CROSSROADS

LUCELEC'S 2011 ANNUAL REPORT

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Corporate Information

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Saint Lucia
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Email Address: lucelec@candw.lc
Website: www.lucelec.com

ATTORNEYS-AT-LAW
McNamara & 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
Bridge Street
P.O. Box 335/336
Castries
Saint Lucia

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

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 St. Lucia.

Vision

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

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Servicing the peak demand driven by commercial and industrial activity, and doing so in the most efficient and cost-effective manner is one of the interesting and exciting crossroads in LUCELEC's development thrust.

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Theme Statement

LUCELEC is at a challenging, but interesting and exciting crossroads in its development.

Rising peak demand and statutory requirements for reserve capacity have made generation expansion an imperative. In pursuing this necessary expansion strategy there are several options to consider in the choice of fuel and technology, and decisions made will have long term implications. Add to that, the possibility of LUCELEC being able to purchase energy from independent power producers deriving energy from geothermal exploration and municipal waste, and the permutations and combinations become even more complex.

Further, there is the impact of pending regulatory reform as well as the push towards renewable energy technology for energy security and reduction of carbon emissions to consider. The company must also grapple with issues such as relatively limited opportunities for further organic growth, transitioning to a culture of customer care, and achieving the right balance in resourcing the technical, operational and administrative functions such that the greatest gains in efficiencies can be achieved.

Notwithstanding all of this, LUCELEC recognises that whatever decisions it makes and whichever direction it chooses at this Crossroads, they must lead to a future where the company can continue to remain true to its mission. Such a future is more than just about energy and business development. Such a future is one in which the company can continue to contribute meaningfully to social and economic development, empowering our employees and our communities, individually and collectively.

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2011 Performance Indices and 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: 95.42%

System Average Interruption Duration Index (SAIDI)
SAIDI is a measure of reliability. It is the average outage duration for each customer served, and is calculated by totalling all customer interruption durations and dividing that by the total number of customers served. A lower number means fewer interruptions and a more reliable service.
Target: 5.9 hours
Performance: 7.65 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 to no more than 1
Performance: 2

System Losses
System losses are total electric energy losses in the electrical system. It is 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: 9.0%
Performance: 9.67%

Specific Fuel Consumption
The number of units (kWh) of electricity produced from each gallon of fuel consumed.
Target: 19.49 kWh
Performance: 19.54 kWh

Work Hours Lost
Work hours lost as a percentage of nominal work hours.
Target: 2.1
Performance : 1.74

Environmental Rating
Measured by the number of incidents of oil and fuel spills from the power station and substations where the spill was not contained within the compound.
Target: Max 1
Performance: 2

Customer Service Perception vs. Expectations
Customer perception of service quality expressed as a percentage of customer expectation of service quality.
Target: 86%
Performance: 86.23%

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: 18.6%
Performance: 16.3%

2012 Targets
Tariff Changevs. Inflation: <97%
SAIDI: 7.5 hours
RIA: Maximum 1
System Losses: 9.5%
Specific Fuel Consumption: 19.54 kWh
Work Hours Lost: 2.0
Environmental Rating: Maximum 1
Customer Service Perception vs. Expectations: 87%
Return On Equity: 15.3%

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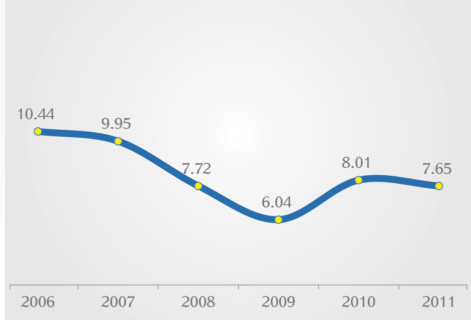
6 Year Operational & Financial Performance at a Glance

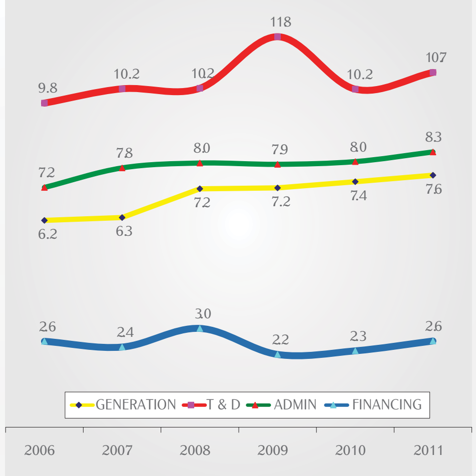
Fuel Efficiency (kWhs/ Imp. Gallon)

SAIDI (Hrs)



System Losses (%)

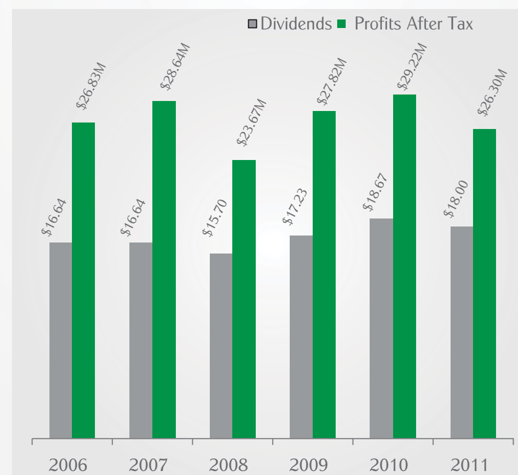
Cost Per Unit

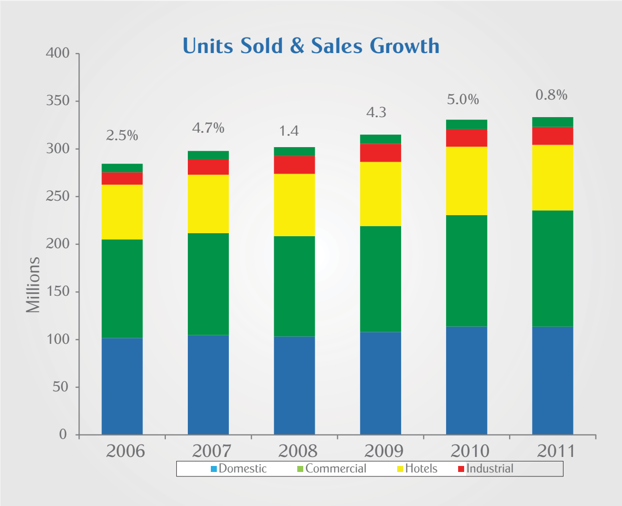


Earnings & Dividends Per Share

Return on Equity

Dividends/Profit after Tax (EC$)





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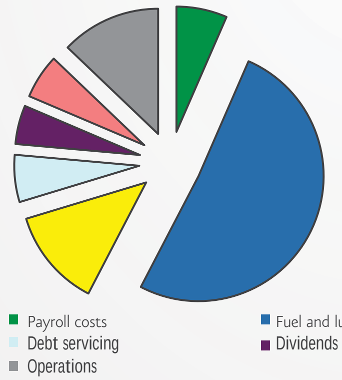
2011 Financial Highlights

Where the LUCELEC $ came from

	$000's	cents
Sale of Electricity	297,408	81.6
Long term loans	40,000	11.0
Proceeds from disposal of assets	87	0.0
Consumer contributions and deposits	3,026	0.8
Sundry sales	24,117	6.6
	364,638	100.0

How the LUCELEC $ was spent



	$000's	cents
Payroll costs	23,405	6.5
Fuel and lubricants	182,871	51.1
Purchase of fixed assets	45,390	12.7
Debt servicing	21,725	6.1
Dividends	17,885	5.0
Payments to Government	20,494	5.7
Operations	46,073	12.9
	357,843	100.0

Chairman's Report

In every corporation each year new situations emerge, some of which are unforeseen; some new achievements; and some the attainment of new levels of equilibria in different areas of corporate endeavour. The year 2010 is remembered by all St. Lucians as the year in which "the power of nature" as manifested by Hurricane Tomas, resulted in massive destruction of infrastructure and the tragic loss of life, while in its immediate aftermath we witnessed LUCELEC's management, staff and its contractors demonstrate the power of their commitment to excellence and to serve.

Generation Expansion – Timing, Fuels, Technology Options and Costs

In contrast, in the year 2011 other challenges unfolded, which were not driven by the "power of nature". Inter alia, rising peak demand and the statutory requirement that the company is able to meet such demand with two of its largest generation units unavailable, resulted in generation expansion being of one of the highest technical and operational priorities, within a framework of three time horizons – short term (2011), medium term (end 2012/early 2013) and, 'long term' (2015/2016). The short term horizon was achieved at the end of 2011 with the commissioning of two 1.28MW containerized high speed diesel units (HSU) at the former Union power station site. A key lesson learned from Hurricane Tomas was the importance of LUCELEC being able to provide generation capacity to communities that become isolated following any catastrophic event – this capability is now in-place with the mobile containerized HSUs. The medium term horizon would be achieved by end 2012 or early 2013 with

At this 'crossroads' LUCELEC recognizes that whatever decisions it makes and whichever directions it chooses, they must lead to a future where the company can continue to remain true to its mission.

the installation of a 10.2 MW diesel unit and the substation extension by addition of a new 35MVA transformer at the Cul-de-Sac station.

In addressing the 'long term' horizon greater complexity arises due to the plethora of options that need to be addressed and evaluated in terms of the competitive technologies and fuels available and, above all, the considerable uncertainties that confront planning and decision making given the state of the global economy. Indeed, this is illustrated by the fact that in today's global economic environment 'long term' is viewed to be a 'mere 3-4 years in the future' – a definition that would not have prevailed prior to the beginning of the financial and economic collapse in the developed economies in 2007/8.

