment benefits
- Termination benefits

The Company is controlled by the following entities:

	2009	**2008**
	%	%
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 St. Lucia	12.44	12.44
	85.56	85.56

The remaining 14.44% (2008 – 14.44%) of the shares is widely held.

26. Related Parties (Cont'd)

Transactions with shareholders during the year were as follows:

		2009	2008
Revenue			
National Insurance Corporation	$	2,379,324	3,009,836
Castries City Council		1,103,422	1,567,693
Government of St. Lucia and its corporations		25,996,694	22,856,121
	$	29,479,440	27,433,650
Finance Costs			
National Insurance Corporation	$	328,771	401,809
First Citizens Bank Limited		4,758,680	5,161,877
	$	5,087,451	5,563,686
Lease Charges			
Government of Saint Lucia	$	100,000	100,000

The Government of St. Lucia receives a 10% discount on tariff sales for all accounts other than street lighting.

Loans from shareholders at the year ended were as follows:

		2009	2008
National Insurance Corporation			
At beginning of year	$	4,559,361	5,470,720
Repayments during year		(1,240,643)	(942,553)
		3,318,718	4,528,167
Accrued interest		24,955	31,194
At end of year	$	3,343,673	4,559,361

		2009	2008
First Citizens Bank Limited			
At beginning of year	$	68,046,030	74,960,106
Repayments during year		(11,563,283)	(7,210,106)
		56,482,747	67,750,000
Accrued interest		266,427	296,030
At end of year	$	56,749,174	68,046,030

The above loans are fully secured (Note 14).

26. Related Parties (Cont'd)

Balances arising from supply of services at year end (Note 11) were as follows:

		2009	2008
National Insurance Corporation	$	237,106	208,931
Castries City Council		96,621	13,657
Government of St. Lucia		4,070,653	3,768,672
	$	4,404,380	3,991,260

Transactions with key management personnel

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

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

Director/Shareholder	Company	Transactions	Transaction value 2009	Transaction value 2008	Prepayments/ (account payables) 2009	Prepayments/ (account payables) 2008
Stephen McNamara	McNamara & Co	Legal fees	$ 140,458	179,753	-	-
		Payments on behalf of third parties	37,909	432,668	184,604	240,000
Irving John	John's Service	Meter reading service fees	258,874	254,121	-	-
Christopher G. Huskilson	Emera Inc.	*With regards to Vieux Fort Energy Development Project*				
		Payments made by Emera Inc.	-	1,146,913	(111,192)	11,138
		Payments made by LUCELEC	-	202,299	-	-
		With regards to the Fuel Hedging Pilot Programme				
		Payments made by Emera Inc.-base commodity charge	1,809,945	-		
		Payments made by LUCELEC-				
		Base commodity charge	727,027	-		
		Management fees	$ 271,690	-		

27. Expenses by Nature

		2009	2008 restated
Fuel cost over base	$	-	57,914,734
Fuel at base price		108,998,180	124,823,975
Depreciation on property, plant and equipment		30,740,624	28,456,497
Amortization of computer software		1,090,503	1,011,936
Repairs and maintenance		10,382,825	12,145,199
Employee benefit expense		22,854,670	19,058,636
Other operating expenses		22,188,625	18,099,575
Amortization of consumer contributions		(1,443,482)	(1,527,705)
	$	194,811,945	259,982,847

28. Employee Benefit Expense

		2009	2008 restated
Wages and salaries	$	21,254,988	17,512,954
Pension costs – defined benefit plans		1,570,000	1,518,000
Medical benefits paid		29,682	27,682
	$	22,854,670	19,058,636

The number of permanent employees at December 31, 2009 was 234 (2008 – 214).

29. 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 2009	2008
Available for sale financial assets	9	$	8,504,527	5,642,575
Trade and other receivables	11		53,933,896	41,939,612
Cash and cash equivalents	12		16,425,245	10,847,374
		$	78,863,668	58,429,561

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

		Carrying Amounts 2009	2008
Business	$	18,761,574	20,467,639
Residential		15,736,437	10,083,335
	$	34,498,011	30,550,974

Impairment losses:

The aging of trade receivables at the reporting date was:

		Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	$	18,082,379	-	16,628,963	18,588
Past due 30-60 days		6,334,134	-	5,862,499	36,150
Past due 60- 90 days		1,609,960	-	2,135,877	61,454
Over 90 days		13,324,895	4,853,357	10,560,821	4,520,994
	$	39,351,368	4,853,357	35,188,160	4,637,186

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

		Carrying Amount 2009	Carrying Amount 2008
Balance at January 1, 2009	$	4,637,186	4,735,190
Impairment loss recognized		216,171	814,652
Over provision for prior year		-	(912,656)
Balance at December 31, 2008	$	4,853,357	4,637,186

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

29. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2009

Non-derivative financial liabilities		**Carrying amount**	**Contractual cash flows**	**Under 1 year**	**1-2years**	**2-5 Years**	**More than 5 years**
Secured bank loans	$	(119,963,432)	(153,117,157)	(20,311,362)	(19,723,930)	(43,694,179)	(69,387,686)
Bank overdraft		(2,981,733)	(2,981,733)	(2,981,733)	-	-	-
Trade and other payables		(41,721,706)	(41,721,706)	(41,721,706)	-	-	-
Dividend payable		(9,772,959)	(9,772,959)	(9,772,959)	-	-	-
	$	(174,439,830)	207,593,555	74,787,760	19,723,930	43,694,179	69,387,686

December 31, 2008

Non-derivative financial liabilities		**Carrying amount**	**Contractual cash flows**	**Under 1 year**	**1-2years**	**2-5 Years**	**More than 5 years**
Secured bank loans	$	(127,492,324)	(149,869,624)	(21,983,665)	(37,520,541)	(39,713,326)	(50,652,092)
Bank overdraft		(4,442)	(4,442)	(4,442)	-	-	-
Trade and other payables		(25,748,467)	(25,748,467)	(25,748,467)	-	-	-
Dividend payable		(8,251,153)	(8,251,153)	(8,251,153)	-	-	-
	$	(161,496,386)	(183,873,686)	(55,987,727)	(37,520,541)	(39,713,326)	(50,652,092)

29. Financial Instruments (Cont'd)

Currency Risk

The Company's exposure to foreign currency risk was based on notional amounts as follows:

		December 31, 2009						December 31, 2008			
		XCD	**BDS**	**EUR**	**USD**	**GBP**	**CDN**	**XCD**	**EUR**	**USD**	**GBP**
Trade and other receivables	$	53,171,503	-	-	280,611	-	-	41,939,612	-	-	-
Secured bank loans		(54,048,303)	-	-	(24,261,154)	-	-	(52,538,926)	-	(27,589,473)	-
Trade payable and other payables		(39,811,647)	(11,500)	(8,058)	(600,458)	(48,626)	(10,805)	(20,700,767)	(314)	(1,805,041)	(36,091)
Balance sheet exposure	$	(40,688,447)	(11,500)	(8,058)	(24,580,286)	(48,626)	(10,805)	(31,300,081)	(314)	(29,394,514)	(36,091)

The following significant exchange rates applied during the year:

		Reporting date			
		Average rate		Spot rate	
XCD		**2009**	**2008**	**2009**	**2008**
USD 1	$	2.717	2.717	2.717	2.717
EUR 1	$	3.781	4.007	3.836	3.836
GBP 1	$	4.246	5.054	3.940	3.940
CDN 1	$	2.388	2.572	2.544	2.143
BDS 1	$	1.386	1.440	1.328	1.297

29. Financial Instruments (Cont'd)

Interest rate risk
Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

		Carrying Amount 2009		Carrying Amount 2008	
Fixed rate instruments:					
Financial assets	$	24,929,772	4.08%	16,489,949	4.08%
Financial liabilities		(122,945,165)	6.07%	(127,496,766)	6.07%
	$	(98,015,393)		(110,006,817)	

The Company does not account for any fixed rate financial assets and liabilities at fair value through the statement of comprehensive income.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