The uncertainties in question include:

• The volatility in the oil and financial markets. Planning for uncertainty in the energy sector calls for diversifying the fuels and technologies deployed in electricity generation, along with the hedging of fuel prices when allied with the inculcation of a "Culture of Caution". LUCELEC's hedging of diesel prices has moderated to-date the degree of volatility in the fuel adjustment component of its tariffs;

• Natural gas is recognized as the 'bridging fuel' over the next two decades, with a lower carbon footprint than oil, providing an energy path to the era when more benign renewable sources of energy can play a greater role in the energy supply mix. There are two main uncertainties. First, the economics of its delivery mode to the small power markets in the Caribbean. Second, whether the pricing of LNG (liquid natural gas) would be based on current international practice (that is, relative to the price of the fuel displaced in the importing country), or a new pricing regime that would evolve for small Caribbean markets. The nascent technology being assessed at present is the small floating re-gasification and storage LNG tanker;

• The determination of the size and economic viability of developing St. Lucia's potential geothermal resource. This needs to be accorded one of the highest priorities in St. Lucia's energy sector. There is little doubt that if 40 to 50 MW of geothermal power could be economically generated within the next 6 to 7 years that it would provide a major boost to the country's economy;

• The roles of the intermittent energy sources of photo-voltaic (PV) and wind power in the evolving mix of generation options is of relevance. The primary challenge with wind power is that the land area requirement is large for a 10 MW system and its competitiveness depends, in part, on that price. Though the efficiencies of PV panels have increased and their prices reduced quite significantly, the challenge remains of their competitiveness relative to other generation options in the absence of specific incentives for investors. Their deployment on the roofs of hotels, commercial and industrial buildings (consumers which drive the day-time peak demand) is a strategy that needs to be assessed;

• One of the renewable energy options that are of relevance is Waste-to-Energy. The two resources on which such a strategy would be based are municipal waste and agricultural waste. In the case of agricultural waste this is based primarily on vegetal and animal wastes in rural farming areas which would use anaerobic digestion as the technology. Municipal waste is currently collected and delivered to a landfill site outside of both Castries and Vieux Fort;

• The impact of regulatory and tariff reforms on LUCELEC's operations. The former will potentially open-up the generation market to Independent Power Producers (IPPs) with LUCELEC purchasing power from them. In the case of tariff reform, the key issue is to enable the tariff structure of different consumers to reflect better the cost of service to those consumers. A further component of such reform would be the introduction of a demand or capacity charge for large consumers which primarily drive the system peak demand and hence, the need for new capacity;

• Finally, the economic 'break-even' levels of some of the above fuel and technology options relative to oil prices depend, in part, on the value of carbon credit obtained as a result of reduced carbon emissions. This value is very low at present and in the region of US$10-15 per ton of carbon.

LUCELEC at this 'Crossroads'

Some of the further challenges facing LUCELEC are the more limited opportunities for further organic growth as the company transitions to a 'culture of customer care'. Such a transition would seek to achieve the appropriate balance in resourcing the technical, operational and administrative functions, in order to maximize the gains in efficiencies in each of these areas of the company's operations.

In seeking new opportunities for growth, key initiatives which the company could pursue include playing a leading role in joint ventures (JV) in St. Lucia in the power and other infrastructure sectors and in the power sector in other Caribbean countries.

At this 'crossroads' LUCELEC recognizes that whatever decisions it makes and whichever directions it chooses, they must lead to a future where the company can continue to remain true to its mission. Such a future goes beyond just energy and business development, in that it is one in which the company can continue to contribute meaningfully to social and economic development at the national level, while empowering our employees and our communities, individually and collectively.

Dr. Trevor A. Byer
Chairman

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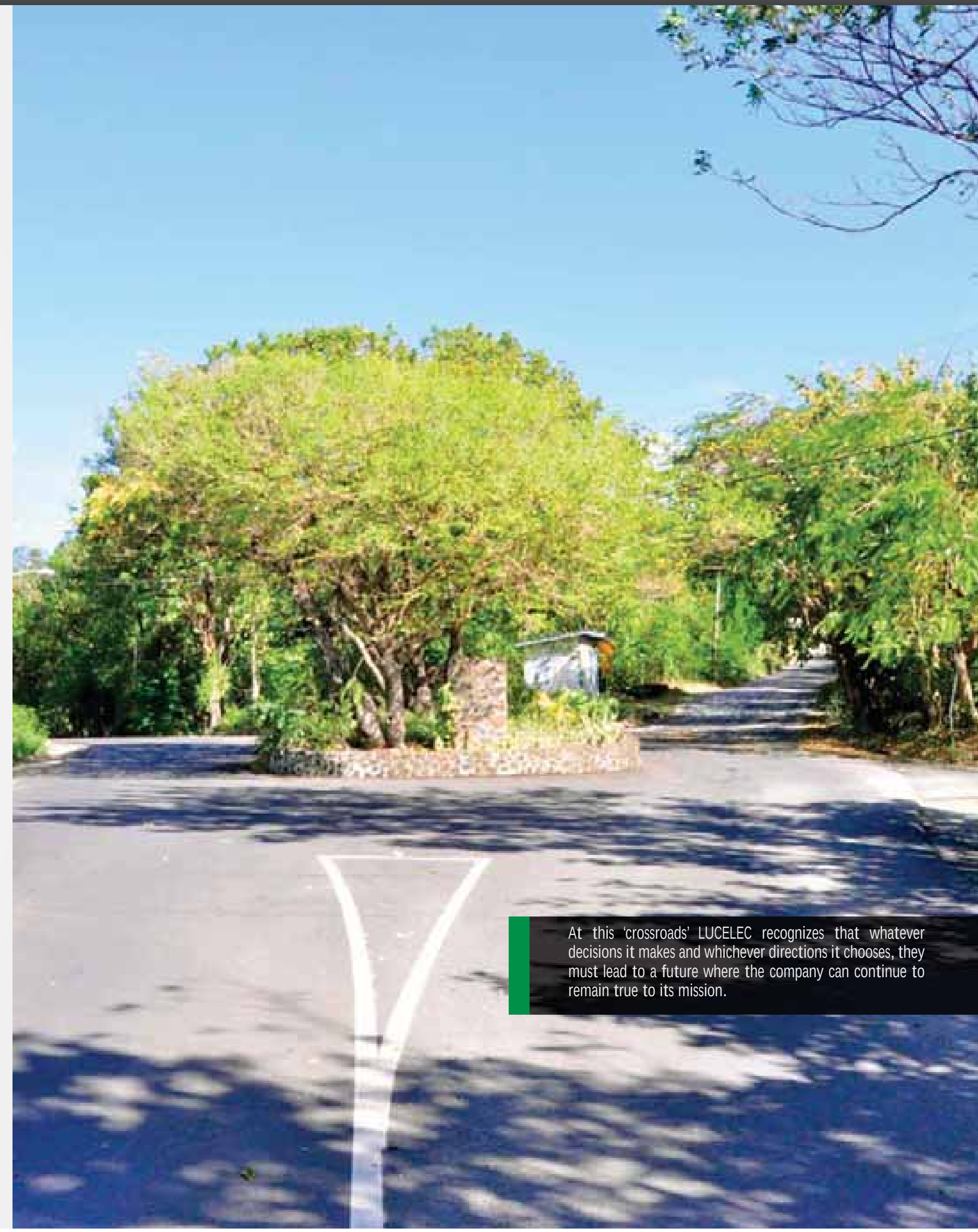

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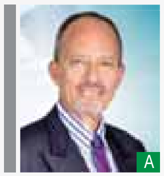
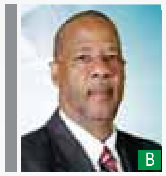
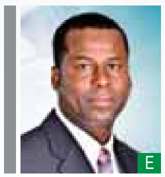
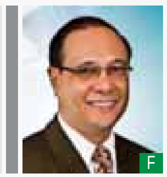
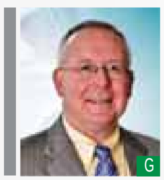
Board of Directors

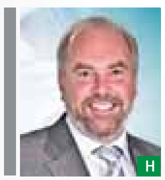


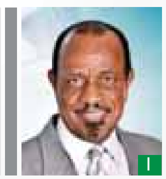


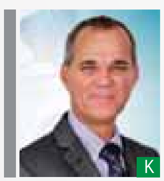


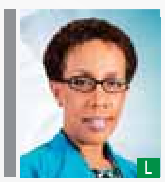


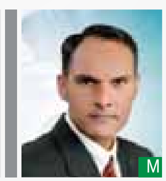


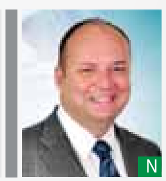












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A Dr. Trevor A. Byer, Acc. Dir - Chairman

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 an Associate of the Association of Caribbean Energy Specialists (ACES). He is the Chairman of the Board's Major Investments and Initiatives Committee and a member of the Audit Committee.

B 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 Board's Human Resource and Major Investments and Initiatives Committees.

C 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 Board's Audit Committee and a member of the Governance and Major Investments and Initiatives Committees.

D 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 Board's Governance Committee and a member of the Major Investments and Initiatives Committee.

E 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 (with Distinction) from the Edinburgh Business School of Herriott Watt University. Mr. Mathurin is a member of the Board's Audit Committee.

F Larry Howai (Resigned effective July 21, 2011)

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 served as the Chairman of the Board's Human Resource Committee and a member of the Major Investments and Initiatives Committee.

G Christopher G. Huskilson (resigned effective February 7, 2011)
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 served as a member of the Board's Audit and Human Resource Committees.

H Raymond R. Robinson (resigned effective July 6, 2011)
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 served as a member of the Board's Governance and Major Investments and Initiatives Committees.

I Irving John (resigned effective December 1, 2011)
Mr. John was 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 served as a member of the Board's Human Resource Committee.

J Laurie Barnard
Mr. Laurie Barnard is Managing Director of St. Lucia Distillers and a former President of the St. Lucia Manufacturers Association and St. Lucia Chamber of Commerce. He is Chairman of his family business which owns and manages a number of hotel properties in St. Lucia. Mr. Barnard has had experience working in the agriculture, tourism, manufacturing and service industries. He was awarded the M.B.E in 1988 for services to Agriculture and Tourism. Mr. Barnard is a member of the Board's Human Resource and Major Investments and Initiatives Committees.

K Mr. Peter Williams (appointed March 2, 2011)
Mr. Peter Williams was appointed by Emera (St. Lucia) Limited to the Board of St. Lucia Electricity Services Limited on March 2, 2011. Mr. Williams holds a BSc. in Mechanical Engineering, a MSc. in Electrical Power Systems and an MBA. He is the Managing Director of Light & Power Holding Limited. He is a member of the Board's Audit and Major Investments and Initiatives Committees.

L Ms. Sharon Christopher Acc. Dir
Ms. Christopher is the Deputy Chief Executive Officer/Group Corporate Secretary with First Citizens Bank. Ms. Christopher holds an LLB (Hons.) and LLM in Corporate Law. Ms. Christopher also recently completed director training held jointly with ICSA Canada and the ECSE and now holds the accreditation Acc. Dir. She is the Chairman of the Board's Human Resources Committee and a Member of the Governance Committee.

M Mr. Larry Nath (appointed July 27, 2011)
Mr. Larry Nath joined the Board of St. Lucia Electricity Services Limited on July 27, 2011. He was appointed by First Citizens Bank Limited where he holds the position of Deputy Chief Executive Officer – Banking Operations. He holds a Bachelor of Business Administration and a Master of Science in Industrial Administration. He is a member of the Board's Audit and Major Investments and Initiatives Committees.

N Mr. Robert Hanf (appointed July 28, 2011)
Mr. Robert Hanf was appointed by Emera (St. Lucia) Limited to the Board of St. Lucia Electricity Services Limited on July 28, 2011. He holds a Bachelor of Arts degree and an LLB. Mr. Hanf is the Executive Chairman of Light & Power Holding Limited and is a member of the Governance Committee of the Board.

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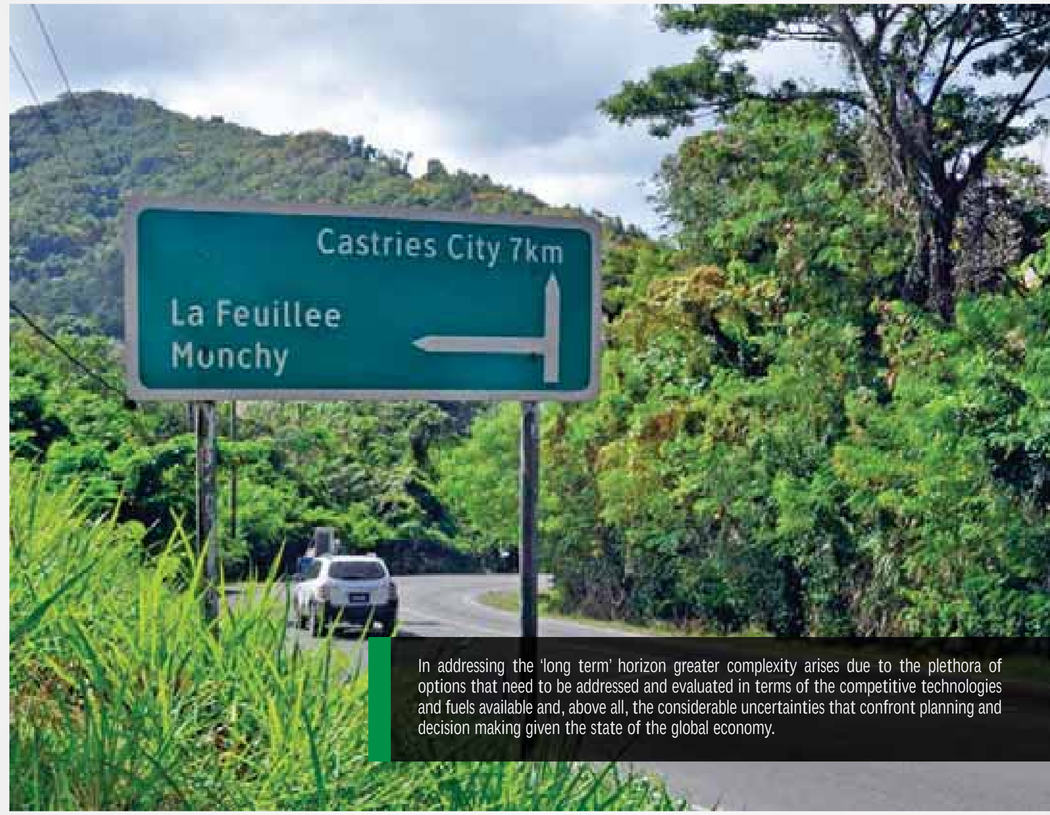
Directors' Report



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The Directors present their report for the year ended December 31, 2011.

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 46th Annual Shareholders Meeting were:

Non-Executive Directors:
- Dr. Trevor Byer
- Mr. Matthew Lincoln Mathurin
- Mr. Isaac Anthony
- Mr. Irving John (resigned effective December 1, 2011)
- Mr. Laurie Barnard
- Mr. Stephen McNamara
- Ms. Sharon Christopher
- Mr. Chris Huskilson (resigned effective February 7, 2011)
- Mr. Raymond Robinson (resigned July 6, 2011)
- Mr. Robert Hanf (appointed July 28, 2011)
- Mr. Peter Williams (appointed March 2, 2011)
- Mr. Larry Howai (resigned effective July 21, 2011)
- Mr. Larry Nath (appointed July 27, 2011)

Executive Director:
- Trevor Louisy

Financial Results
The Company sold 333.4 million kWh of electricity an increase 0.8% over the previous year attributable to lower economic activity than in previous years. Total revenues were EC$321.0 million, an increase of 16.2% over the previous year, mainly attributable to higher fuel prices.

Net profit for the year was EC$26.3M, which was a decline of 10.1% over the previous year.

The Company achieved Earnings per Share of EC$1.15 which was 9.4% lower than in 2010 and the dividend distribution was EC$18.0M, a 3.2% decline. The Earnings per Share for 2010 are restated to reflect the 2 for 1 stock split completed in October 2011.

Assets acquired during the year amounted to EC$45.4M, and loan drawdowns were EC$40M mainly related to short and medium term generation expansion, the CIS and AMI projects and other strategic investments.

Dividends
The Board of Directors declared a dividend for the financial year ended December 31, 2011 of 70% of the Company's adjusted after tax net profits, having paid an interim dividend in December 2011 of $0.30 per ordinary share.

The total dividend for the 2011 financial year amounted to $0.79 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 and Other Information
In March and December 2011, Directors attended Strategic Planning Sessions to discuss the strategic positioning of the Company to meet future financial, technical and regulatory challenges.

In August 2011, the Board conducted its third Annual Board Evaluation exercise. The focus of this session was to reflect on past evaluations.

One Director successfully completed the DEAP training hosted by the Eastern Caribbean Securities Exchange and two others completed their continuing professional development courses.

At a Special meeting of Shareholders held on May 6, 2011 shareholders approved an increase to the Authorised Ordinary Share Capital of the Company from 15 Million shares to 100 Million shares.

Following shareholders' approval at the Special meeting of Shareholders held on May 6, 2011 the Company successfully completed a stock split of the Company's ordinary voting shares in the ratio of 2 new shares for each existing share thereby increasing the issued share capital to 22,400,000 shares effective October 1, 2011.

In accordance with clause 54 of By Law No. 1 of the Company, First Citizens Bank Limited appointed Mr Larry Nath to replace Mr. Larry Howai who had resigned. In keeping with the same clause Emera (St. Lucia) Limited appointed Messrs Peter Williams and Robert Hanf to replace Messrs. Christopher Huskilson and Raymond Robinson who had also resigned. On December 1, 2011 Mr. Irving John who was appointed by the Castries City Council resigned from the Board.

Events Subsequent to Balance Sheet Date
Apart from this and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since December 31, 2011 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

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In spite of the uncertainties in the operating and economic environments, providing a reliable supply of electricity to customers as cost effectively as possible is still of the highest importance.

Operations Review

Corporate Performance

Having come through a really tough bout with Hurricane Tomas at the end of 2010, and with the 2011 global and national economic outlook at the start of the year not the most encouraging, 2011 was always going to be a challenging year for the company. And so it proved. Nonetheless, the company performed creditably in several areas.

The Company achieved, and in fact exceeded, four of the nine corporate targets. The target for fuel efficiency (19.49 kWh per Imperial Gallon) was surpassed (19.54 kWh/IG). While the difference in numbers may seem small, it is important to consider that this in effect meant that the Company was able to generate an additional 0.98 million kWh of electricity for the year.

The target for Work Hours Lost (2.2 hours) was exceeded (1.74 hours) and the target for Tariff Change vs. Inflation (≤97%) was achieved (95.42%). The Company was able to improve the Customer Service vs. Perception score (86.23%) by four percentage points over the 2010 score, again exceeding the target (86%), albeit slightly.

Unfortunately performances in the areas of System Losses and SAIDI fell below targets for the second successive year. No doubt, the bruises on the system from Hurricane Tomas ran far deeper than initially apparent. Two system shutdowns and difficulties with the Praslin substation testify to this and would have certainly impacted Losses and SAIDI performances.

While the performance in the areas of Environmental Incidents and Reportable Injury Accidents were at the threshold, the year ended with 2 Environmental Incidents and 2 Reportable Injury Accidents being registered, compared to zero and 8 respectively in the previous year. Here the two incidents and 2 accidents were two too many!

The Company also failed to meet the target for Return on Equity, after impressive performances in previous years. This was due primarily to lower than anticipated sales and in turn, revenue.

Operational Performance

Operationally, notwithstanding the after effects of Hurricane Tomas, a new system peak demand of 60.2 MW was recorded in June.

2011 also saw the fuel price hedging programme continuing to achieve reasonable levels of price stability, and gave some of level of relief to customers particularly during the first half of the year when world oil prices rose sharply.

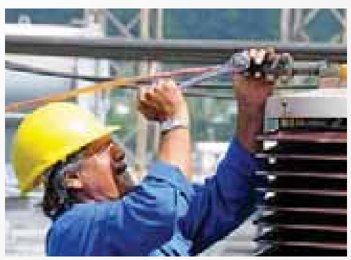
During the year the Company implemented a new Chart of Accounts (COA) that helps to provide more detailed, timely and accurate information to assist in managing and in forward planning. Part of that forward planning includes managing risks and this very critical area continued to be developed in 2011 with the senior management undergoing a 5-day training programme on the implementation of a comprehensive business continuity system to international standards (BCS 25999).

The Company also undertook its first major Customer Incentive Programme, the Energy Champs campaign, which sought to reward customers for their diligence in paying their bills in full while providing tips on energy efficiency to help customers manage their consumption of energy. Ultimately the campaign had a positive impact on receivables, cash flow and the company's overall image.

Several other critical issues are of importance to note in this report and are presented below under specific headings.

System Improvements

The Company was able to successfully undertake its maintenance of and improvements to the 66,000 Volt (transmission), 11,000 Volt (primary distribution) and 415/240 Volt (secondary distribution) networks. Nearly 15,000 AMI electronic meters were deployed, bringing the total installed to over 29,000, representing nearly half of the Company's customer base.



As part of the thrust to provide improved levels of System reliability, the implementation of the distribution automation (D.A.) system continued which included installation of 15 auto reclosers on various parts of the primary distribution network

during the year. There are now a total of 39 on the system and these devices play a significant role in helping to improve system reliability.

In 2012, two major engine overhauls are planned to meet manufacturer's requirements for optimum operation of the engines. The installation of the new engine at Cul de Sac (see Generation Expansion below) will facilitate more efficient use of fuel going forward. The rollout of the Advanced Metering Infrastructure (AMI) system will continue, as will refurbishment of parts of the 11kV network and deployment of additional Distribution Automation equipment. The Company will also be accelerating the implementation of the GIS (Geographical Information System) and undertake measures to reduce non-technical line losses.

Generation Expansion

In 2011 LUCELEC began implementing its Generation Expansion Programme designed to meet increasing demand and statutory capacity requirements in accordance with the Electricity Supply Act. The Programme is structured into three phases to address the short, medium and long term electricity demand of the nation.