		Carrying amount as at December 31, 2009	Fair value as at December 31, 2009	Carrying amount as at December 31, 2008	Fair value as at December 31, 2008
Available for sale financial asset	$	8,504,527	8,504,527	5,642,575	5,642,575
Trade and other receivables		53,933,896	53,933,896	41,939,612	41,939,612
Cash and cash equivalents		16,425,245	16,425,245	10,847,374	10,847,374
Secured borrowings		(119,963,432)	(91,603,519)	(127,492,324)	(94,744,049)
Bank overdraft		(2,981,733)	(2,981,733)	(4,442)	(4,442)
Trade and other payables		(41,721,706)	(41,721,706)	(25,748,467)	(25,748,467)
Dividends payable		(9,772,959)	(9,772,959)	(8,251,153)	(8,251,153)
	$	(95,576,162)	(67,216,249)	(103,066,825)	(70,318,550)

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

Interest rates used for determining fair values
The interest rates used to discount estimated cash flow are based on the interest rates of government securities at the reporting date.

30. Commitments

Capital commitments
Company had no capital commitments at December 31, 2009 (2008 - $410,000) in respect of work contracted.

Operating lease commitment
The future aggregate minimum lease payments on the operating lease is as follows:

		2009	**2008**
Not later than 1 year	$	100,000	100,000
Later than 1 year and not later than 5 years		-	-
	$	100,000	100,000

The above operating lease is for a term of twenty years. A yearly rent of $100,000 is payable on the 1st day of May in each year of the first 5 years and thereafter at an annual rental to be negotiated between the parties by reference to the cost of living index as published in the Official Gazette of St. Lucia and by reference being paid for similar premises at Union at the time of such negotiations.

31. Self Insurance Fund

In prior years, the Company experienced difficulty in obtaining adequate and reasonably priced commercial insurance coverage primarily on the Transmission and Distribution assets. The Board of Directors therefore gave approval for the establishment of a Self Insurance Fund to provide coverage for its assets in the event of natural disasters or similar catastrophic events. The relevant enabling legislative process was completed during 2007. Consequently, the Company ceased commercial insurance cover of its Transmission and Distribution assets and on an annual basis has, and will continue to place amounts into the Fund which will be independently managed under the terms of a registered Trust Deed.

The amount of EC$8.5 million (2008 – EC$5.6 million) stated as “Available for sale financial assets” represents Fund amounts invested to date in the Unit Trust Corporation of Trinidad and Tobago. The Company also has access to a line of credit in the amount of EC$10 million which will be used, if required, in the event of damage to the Transmission and Distribution assets as disclosed in Note 5 (Liquidity Risk) to these financial statements.

32. Prior Years' Adjustment

(a) The Company provides a post retirement medical benefit for its retirees. In prior years, the company inadvertently omitted to account for and disclose the post retirement liability. This resulted in the understatement of the Company's retirement benefit liability at December 31, 2008 by $1,004,159.

The effect of the correction of this error is to increase the retirement benefit liability at December 31, 2008 by $1,004,159, to reduce the total comprehensive income by the same amount and to reduce the deferred tax charge for the year by $301,159.

(b) In respect of its senior employees the Company contributes to the regional CDC Caribbean Pension Scheme administered by Sagicor Life Inc. In the prior year the company recognized actuarial gain/losses if they fall outside of the prescribed corridor at the rate of 20% of the balance brought forward. For consistency purpose the method has been changed to recognize the same for the expected average remaining working lives of the employees participating in the plan.

The effect of this change in method is to reduce the retirement benefit asset and the retirement benefit reserve at December 31, 2008, and the total comprehensive income for the year then ended by $98,000; and to reduce the deferred tax charge for the year by $29,400.

33 Comparatives

Certain of the comparative figures have been reclassified to be consistent with the current year's financial statement presentation.

FINANCIAL STATISTICS 2000 - 2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Units Sold (kWh x 1000)	315,082	301,975	297,841	284,398	277,399	266,402	252,120	239,387	243,417	234,080
Tariff Sales (Cents per kWh)	75.5	81.0	77.8	67.4	40.8	41.7	41.0	41.0	41.3	41.2
Fuel Charge (Cents per kWh)	0.0	19.0	3.4	12.3	32.1	22.6	18.3	14.9	16.6	18.7
Operating costs (Cents per kWh)	61.8	86.1	66.3	65.2	59.2	47.8	44.6	42.3	42.7	43.6
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	293,067	292,916	296,606	267,447	267,872	223,932	236,991	250,360	243,001	248,243
Retirement Benefit Asset	8,828	8,749	7,768	2,850	2,637	2,395	1,983	1,520	1,083	843
Available for Sale Investment	8,504	5,643	3,452	2,687	1,961	1,266	610	-	-	-
Capital Work in Progress	8,871	9,582	6,518	11,055	9,297	49,930	15,896	5,654	19,957	13,485
Current Assets	88,078	68,527	63,419	54,460	60,000	54,878	43,519	44,873	47,879	45,196
Current Liabilities	(67,875)	(52,483)	(57,776)	(57,545)	(66,625)	(48,165)	(35,743)	(38,144)	(46,451)	(41,751)
Total	339,473	332,934	319,987	280,954	275,142	284,236	263,256	264,263	265,469	266,016
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	70,668	63,789	58,330	53,932	46,028	49,081	40,831	35,038	30,279	24,529
Other Reserves & Consumer Contributions	39,342	37,177	32,315	25,328	24,332	24,515	25,250	24,628	23,708	23,761
Long Term Debt	107,848	110,754	107,288	81,360	84,916	88,848	75,927	83,988	91,983	99,216
Other Long Term Liabilities	41,452	41,051	41,891	40,171	39,703	41,629	41,085	40,446	39,336	38,347
Total	339,473	332,934	319,987	280,954	275,142	284,236	263,256	264,263	265,469	266,016
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	237,859	244,669	231,676	191,730	113,334	111,171	103,455	98,213	100,450	96,501
Fuel Surcharge	20	57,448	10,178	34,962	88,961	60,147	46,110	35,495	40,492	43,773
Other	1,926	1,082	657	943	848	545	749	481	842	837
Total	239,805	303,199	242,511	227,635	203,143	171,863	150,314	134,189	141,784	141,111

FINANCIAL STATISTICS 2000 - 2009 CONTINUED

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating Costs										
Fuel (Cost over Base)	-	57,915	10,846	34,712	89,170	60,114	45,669	35,673	40,367	43,289
Generation O&M	117,791	133,943	121,317	91,504	13,682	15,202	14,084	13,208	14,498	12,459
Transmission & Distribution	21,923	16,601	16,810	14,888	14,080	11,802	12,806	12,519	11,925	12,373
Administrative & Selling	23,266	22,055	21,180	19,558	23,352	18,387	19,482	20,344	18,305	16,356
Depreciation	31,832	29,468	27,171	24,763	23,885	21,905	20,493	19,608	18,893	17,639
Total	194,812	259,982	197,324	185,425	164,169	127,410	112,534	101,352	103,988	102,116
Operating Income	44,993	43,217	45,187	42,210	38,974	44,453	37,779	32,837	37,796	38,995
Interest Expense	6,915	8,997	7,201	7,131	6,074	5,686	7,344	8,805	9,360	7,574
Foreign Exchange (Gain) Loss/ Other	(636)	(462)	(151)	(503)	116	15	288	(37)	-	-
Net Income before Tax	38,714	34,682	38,137	35,582	32,784	38,752	30,147	24,069	28,436	31,421
Taxation	11,075	10,632	9,125	8,585	7,083	10,628	10,530	7,768	8,968	10,294
Net Income after Tax	27,639	24,050	29,012	26,997	25,701	28,124	19,616	16,301	19,468	21,127
Other Comprehensive income	(239)	48	-	-	-	-	-	-	-	-
Dividend Declared	17,228	15,705	16,642	16,642	15,715	19,462	13,361	11,105	13,478	14,711
Retained Earnings for Year	10,171	8,393	12,370	10,355	9,986	8,662	6,256	5,196	5,990	6,416
Retained Earnings beginning of Year	63,789	58,330	52,650	46,028	49,081	40,831	35,038	30,279	24,529	18,187
Transfer to Retirement Benefit & Reserves	(79)	(981)	(644)	636	(242)	(412)	(463)	(437)	(240)	(74)
Tariff Reduction Reserve	(3,213)	(1,953)	(6,046)	(3,087)	(4,557)	-	-	-	-	-
Prior Year Adjustment	-	-	-	(1,282)	(8,240)	-	-	-	-	-
Retained Earnings end of Year	70,668	63,789	58,330	52,650	46,028	49,081	40,831	35,038	30,279	24,529
Return on Rate Base	18.32%	17.77%	21.42%	18.91%	19.67%	12.91%	10.52%	9.70%	11.08%	10.68%
Earnings per share (EC$)	2.35	2.05	2.48	2.30	2.19	2.40	1.67	1.39	1.66	1.80
Dividend per share (EC$)	1.47	1.34	1.42	1.42	1.34	1.66	1.14	0.95	1.15	1.26
Debt/Equity Ratio	44/56	47/53	48/52	43/57	43/57	44/56	45/55	50/50	53/47	48/52
Capital expenditure (EC$000's)	31,281	28,344	51,794	26,108	27,200	42,881	17,404	12,706	20,155	41,364