In the first phase two high speed generators each rated at 1.28 MW were purchased, installed and commissioned on the grounds of the old Union Power Station. These generators will essentially be operated only if necessary to take up any shortfall in capacity from the Cul De Sac Power plant. The generators are mobile and will be used to provide emergency power should major sections of the network be impacted as was the case during the passage of Hurricane Tomas in 2010.

Work also began on the second phase of the Generation Expansion Programme, the extension of the generating station at Cul De Sac to include a 10.2 MW engine and associated electrical and mechanical ancillary equipment. The project also includes the extension of the Cul de Sac substation to accommodate a new 35MVA interbus transformer and switchgear to facilitate the additional capacity at the power station. LUCELEC expects to have the new engine in operation in December of 2012 to ensure the reliability of the power system and improve overall fuel efficiency.

Preliminary work on the third phase of the Generation Expansion programme, the development of a new power plant in Vieux Fort, began in 2011. Early in 2012, LUCELEC will conduct a Geotechnical Study and Environmental Impact Assessment of the proposed site of the next power generation project. Upon completion of these studies LUCELEC will conclude negotiations for the acquisition of the site and begin the process of designing the plant and required infrastructure.

Alternative & Renewable Energy

During the year LUCELEC continued efforts at incorporating Renewable Energy sources into the generation programme. The pilot project for using grid-tied photovoltaic systems was completed successfully and the LUCELEC expects to be able to finalise the regulatory and commercial arrangements for use of such systems on the grid.

LUCELEC and UNEC, a Canadian company, began the development of a Power Purchase Agreement for the purchase of 12 MW of electrical power to be generated from the geothermal resource in Soufriere. LUCELEC also developed a Term Sheet and Letter of Intent regarding the purchase of electrical power from a proposed waste to energy plant on the island. In the area of wind energy our efforts to secure suitable sites for the development of a wind farm have been futile.

During 2012 LUCELEC will continue working with UNEC on the development of a Power Purchase Agreement and a Generator Interconnection Agreement. Efforts will also continue to secure a suitable site for the development of a wind farm.

Customer Information System (CIS)

The project to replace LUCELEC's current Customer Information System (CIS), with a more customer centric, functional system kicked off in December 2010 with project team training. The initiation phase of the La Pli Mèyè (The Best) Project, as the project team has named it, started in early January 2011 with the installation of the Cayenta Utilities (CU) software, followed by more in depth training.

Much of 2011 was spent in discovery sessions to understand LUCELEC's requirements in order to configure the CIS accordingly, and to ensure that the new CIS interfaces with LUCELEC's automatic metering infrastructure, financial and geographic information systems. Work also commenced on data cleansing, conversion, testing and validation. By the end of 2011 four of seven planned conversions had been completed.

In 2012, all software modifications to allow the various interfaces must be completed by the supplier and tested by LUCELEC to meet the mid-July Go-Live date. The Go-Live date coincides with the Carnival weekend to allow a four day transition window from the old system to the new.

Work is also on-going in developing the business processes that are impacted by the new CIS. This critical activity, which feeds into training, commenced early in the project and will end shortly before go-live when the new processes will be communicated to staff as part of the Change Management Strategy. The development of the training material is also in progress.

Other activities in progress are the development of reports, standard letters, a revised bill layout and an executive dashboard that will make critical information readily available. All of these activities are expected to be completed prior to go-live. In addition work will take place on providing on-line services to LUCELEC's customers, but these services are not expected to be available immediately the new CIS goes live, but soon thereafter.

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Human Resources Strategic Plan

The Company's first Human Resources Strategic Plan was developed in 2011 in order to chart the future for the critical "people component" of our business. The plan was developed in consultation with employees across the organization and will play a vital role in the achievement of the Company's strategic objectives, as it is evidence of the Company's commitment to align Human Resource Development with the corporate strategy.

During the year plans also commenced to restructure the Human Resource Department to better execute its mandate to ensure a greater emphasis on strategic human resource development, while ensuring excellence in service delivery, as this would be critical for the plan's implementation.

Implementation of some of the initiatives in the Plan began. In the area of Performance Management efforts continued to improve the new electronic system and a comprehensive review was conducted of the Performance Based Incentive Plan. The Compensation & Benefits Programme was reviewed in its entirety to ensure that the resulting system would be relevant, competitive and performance based. A comprehensive Compensation & Benefits Survey was conducted during the first half of the year, which confirmed the Company's continued leading position in the market.

The Human Resources function was also benchmarked against other electric utilities as part of CARILEC's Human Resources Metrics Group, and this provided a baseline for future assessment of LUCELEC's Human Resources function.

Negotiations with the Civil Service Association which represents the Grade 1 staff continued in 2011, and by the end of the year most of the items for discussion had been reviewed and discussed by the Company and the Union. Discussions on wages were however not finalized and will continue into 2012.

For 2012, the focus will continue to be on the implementation of the HR Strategic Plan, in the areas of Performance Management, Succession Planning and Training.

Procurement Policy & Procedures

In accordance with shareholder requests the Company developed a new Purchasing Policy and Procedures which was approved by the Board and has been uploaded to the Company's website for public information. The most significant aspects of the policy have been implemented and there have been positive results to date.

The Policy seeks to drive cost savings and efficiencies deriving from a centralised procurement function and to enable the Company to move another step towards first class standards. The full impact of the policy will be realised in 2012 as it is applied for the full year.

Corporate Diversification

During 2011 the Board of Directors approved in principle the incorporation of a wholly owned subsidiary company that will seek and undertake business opportunities outside of the regulated electricity sector.

In 2012, it is expected that formal incorporation will take place and the relevant structure, governance and resources will be provided for the subsidiary to become operational.

Depreciation Study

A Depreciation Study was completed during the year. The consultants used the Average Service Life (ASL) methodology which gives due consideration to physical, functional and economic factors as well as prior practice.

As a result the consultant recommended new depreciation rates reflecting longer service lives for some assets including Generation and certain Transmission and Distribution assets. The remaining rates as currently applied by the Company were deemed to be adequate.

The recommended rates will be put into effect when the technical and other requirements are in place.

Cost of Service Study

A Cost of Service study was also completed during the year and examined the return that is provided by each customer segment that the Company serves. The study confirmed that the Hotel and Industrial customers are subsidising all other sectors in the customer base equal to approximately 12% of the existing tariff.

A significant part of the study was to enable it to model various new tariff scenarios as part of the preparation for the new regulatory environment. A financial model has been received and will be utilised as more information is obtained on the new regulators' views on proposed tariff design.

Environmental Stewardship

A team charged with implementing the Company's environmental stewardship initiative was formed during the year.

The team concentrated on developing strategies for minimizing the impact of LUCELEC's operations on the environment and raising its profile as a 'green' organisation.

Some of the approaches under consideration were:

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- Obtaining ISO 14001 certification within the next few years
- Determining the most cost effective manner to achieve ISO certification (staffing and other resources)
- Developing Terms of Reference for any consultancies to guide the Company towards the objective of achieving ISO certification
- Assessing the level of exhaust gas emissions (NoX and SoX) in the area surrounding the Cul de Sac Facility
- Determining how staff could be best engaged in the process of helping the Company to achieve a more 'green' image among the public

During 2012 the plan is to seek to retain the necessary expertise to obtain recommendations on the way forward for achievement of ISO 14001 certification. The Environmental Stewardship Team will also work closely with the Corporate Communications and other departments to implement strategies to engage staff, and external stakeholders in various environmental initiatives. Some of the specific activities and initiatives that the Company engaged in or supported in pursuit of its environmental stewardship objectives are detailed in the section of the report on Corporate Social Responsibility.

Conclusion

Global and local economic conditions are not expected to improve significantly during 2012 therefore the Company will continue to concentrate on improving operational and cost efficiencies as demanded by the circumstances. While the growth rate of electricity demand has slowed in recent years, the challenges of meeting this demand remain.

In spite of the uncertainties in the operating and economic environments, providing a reliable supply of electricity to customers as cost effectively as possible is still of the highest importance.

Financial Operations

Sales & Revenues

Electricity sales increased by 0.8% in 2011, a reduction from the 5.0% growth recorded in 2010. The low growth rate was driven by the effects of the reduced demand following the passage of Hurricane Tomas in October 2010, the general slowdown in economic activity and relatively cooler temperatures.

The Domestic and Hotel sectors sales declined while all the other sectors registered improved performance. The Domestic sector declined by 0.2% and the Hotel sector by 4.3% reflecting the downturn in the tourism sector. The Commercial sector registered growth of 4.5%, the Industrial sector 2.1% and Street Lighting 3.1%.

Total revenues were EC$321.0M, an increase of 16.2% over the previous year's achievement of EC$276.3M. This was driven mainly due to higher tariffs caused by increases in fuel prices. The overall average tariff was EC$0.96, an increase of 14.2% over that of the previous year (EC$0.84). Tariff movements reflect only the effect of fuel price movements as the Company's base tariff has not changed since 2005. Fuel costs are passed through to customers with no mark up.

The average fuel cost per gallon for the year was EC$9.48, an increase of 26.6% over that of 2010 which was EC$7.49 per gallon. Fuel continues to remain the single largest cost item comprising 75.4% of direct operating expenditure.

Generation costs (excluding fuel costs) were higher than the previous year by 3.9% due to increases in plant maintenance costs.

The Commercial sector registered growth of 4.5%, the Industrial sector 2.1% and Street Lighting 3.1%.

Transmission and Distribution (T&D) costs (excluding the amounts set aside for the Self Insurance Fund) were higher by 0.8% due to increase in maintenance costs of the T&D infrastructure.

Administrative expenses increased by $1.3M (4.8%) due to an increase in the provision for doubtful debts, stock losses, consultancy fees, public relations costs and motor vehicle expenses mitigated by savings in employee and meter reading costs.

Finance costs increased by EC$1.1M (15%) mainly reflecting interest charges on a new long term financing facility obtained in 2011 and new withholding taxes levied on interest payments to overseas lenders.

Profit

Reduced sales and higher operating costs resulted in Profit Before Tax of EC$36.3M, being lower than the previous year's outturn of EC$40.4M by 10.1%.

Profit after tax was EC$26.3M a decrease of 10.1% over the previous year's achievement of EC$29.2M.

Earnings per Share for the year was EC$1.15 (2010 – EC$1.27 (restated to reflect the stock split)) reflecting the lower net profit, and total dividends for the year was EC$0.79 (2010- EC$0.83 (restated to reflect the stock split)).

The company achieved a rate of Return on Equity of 16.3% (2010 - 19.1%) reflecting the decline in performance from the previous year, but this performance remains in line with or above peers in the Caribbean.

The net profit for the year translated to an 8.7% return on net Fixed Assets based on historical costs (2010 – 10%) and 6.0% on Total Assets (2010 –7.3%).

Based on current replacement costs of its fixed assets the return on net Fixed Assets would be 3.5% (2010-3.9%) and Return on Equity would reduce to 5.0% (2010-5.6%)

Retained Earnings increased from EC$77.0M to EC$84.4M and the Debt to Equity ratio was 60:40. Following the stock split, from October 1, 2011 the Company's shares traded firmly at EC$12.50 per share, resulting in a price to earnings ratio of 10.9 times (2010 – 10.1 times). Compared to a return on a bank investment currently in the range of 3 to 4 %, the total return to shareholders was 15.8% (2010 – 10.1%) representing significantly higher returns than what pertained in the general economy.

In accordance with the provisions of the Electricity Supply Act (as amended), an amount of EC$0.6M (2010 – EC$2.60M) was set aside out of net profits for distribution as tariff reductions to Hotel and Industrial customers during 2011, equivalent to 0.59 cents per kilowatt hour (kWh).

Capital Expenditure

Expenditure for the year amounted to EC$45.4M (2010 – EC$22.3M) focussing on the continued upgrade of the Transmission & Distribution network, the Distributed Automation (DA) programme, the Automated Metering Infrastructure (AMI), Generation expansion, and the continuation of work of the Customer Information System.

Working Capital Management

Debt management continued to be a challenge during the year as customers continued to face difficulties from the effects of the economic downturn and Hurricane Tomas. The Company, to the extent that it was able to, accommodated customers on a case by case basis. The Days Sales Outstanding (DSO) registered at 73 days compared to 61 days in 2010, a significant deterioration.

The establishment of a dedicated Debt Management section is expected to significantly reduce the debt levels. Certain formal arrangements have been made with some major customers which, it is anticipated, will improve collections in 2012.

The Board approved an increase in the Company's overdraft facilities with local banks from EC$8 million to EC$16 million to cater for periodic additional cash flow requirements largely caused by rapid fuel price increases.

Capital Financing

The Company secured long term financing of EC$100 million primarily to fund the short and medium term generation expansion programme. In keeping with good governance practices the Company sought and received offers from local and regional financial and other institutions in order to secure the best possible terms. All the offers were evaluated and ranked for the Board's consideration and approval.

Following agreement by the Company's lenders to increase the borrowing limit to 2 times equity, the Security Sharing Agreement was formally executed in 2011 to reflect the change providing the Company with the requisite capacity to obtain long term financing when required.

Self-Insurance

During the year the Registrar of Insurances gave formal approval (subject to satisfying certain conditions) for the fund to be registered under the auspices of the Insurance Act of Saint Lucia. After a formal tender process across the region a Fund Manager was selected to manage the fund's investments and as soon as the Registrar has approved the Investment Management Agreement, the investment funds will be placed with this institution.

In accordance with the approved Board Policy the amount of EC$3M was set aside during the year and as at December31, 2011 the fund's balance stood at EC$14.1 million . The fund's investments comprised regional securities rated by regional or international agencies, and at local banks on short term basis to provide quick access to cash if required. As a result of damage caused by Hurricane Tomas the fund balance was reduced by EC$5.0 million to meet the restoration of the damaged sections of the transmission and distribution system.

Credit Rating

In December 2011, Caribbean Information and Credit Rating Services Limited (CariCRIS), the Caribbean regional credit rating agency, reaffirmed the company's CariBBB (Adequate) ratings on both the local and foreign currency scale. This remains one notch below the Government of St Lucia's rating of CariBBB+ which is also in the "Adequate" category.

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Risk Management

The Company maintains a Risk Register which, on a continuous basis, captures all identified risks to the Company and progress on mitigation measures. This register is reviewed by the Audit Committee of the Board at its regular meetings during the course of the year.

Fuel Hedging

The Board gave the authority for the company to engage in a fuel price hedging programme with the strategic aim to improve price stability by reducing the volatility in the monthly tariffs caused by purchases of fuel at spot prices. The full-fledged programme was approved for commencement in 2010 which was very successful in meeting its objective and additional approval was given for the continuation of the programme on a twelve month rolling basis for 75% of estimated volumes utilising Fixed Price Swaps.

Stock split

The shareholders of the Company approved an increase of the Company's authorized ordinary share capital from 15 million to 100 million shares to allow the Company the capacity to obtain additional equity when required.

Approval was also given by the shareholders for a stock split in respect of its ordinary voting shares in the ratio of 2 new shares for each existing issued share. This was completed on October 1, 2011 and was aimed at facilitating the sale of additional equity in the medium term as well as to increase trading activity in the Company's shares generally and on the Eastern Caribbean Securities Exchange (ECSE).

Subsequent to the stock split the Company's shares traded firm at EC$12.50 (EC$25.00 prior to the split). The issued ordinary share capital of the Company now stands at 22,400,000 shares.

Outlook

There is high anticipation of increased economic activity and full restoration of the country's infrastructure damaged as a result of the passage of Hurricane Thomas in October, 2010.

The level of growth expected for 2011 did not materialize mainly as a result of the effects of the continuing global economic crises and this, coupled with low growth potential in a mature electricity market have caused the Company to adopt a new strategy for increasing its value by seeking opportunities in areas outside of the electricity sector. This will be carried out through a wholly owned subsidiary company expected to be incorporated in 2012.

Current projections are for an increase of 2% in sales driven by some measure of economic stabilisation, a more stable tariff due to the fuel hedging programme and growth in the tourism sector. These projections may be impacted if the Value Added Tax (VAT) legislation is implemented during 2012. Performance will be monitored on an on-going basis during the year and relevant actions will be taken where necessary in the event that projections are not meeting expectations.

The Company will continue to focus on strategic initiatives approved by the Board as well as improved operating efficiencies and improvements, to ensure its continued financial and operational success.

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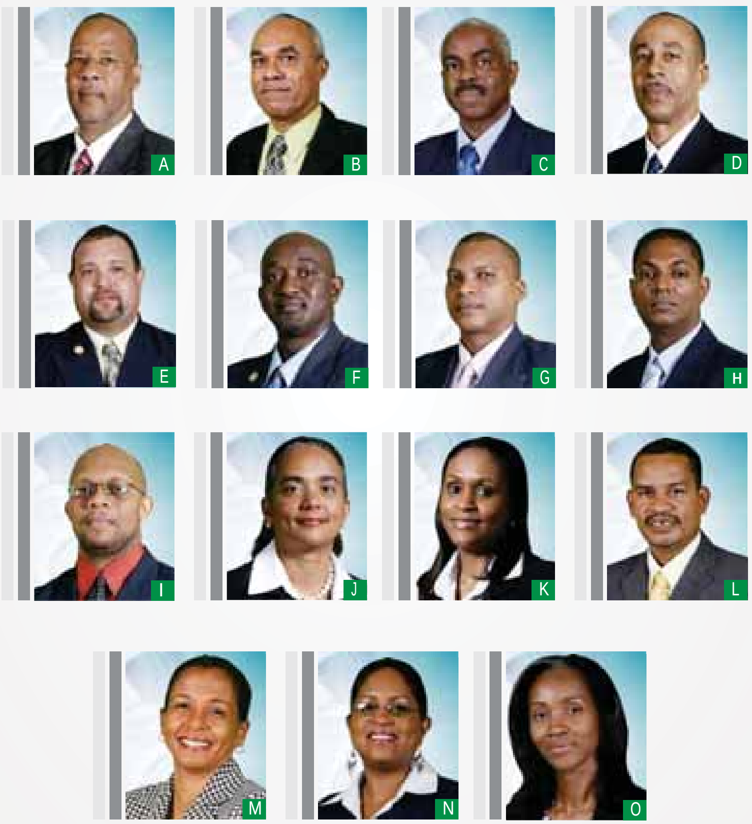
Management Team



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

B **Earl Estrado**
CGA
Financial Controller

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

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

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

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

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

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

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

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

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

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

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

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

O **Callixta Branford**
CGA
Internal Audit Manager

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the year IN PICTURES

Early in the year the Company took time to recognise the efforts of staff who put in yeoman service in the aftermath of Hurricane Tomas

The Annual Health, Safety & Environment Month activities got off to a hilarious start with Cokes & Angelbot talking safety basics. Among the month-long activity list were a healthy foods exhibition, a table tennis competition, the Health & Safety Quiz and the Fun Walk.

Marchand Youth Orchestra sponsored by LUCELEC performs at the Company's Staff Appreciation Night

Arts and Festivals received major support from LUCELEC in 2011. The National Arts Festival and Word Alive were among the beneficiaries.

Directors got a first-hand behind the scenes view of the Company's operations during the year

Shareholders were taught the principles of Corporate Governance in the company's shareholders' training seminar

Students at the Corinth Secondary School marvel at the new Computer Lab upgrade courtesy of LUCELEC

The company conducts quarterly health screening for staff with the support of the St. Lucia Hypertensive & Diabetic Association

More than 25 children of employees received secondary school scholarships at the Company's Annual Scholarship Social

Staff at all Company locations actively celebrated Jounen Kwéyòl in dress, music and food

More than 80 young cricketers visited the Cul De Sac Power Plant while in St. Lucia for the Windward Islands Under-19 Cricket Tournament, jointly sponsored by the power companies of the Windward Islands

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the year IN PICTURES

LUCELEC entered the Inter-Commercial Calypso competition and Malaika "Miss Kitty" Chester of the Generation Department, backed by a large contingent of staff supporting her all the way, sang her way to the crown!

LUCELEC was actively engaged in several tree planting exercises during the year to assist with reforestation and soil stabilisation post-Tomas

Managing Director Trevor Louisy meets with staff across the Company to discuss strategic priorities

The Company (as sponsor) and Staff also got firmly behind Sherry Etienne of the Customer Service Department who was chosen as a contestant in the Carnival 2K11 Queen Pageant. Sherry charmed her way to the Miss Congeniality Award.

Local Entrepreneur Everistus Jn. Marie provides business advice to the students in the Junior Achievement Programme at the Choiseul Secondary School, sponsored by LUCELEC. LUCELEC's Quentin Emmanuel served as mentor to the group.

Staff at all levels participated in several training programmes during the year as the company brought employees up to speed on new policies and procedures, Business Continuity, Performance Management, a new Customer Information System and other core competencies

LUCELEC was a big part of Carnival 2K11 through its sponsorship of several calypso tents and carnival bands.

The filming of the Energy Champs promotional video with enthusiastic participation of staff

Staff enjoying the buffet at the Company's Annual Christmas Lunch

2011 Top Performers

Manager of the Year - Hester Hyacinth
Finance & Accounts Department

Supervisor of the Year - Nathaniel Deterville
Generation Department

Contractor of the Year - Nick Frank

Employee of the Year - Shondel Dosithe-John
Customer Service Department

What makes the Saint Lucia Electricity Services Limited (LUCELEC) one of Saint Lucia's most rewarding companies to work for?