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

OPERATING STATISTICS 2000 - 2009

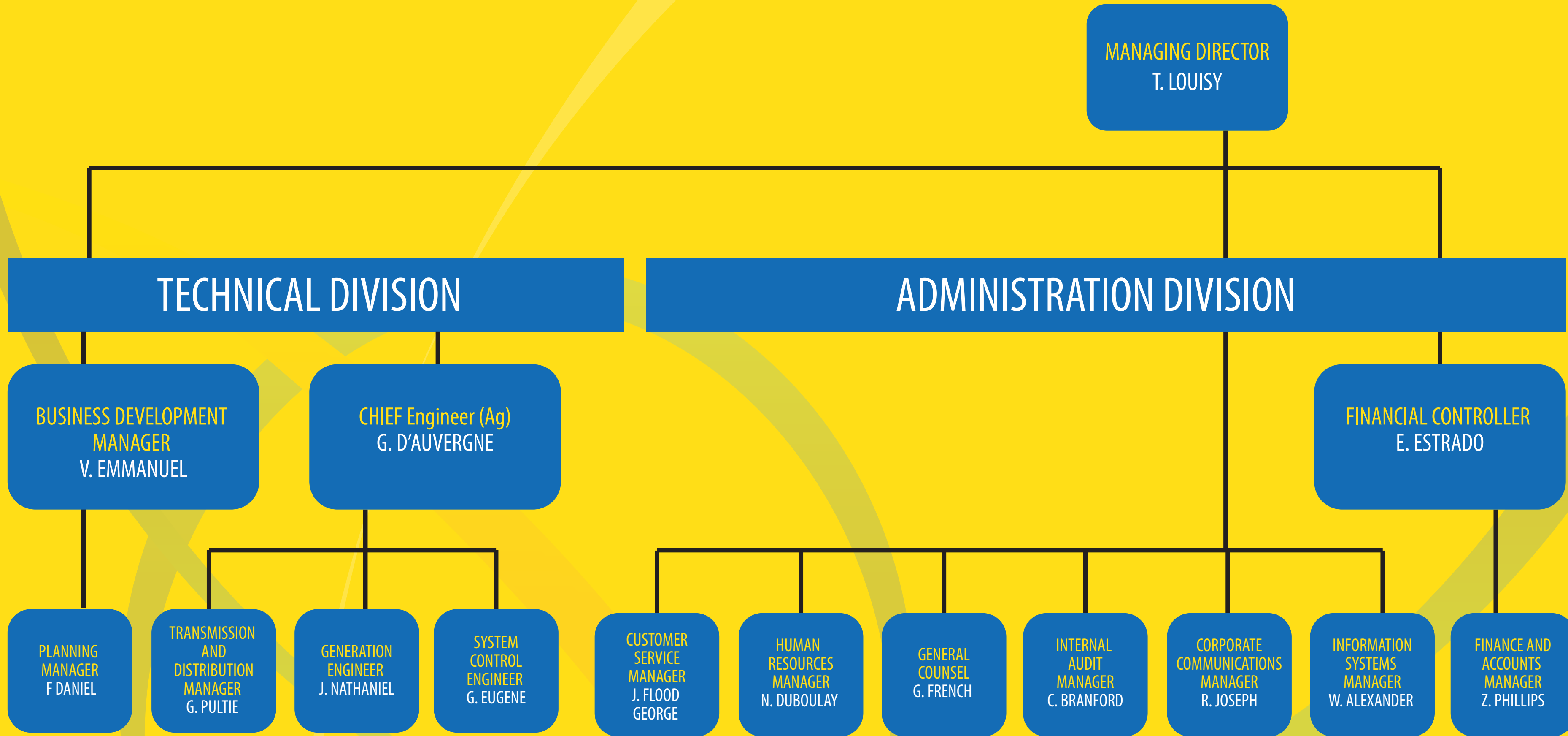
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Generating Plant (kW)										
Available Capacity	76,000	76,000	76,000	65,800	65,800	56,800	56,800	66,400	66,400	66,400
Firm Capacity	55,600	55,600	55,600	46,300	46,300	37,000	37,000	47,800	47,800	47,800
Peak Demand	55,900	54,100	52,700	49,800	49,200	46,600	44,900	43,400	43,300	43,300
Percentage growth in peak demand	3.3%	2.7%	5.8%	1.2%	5.6%	3.8%	3.5%	0.2%	0.0%	5.6%
Sales (kWh x 1000)										
Domestic	107,820	103,214	104,784	101,635	98,914	96,062	92,848	89,084	88,443	85,075
Commercial (including Hotels)	178,518	170,624	168,151	160,895	158,483	151,451	141,374	133,996	137,017	131,863
Industrial	19,002	18,626	15,789	12,982	12,522	12,345	13,185	12,673	12,954	13,250
Street Lighting	9,741	9,510	9,117	8,886	7,480	6,544	4,713	3,634	5,002	3,893
Total Sales	315,081	301,975	297,841	284,398	277,399	266,402	252,120	239,387	243,416	234,081
Power Station and Office Use (kWh x 1000)	14,312	14,256	13,185	13,071	13,172	12,076	11,793	11,970	12,522	12,069
Losses (kWh x 1000)	33,597	36,105	34,672	33,291	33,043	30,062	35,070	34,356	30,601	30,595
Units Generated (kWh x 1000)	362,990	352,335	345,698	330,760	323,614	308,540	298,983	285,713	286,539	276,745
Percentage growth in units generated	3.0%	1.9%	4.5%	2.2%	4.9%	3.2%	4.6%	-0.3%	3.5%	8.0%
Percentage growth in sales	4.3%	1.4%	4.7%	2.5%	4.1%	5.7%	5.3%	-1.7%	4.0%	8.5%
Percentage Losses (excl. prior year sales adjs.)	9.3%	10.2%	10.0%	10.1%	10.2%	10.2%	11.7%	12.0%	10.7%	11.1%