It is the attention it pays to bringing out the excellence and loyalty in its staff. That excellence and loyalty is returned three-fold by employees from every department, skill level and background.

Most importantly, no LUCELEC employee who gives their best will ever be a nameless, faceless worker.

Appreciation is what strengthens excellence and this year LUCELEC's Staff Appreciation Night honored those employees under the theme "Getting to Know the Faces that Power the Nation".

As, Managing Director Trevor Louisy, so elegantly put it in his address entitled, "Powering the Nation more Efficiently.", "Great ideas can be found in each and every one of us, in each of the faces that power the nation."

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Corporate Social Responsibility

St. Lucia Electricity Services Limited – Winner of the St. Lucia Chamber of Commerce, Industry & Agriculture Business Award for Corporate Social Responsibility

LUCELEC embraces the concept of Corporate Social Responsibility in its broadest sense and considers sustainable development as a whole. This is reflected in its organizational governance, respect for human rights, labour practices, care for the environment and consumer issues, fair operating practices, and community involvement and development.

Sponsorship

During 2011 LUCELEC committed over $1 million on improving education infrastructure and educational opportunities; improving sports infrastructure and opportunities for sports people to engage in sport at all levels; support for arts and culture at the national and community level; support for crime fighting efforts, court diversion and community policing programmes; support for youth development and after school programmes to improve educational performance and reduce juvenile delinquency; and activities that generate increased economic activity. Some of these are detailed below under broad headings.

National Interest

LUCELEC continued to support initiatives that seek to develop the tourism product and provide additional revenue generation opportunities in tourism such as a tourism stakeholder consultation, St. Lucia's participation in the Caribbean Culinary Competition, and the Atlantic Rally for Cruisers (ARC).

The Company contributed to providing crime fighting equipment to the Royal St. Lucia Police Force and 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.

Education

LUCELEC contributes to the national effort in educating and training young minds through our support for individual schools and the development of the education system generally. Through donations of equipment our power of caring is improving the quality of school life and educational instruction for hundreds of students and teachers. Whether a copier for the Boguis Primary School, an LCD projector for the St. Aloysius R. C. Boys Infant School, or a major upgrade of the computer lab at the Corinth Secondary School to adequately meet the needs of the students preparing for IT O-Level examinations, LUCELEC's impact on the education system was felt in 2011.

And through support for school or Education Ministry initiatives LUCELEC 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, LUCELEC is helping to nurture innovation in Business and Science and Technology. 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 for 24 schools across the island in 2011.

Bogius School Photocopier Machine
"When you find a corporate entity such as LUCELEC coming on board, it's very gratifying"
- Ms. Murina Julian, Principal.

Arts & Culture

LUCELEC's sponsorship continues to provide support for the arts and culture in St. Lucia. LUCELEC continued to be major sponsors of St. Lucia Jazz – at Pigeon Island, Tea Time Jazz at La Place Carenage, and Jazz on the Pier at Pointe Seraphine. The Company supported Jounen Kwéyòl, La Rose, and other community festivals.

LUCELEC's commitment to the continued development of the calypso art form and carnival was expressed in its sponsorship of several calypso tents and carnival bands, and by the participation of staff in the Carnival Queen Pageant and the Inter-Commercial House Calypso Competition. In fact, LUCELEC's participant was crowned the 2011 Inter-Commercial House Calypso Champion!

LUCELEC helped playwrights, directors, actors and dancers give expression to their respective talents through its support for the National Arts Festival and Word Alive.

"LUCELEC was the biggest private sponsor. I think perhaps the Company understands that the arts give something to every sector in society. When you consider the artists, the vendors, the technicians, the contractors, you see that while many cultural events are uneconomical, they affect the bottom line in other people's lives." - Kennedy Boots Samuel, Executive Director, Cultural Development Foundation - National Arts Festival

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Sports

Beyond support for sports at the school level, LUCELEC's sponsorship encompasses sport at the club and national levels. LUCELEC was a proud partner in Saint Lucia's hosting of the 2011 Windward Islands U-19 Cricket Tournament and the Annual OECS Swim Meet, and in sending the St. Lucia National Netball team to the OECS Under-23 Championships. The Company was also a major sponsor of the Castries Football Council's Annual Youth Summer Football Fiesta, and assisted the Government of Saint Lucia with the lighting of sporting facilities at La Guerre and the George V Park.

At the club level, we assist with providing uniforms, and trophies and medals for various club organised competitions throughout the year. We also, provide support for promising talent to take advantage of opportunities for advanced training and participation in regional tournaments.

Corporate Philanthropy

LUCELEC supports a myriad of charitable institutions through the LUCELEC Trust which manages its donations. Several interventions were made to non-profit organisations in support of fundraising efforts, to provide equipment, to improve facilities, and to feed the underprivileged. Several religious and faith based organisations also received assistance towards meeting the increased demand for the services offered by these institutions.

Streams of Power Easter Youth Camp
"The camp is about providing young people with the tools they need to deal with their various life situations. Every time LUCELEC reaches out to help, it is just amazing, perfect timing and the perfect amount. I must really applaud them for their effort and commitment."- Mr. Kevin John, Camp Coordinator

Youth at Risk/Youth Development

In 2011 through various philanthropic and sponsorship initiatives LUCELEC continued to support 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. LUCELEC's contribution to initiatives such as annual Summer Youth Clinics put on by the Options Designs and Kidz Net that provided opportunities for underprivileged students from the Morne Du Don

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Primary School, and Castries to be gainfully occupied during the summer vacation help to make them happen. So too, the Company's significant contribution 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 campaigns targeting youth at risk included support for institutions like the Caribbean Youth Empowerment Project, Pawasol Pou Ti Mamai 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.

Saint Lucia Youth Orchestra
"LUCELEC felt the programme was meeting its objectives and would like to see this pilot project through to completion"
- Richard Payne. Executive Director of the Saint Lucia School of Music on LUCELEC's $30,000 contribution to the programme for the second year.

Caribbean Youth Empowerment Project
"The target group is vulnerable, because they come from poor families, they have challenges that others might not have. Our experience has taught us that some come in without even breakfast. LUCELEC's support helps them to stay focused."
-- Barry Paul, National Skills Development Centre Programme Coordinator.

Charitable Contributions

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 Father's Day Luncheon, and the annual fundraising dinners of the 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 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 several religious and faith based organisations also received various forms of assistance.

Community Outreach

LUCELEC provides significant support for community initiatives, large and small, such as national

celebrations, talent shows, community feeding programmes or parties for underprivileged children and the elderly. From our summer employment programme that employs over 60 students, to After School Programmes in Faux-a-Chaux, Mon Repos and La Maze, to Independence Day celebrations, talent shows, and Christmas parties for underprivileged children and the elderly in Ti Colon/Barre St. Joseph, Augier, and Desruisseaux LUCELEC's support for community engagement is being felt in every nook and cranny of St. Lucia.

After School Programme
"The Ministry of Social Transformation initiated the community after school program in order to ensure that the young of this country are provided with an opportunity to develop their talents outside of the school system. On behalf of the Ministry of Social Transformation we would like to give our sincere thanks to LUCELEC." - Brenda Wilson Director of the After School Programme

Environmental Responsibility

Whether it is in efforts to encourage energy conservation and reduced consumption, or in using shielded conductors in high foliage areas to reduce the need to cut trees, or in ensuring LUCELEC minimises oil spills in our operations, care for the environment is a part of what LUCELEC does. The Company also contributes to education and training in the management of the environment through support for initiatives like the Youth Environment Forum, the Our Planet interactive exhibit, and the Caribbean Student Environmental Alliance that teaches communities how to manage and protect watersheds. LUCELEC was among the first to offer funding assistance for a national tree planting exercise to reforest areas denuded by Hurricane Tomas and actively participated in tree planting exercises initiated by the Department of Forestry and the St. Lucia National Trust towards that goal.

Our Planet Sponsorship
"We are particularly pleased to be an active player in the promotion and practice of energy efficiency. We see this project as helping to communicate these themes in an exciting and memorable manner, which is likely to translate into action on the part of the audiences that Our Planet will target."
- Roger Joseph
LUCELEC Corporate Communications Manager

Staff Support

LUCELEC cares about the safety, health and wellness of its employees and has initiated several programmes to ensure staff are well looked after. Independent safety audits and an annual Health and Safety month provide training in hazard identification, elimination and prevention and have improved the safety culture in the organisation.

The Company has an active wellness programme which includes free quarterly health screenings, free mental wellness and counselling sessions, quarterly fun walks and part reimbursement of gym fees for employees to encourage regular exercise. The care for employees continues after retirement as retirees can opt to continue in the company's medical insurance programme and their contribution to the company over the years is celebrated in an annual retirees' luncheon.

The company also provides scholarships for children of employees attending secondary school and the Sir Arthur Lewis Community College and provides regular workshops for the students in the scholarship programme to ensure they can continue to excel.

Conclusion

By its sheer scope – number and breadth of agencies and initiatives supported, and the significant dollar value – LUCELEC's corporate social responsibility has and is touching lives across a wide spectrum of St. Lucian society. Several projects could not have been initiated or completed successfully without LUCELEC interventions. Some of these projects (Marchand Youth Orchestra, After School Programme, for e.g.) have impacts that are not only being felt now, but will continue to be felt in decades to come given the target groups and the changes that are being made in their lives.

LUCELEC's Corporate Social Responsibility is:

- Reducing juvenile delinquency by keeping young people off the streets and gainfully occupied
- Rewarding and encouraging excellence, academic and sporting achievement
- Providing increased economic activity in the country
- Helping in the fight against crime
- Helping St. Lucia to host and participate in regional and international tournaments
- Expanding opportunities for promising talent in sports, education, and the creative industries
- Feeding, caring, and providing equipment and facilities for the poor, underprivileged, hungry and elderly
- Improving education infrastructure and educational opportunities within and outside the formal school system as well as the quality of school life and educational instruction for hundreds of students and teachers
- Assisting in the management, preservation, and sustainability of the environment, reducing harmful impacts on the environment, and taking positive action to benefit the environment
- Helping to give expression to the aspirations and creative endeavours of numerous artistes, artistic and cultural groups
- Helping to nurture innovation in Business and Science and Technology, and helping our nation's youth explore the limitless possibilities of the future
- Helping to restore sight to the visually impaired

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Financial Statements

December 31, 2011

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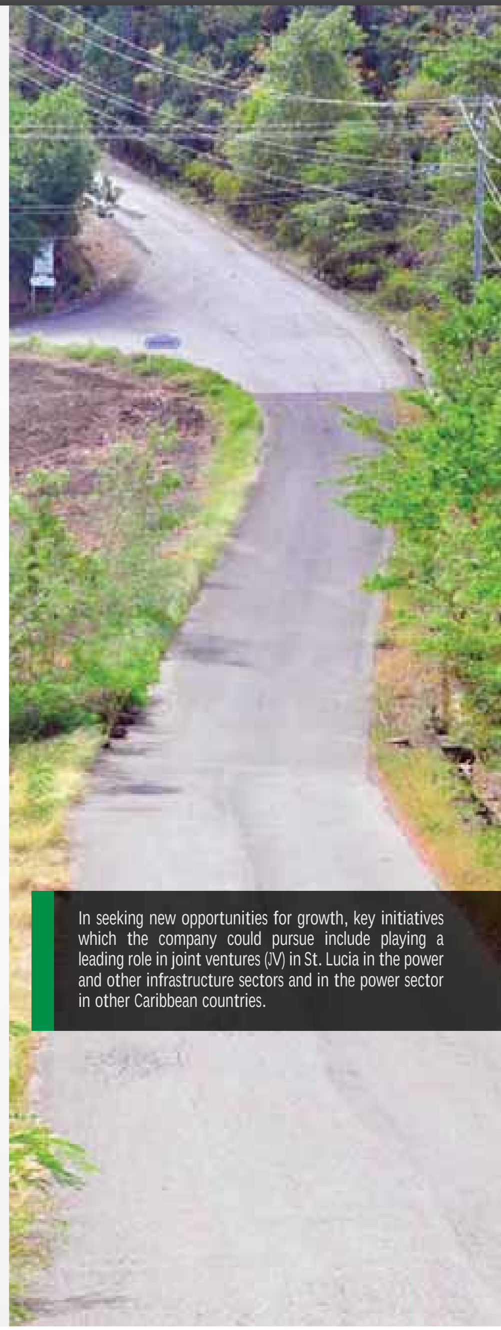

In seeking new opportunities for growth, key initiatives which the company could pursue include playing a leading role in joint ventures (JV) in St. Lucia in the power and other infrastructure sectors and in the power sector in other Caribbean countries.

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INDEPENDENT AUDITORS' REPORT

The Shareholders
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, 2011, 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011, 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 2, 2012

Castries, Saint Lucia

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Financial Position
December 31, 2011
(Expressed in Eastern Caribbean Dollars)

	Notes	2011	2010
Assets			
Non-current			
Property, plant and equipment	6	$ 291,178,325	285,904,341
Intangible assets	7	9,821,895	3,972,930
Retirement benefit asset	8	9,135,000	9,017,000
Available-for-sale financial asset	9	166,163	163,410
Total non-current assets		310,301,383	299,057,681
Current			
Inventories	10	21,252,226	19,985,252
Trade, other receivables and prepayments	11	74,524,985	59,782,912
Cash and cash equivalents	12	28,035,425	19,882,328
Income tax receivable		829,511	-
Total current assets		124,642,147	99,650,492
Total assets		$ 434,943,530	398,708,173
Equity and liabilities			
Shareholders' equity			
Share capital	13	$ 80,162,792	80,162,792
Retained earnings		84,373,976	76,970,314
Total equity attributable to shareholders		164,536,768	157,133,106
Retirement benefit reserve	8	9,135,000	9,017,000
Total shareholders' equity		173,671,768	166,150,106
Liabilities			
Non-current			
Borrowings	14	123,395,650	94,708,726
Consumer deposits	15	13,871,047	13,402,455
Deferred tax liabilities	16	22,825,773	24,619,474
Consumer contributions	17	31,534,698	29,875,827
Retirement benefit liability	18	1,240,234	1,155,908
Total non-current liabilities		192,867,402	163,762,390
Current			
Borrowings	14	11,964,729	13,635,450
Trade and other payables	19	45,105,938	41,716,674
Income tax payable		-	2,224,475
Dividends payable		11,333,693	11,219,078
Total current liabilities		68,404,360	68,795,677
Total liabilities		261,271,762	232,558,067
Total equity and liabilities		$ 434,943,530	398,708,173

Approved by:

Director — Isaac Anthony

Director — Matthew Lincoln Mathurin

The notes on pages 55 to 98 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Comprehensive Income
December 31, 2011
(Expressed in Eastern Caribbean Dollars)

	Notes	2011	2010
Revenue			
Energy sales		$ 280,177,406	247,945,403
Fuel surcharge		39,184,718	26,907,962
Other revenue		1,657,480	1,417,100
		321,019,604	276,270,465
Operating expenses			
Fuel cost at base price	27	145,397,617	114,728,938
Fuel cost over base	27	40,334,648	27,741,933
Transmission and distribution		35,571,174	33,721,329
Generation		26,993,025	25,909,994
		248,296,464	202,102,194
Gross income		72,723,140	74,168,271
Administrative expenses		(27,754,131)	(26,488,452)
Operating profit		44,969,009	47,679,819
Other gains, net	22	66,067	296,062
Profit before finance costs and taxation		45,035,076	47,975,881
Finance costs		(8,761,356)	(7,618,056)
Profit before taxation		36,273,720	40,357,825
Taxation	23	(10,002,550)	(11,137,656)
Net profit for the year from continuing operations		26,271,170	29,220,169
Other comprehensive loss:			
Actuarial loss on defined benefit plans		(192,023)	(178,357)
Other comprehensive loss for the year		(192,023)	(178,357)
Total comprehensive income for the year		$ 26,079,147	29,041,812
Earnings per share	25	$ 1.15	1.27

The notes on pages 55 to 98 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Changes in Equity
For the year ended December 31, 2011
(Expressed in Eastern Caribbean Dollars)

	Notes		Share Capital	Retained Earnings	Retirement Benefit Reserve	Total
Balance at January 1, 2010		$	80,162,792	69,338,132	8,828,000	158,328,924
Total comprehensive income for the year			-	29,041,812	-	29,041,812
Appropriation for tariff reduction			-	(2,554,830)	-	(2,554,830)
Transfer to retirement benefit reserve			-	(189,000)	189,000	-
Ordinary dividends	21		-	(18,665,800)	-	(18,665,800)
Balance at December 31, 2010		$	80,162,792	76,970,314	9,017,000	166,150,106
Balance at January 1, 2011			80,162,792	76,970,314	9,017,000	166,150,106
Total comprehensive income for the year			-	26,079,147	-	26,079,147
Appropriation for tariff reduction			-	(557,485)	-	(557,485)
Transfer to retirement benefit reserve			-	(118,000)	118,000	-
Ordinary dividends	21		-	(18,000,000)	-	(18,000,000)
Balance at December 31, 2011		$	80,162,792	84,373,976	9,135,000	173,671,768

The notes on pages 55 to 98 are an integral part of these financial statements.

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ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year ended December 31, 2011
(Expressed in Eastern Caribbean Dollars)

	Notes		2011	2010
Cash flows from operating activities				
Profit before taxation		$	36,273,720	40,357,825
Adjustments for:				
Depreciation	6		33,267,743	33,196,564
Finance costs			8,761,356	7,594,254
Amortisation of consumer contributions	17		(1,065,162)	(1,327,675)
Amortisation of intangible assets	7		996,502	1,117,876
Post-retirement benefits			(225,698)	(292,859
Gain on disposal of property, plant and equipment	22		(84,879)	(218,645)
Operating profit before working capital changes			77,923,582	80,427,340
Increase in trade and other receivables			(14,742,073)	(8,847,662)
Increase in inventories			(1,266,974)	(2,266,228)
Increase/(decrease) in trade and other payables			3,389,264	(334,510)
Cash generated from operations			65,303,799	68,978,939
Interest received			483,161	259,971
Finance costs paid			(8,905,779)	(7,584,761)
Income tax paid			(14,850,237)	(12,711,618)
Net cash from operating activities			42,030,944	48,942,531
Cash flows from investing activities				
Acquisition of property, plant and equipment	6		(38,544,131)	(20,982,242)
Acquisition of intangible assets	7		(6,845,467)	(1,280,019)
Proceeds on disposal of property, plant and equipment			87,283	227,062
Sale of available for sale financial assets			-	8,493,988
Acquisition of available for sale financial asset			-	(12,990)
Net cash used in investing activities			(45,302,315)	(13,554,201)
Cash flows from financing activities				
Proceeds from borrowings			40,000,000	-
Repayment of borrowings			(13,158,524)	(11,831,881)
Dividends paid			(17,885,385)	(17,219,681)
Appropriation for tariff reduction			(557,485)	(2,554,830)
Consumer contributions received	17		2,724,033	2,118,033
Consumer deposits received net			301,829	538,845
Net cash from/(used in) financing activities			11,424,468	(28,949,514)
Net increase in cash and cash equivalents			8,153,097	6,438,816
Cash and cash equivalents at beginning of year			19,882,328	13,443,512
Cash and cash equivalents at end of year	12	$	28,035,425	19,882,328

The notes on pages 55 to 98 are an integral part of these financial statements.

1. Reporting Entity

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

The Company's registered office is situated at Sans Souci, John Compton Highway, Castries, Saint 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 2, 2012.

(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 has been rounded to the nearest dollar.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 (c) (iii) Estimated useful lives of plant, property, and equipment, and intangible assets
- 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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, 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 trade and other receivables, cash and cash equivalents, borrowings, 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 (j).

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 amortized 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 amortized 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 twelve (12) months after the date of the statement of financial position.

Consumer Deposits
Given the long-term nature of the customer relationship in accordance with the provisions of the Electricity Supply Act, 1994 (as amended), customer deposits are shown in the statement of financial position 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 for electricity supply are required to contribute the capital cost of the extensions. These contributions are amortized over their estimated useful lives at an annual rate of 5%. The annual amortization of consumer contributions is deducted from the depreciation charge in respect of these line extensions. Contributions in excess of the applicable capital cost of line extensions up to 5% of the estimated cost of the job are recorded as miscellaneous income in the period in which the job is completed; contributions in excess of 5%, arising mainly as a result of changes to job specifications during the implementation stage, are refundable to the customers upon finalization of the total cost of the job. The capital costs of consumer line extensions are included in property, plant and equipment.

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ST. LUCIA ELECTRICITY SERVICES LIMITED
Notes to Financial Statements (Continued)
December 31, 2011
(Expressed In Eastern Caribbean Dollars)

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 capitalized as part of that equipment.

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

The gains or loss on the disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item and is 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 the statement of comprehensive income 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 way leave rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are 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
■ Generator Overhauls	33 $^1/_3$% 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 amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized 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.

Amortization

Amortization 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 assets (computer software) that are amortised range from four (4) to five (5) years.

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.

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ST. LUCIA ELECTRICITY SERVICES LIMITED
Notes to Financial Statements (Continued)
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(Expressed In Eastern Caribbean Dollars)

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 amortized 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 against the volatility of its fuel costs. 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.