Number of Consumers at Year End										
Domestic	52,986	51,444	50,163	48,697	47,417	46,347	44,980	43,460	42,548	41,097
Commercial (Including Hotels)	6,479	6,169	5,938	5,714	5,474	5,307	5157	5,050	5,082	5,102
Industrial	100	98	101	95	95	96	102	106	112	116
Street Lighting (accounts)	7	7	7	3*	16	16	14	17	18	17
	59,572	57,718	56,209	54,509	53,002	51,766	50,253	48,633	47,760	46,332
Percentage growth	3.2%	2.7%	3.1%	2.8%	2.4%	3.0%	3.3%	1.8%	3.1%	2.9%

*** At their request the accounts of the Government of St. Lucia was rationalised from 15 to 2 and this total includes one other entity**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Average Annual Consumption Per Customer (kWh)										
Domestic	2,035	2,006	2,089	2,087	2,086	2,073	2,064	2,050	2,079	2,070
Commercial (including Hotels)	27,553	27,658	28,318	28,158	28,952	28,538	27,414	26,534	26,961	25,845
Industrial	190,024	190,065	156,327	136,653	131,811	128,594	129,265	119,558	115,661	114,224
Diesel fuel consumed (Imp. Gall.)	18,256,739	17,870,149	17,729,217	17,009,188	16,666,145	15,961,905	15,436,122	14,736,896	14,860,580	14,388,680

LUCELEC
ST. LUCIA ELECTRICITY SERVICES LIMITED

Organisational Chart



The Power of Caring

ANNUAL REPORT 2009

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

REGISTERED OFFICE
Head Office
St. Lucia Electricity Services Limited
Sans Souci
John Compton Highway
Castries
Saint Lucia
Telephone Number: 758-457-4400
Fax Number: 758-457-4409
Email Address: lucelec@candw.lc
Website: www.lucelec.com