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

3. Significant Accounting Policies (Cont'd)

(g) Derivative financial instruments (Cont'd)

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 twelve 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 for the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is based upon actual information for the preceding months and is reviewed periodically to assess reasonableness and adjusted where required. The provision of 56.8% (2010: 60.2%) at year end is based upon the actual information obtained 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.

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3. Significant Accounting Policies (Cont'd)

(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) New standards, amendments to standards and interpretations not yet adopted

At the date of approval of the financial statements, a number of new standards, amendments to standards and interpretations are effective the annual periods beginning after January 1, 2011 and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company:

- IAS 19 *Employee Benefits*, has been amended to require that all actuarial gains and losses be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, and also for the expected return on plan assets recognized in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard. The amendment is effective for annual periods beginning on or after January 1, 2013.

- *Presentation of Financial Statements*: *Presentation of Items of Other Comprehensive Income* has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit of loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.

- *IFRS 13, Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value, and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company is assessing the impact that this standard will have on its 2013 financial statements.

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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.

Investments in equity

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Trade and other receivables

Trade and other receivables together with accrued income comprise balances owed by customers and employee advances which are due in less than 12 months. Because of the short term nature of these balances, their carrying values approximate their fair values at the reporting date. 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.

Trade and other payables

Due to the short term nature of the related transactions, the fair values of trade and other payables approximate their carrying amounts at the reporting date.

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 (including currency risk and interest rate 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.

5. Financial Risk Management (Cont'd)

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.

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 in which customers operate, have less of an influence on credit risk.

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

These payment terms are stipulated under the provisions of the Electricity Supply Act, 1994 (as amended) and include providing discretion to the 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, and which refundable with interest upon permanent termination of services . 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.

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5. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

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.

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$10 million and EC$6 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 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 rate risk
Interest on borrowings is denominated in currencies of the borrowings. The Company limits its interest rate risk by ensuring as far as possible that fixed rate borrowings are negotiated.

5. Financial Risk Management (Cont'd)

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.

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

5. Financial Risk Management (Cont'd)

Capital management (Cont'd)

position. Under the terms of the mortgage debenture agreement, the Company's total debt shall not exceed two times 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, 2010	$ 87,282,386	530,980,302	4,073,423	11,023,699	8,870,850	642,230,660
Additions	448,869	5,938,428	70,174	728,870	13,795,901	20,982,242
Transfers	-	7,618,979	-	-	(7,618,979)	-
Disposals	-	(3,040,443)	(770,664)	(38,034)	-	(3,849,141)
Balance at December 31, 2010	87,731,255	541,497,266	3,372,933	11,714,535	15,047,772	659,363,761
Balance at January 1, 2011	87,731,255	541,497,266	3,372,933	11,714,535	15,047,772	659,363,761
Additions	430,091	330,945	478,356	511,728	36,793,011	38,544,131
Transfers	-	6,367,172	-	-	(6,367,172)	-
Disposals	-	-	(295,750)	(17,964)	-	(313,714)
Balance at December 31, 2011	$ 88,161,346	548,195,383	3,555,539	12,208,299	45,473,611	697,594,178
Accumulated Depreciation						
Balance at January 1, 2010	$ 28,926,478	303,182,233	3,114,524	8,880,345	-	344,103,580
Charge for the year	2,042,117	30,192,332	380,504	581,611	-	33,196,564
Eliminated on disposals	-	(3,040,443)	(770,664)	(29,617)	-	(3,840,724)
Balance at December 31, 2010	30,968,595	330,334,122	2,724,364	9,432,339	-	373,459,420
Balance at January 1, 2011	30,968,595	330,334,122	2,724,364	9,432,339	-	373,459,420
Charge for the year	2,053,468	30,188,491	364,288	661,496	-	33,267,743
Eliminated on disposals	-	-	(295,750)	(15,560)	-	(311,310)
Balance at December 31, 2011	$ 33,022,063	360,522,613	2,792,902	10,078,275	-	406,415,853
Carrying Amounts						
At January 1, 2010	$ 58,355,908	227,798,069	958,899	2,143,354	8,870,850	298,127,080
At December 31, 2010	$ 56,762,660	211,163,144	648,569	2,282,196	15,047,772	285,904,341
At January 1, 2011	$ 56,762,660	211,163,144	648,569	2,282,196	15,047,772	285,904,341
At December 31, 2011	$ 55,139,283	187,672,770	762,637	2,130,024	45,473,611	291,178,325

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

Borrowing costs amounting to $129,262 (2010 - $800,000) were capitalized during the year.

As stated in note 14, borrowings are secured by hypothecary 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.

7. Intangible Assets

		Information Systems	Way Leave Rights	Work In Progress	Total
Cost					
Balance at January 1, 2010	$	4,391,971	1,251,731	787,690	6,431,392
Additions		334,197	304,282	641,540	1,280,019
Balance at December 31, 2010		4,726,168	1,556,013	1,429,230	7,711,411
Balance at January 1, 2011		4,726,168	1,556,013	1,429,230	7,711,411
Additions		2,204,466	698,074	3,942,927	6,845,467
Balance at December 31, 2011	$	6,930,634	2,254,087	5,372,157	14,556,878
Accumulated Amortisation					
Balance at January 1, 2010	$	2,620,605	-	-	2,620,605
Amortised for the year		1,117,876	-	-	1,117,876
Balance at December 31, 2010		3,738,481	-	-	3,738,481
Balance at January 1, 2 011		3,738,481	-	-	3,738,481
Amortised for the year		996,502	-	-	996,502
Balance at December 31, 2011	$	4,734,983	-	-	4,734,983
Carrying Amounts					
At January 1, 2010	$	1,771,366	1,251,731	787,690	3,810,787
At December 31, 2010	$	987,687	1,556,013	1,429,230	3,972,930
At January 1, 2011	$	987,687	1,556,013	1,429,230	3,972,930
At December 31, 2011	$	2,195,651	2,254,087	5,372,157	9,821,895

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.

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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. Up to December 31, 2008, this scheme was held with Colonial Life Insurance Company Limited (CLICO).

The most recent actuarial valuation of these two schemes is dated December 31, 2011. 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	
	2011	2010	2011	2010
	%	%	%	%
Discount rate	6.5	7.0	7.0	7.0
Expected return on plan assets	7.0	7.5	7.5	7.5
Future salary increases	2.5	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 recognised in the statement of financial position at December 31, 2011 are determined as follows:

	Grade III 2011	Grade III 2010	Grade II 2011	Grade II 2010	Grade I 2011	Grade I 2010	Total 2011	Total 2010
Present value of funded obligations	$ (19,385,000)	(16,185,000)	(12,956,000)	(11,949,000)	(12,102,000)	(11,358,000)	(44,443,000)	(39,492,000)
Fair value of plan assets	17,577,000	16,111,000	16,048,000	14,496,000	13,935,000	13,418,000	47,560,000	44,025,000
Unrecognised actuarial loss/(gain)	6,262,000	4,579, 000	(1,389,000)	(889,000)	1,145,000	794,000	6,018,000	4,484,000
Defined benefit asset	$ 4,454,000	4,505,000	1,703,000	1,658,000	2,978,000	2,854,000	9,135,000	9,017,000

The amount of $9,135,000 (2010 - $9,017,000) is recognised 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, 2011 were as follows:

	Grade III 2011	Grade III 2010	Grade II 2011	Grade II 2010	Grade I 2011	Grade I 2010	Total 2011	Total 2010
Defined benefit obligation as at January 1, 2011	$ 16,185,000	14,455,000	11,949,000	10,858,000	11,358,000	10,331,000	39,492,000	35,644,000
Services and interests costs	2,094,000	2,022,000	1,426,000	1,330,000	1,004,000	889,000	4,524,000	4,241,000
Members' contributions	-	-	224,000	218,000	182,000	198,000	406,000	416,000
Benefit improvements	-	-	-	131,000	-	-	-	131,000
Benefits paid	(192,000)	(186,000)	(345,000)	(582,000)	(308,000)	(387,000)	(845,000)	(1,155,000)
Expense allowance	-	-	(68,000)	(66,000)	(56,000)	(52,000)	(124,000)	(118,000)
Actuarial gain/(loss)	1,298,000	(106,000)	(230,000)	60,000	(78,000)	379,000	990,000	333,000
Defined obligation benefit as at December 31, 2011	$ 19,385,000	16,185,000	12,956,000	11,949,000	12,102,000	11,358,000	44,443,000	39,492,000

The movements in the plans' assets for the year ended December 31, 2011 were as follows:

	Grade III 2011	Grade III 2010	Grade II 2011	Grade II 2010	Grade I 2011	Grade I 2010	Total 2011	Total 2010
Fair value of plan assets at January 1, 2011	$ 16,111,000	14,470,000	14,496,000	14,009,000	13,418,000	12,780,000	44,025,000	41,259,000
Contributions paid - company	992,000	922,000	387,000	450,000	189,000	245,000	1,568,000	1,617,000
Contributions paid - members	-	-	224,000	218,000	182,000	198,000	406,000	416,000
Expected return on plan assets	1,238,000	1,187,000	1,084,000	1,040,000	939,000	895,000	3,261,000	3,122,000
Benefits paid	(192,000)	(186,000)	(345,000)	(582,000)	(308,000)	(387,000)	(845,000)	(1,155,000)
Expense allowance	-	-	(68,000)	(66,000)	(56,000)	(52,000)	(124,000)	(118,000)
Actuarial loss	(572,000)	(282,000)	270,000	(573,000)	(429,000)	(261,000)	(731,000)	(1,116,000)
Fair value of plan assets at December 31, 2011	$ 17,577,000	16,111,000	16,048,000	14,496,000	13,935,000	13,418,000	47,560,000	44,025,000

8. Retirement Benefit Asset (Cont'd)

Plan assets consist of the following:

	Grade III		Grade II		Grade I	
	2011	2010	2011	2010	2011	2010
Equity securities	94%	100%	-	-	-	-
Debt securities	-	-	38%	25.1%	-	-
Cash/Money Market	-	-	3.2%	11.1%	-	-
Other (Deposit administration account)	6%	-	58.8%	63.8%	100%	100%
Total	100%	100%	100%	100%	100%	100%

The actual return on plan assets for the year ended December 31, 2011 was as follows:

	Grade III		Grade II		Grade I		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Return on plan assets	$ 666,000	905,000	1,354,000	467,000	510,000	634,000	2,530,000	2,006,000

The amounts recognised in the statement of comprehensive income for the year ended December 31, 2011 were as follows:

	Grade III		Grade II		Grade I		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Current service cost	$ 904,000	879,000	599,000	578,000	217,000	177,000	1,720,000	1,634,000
Interest on defined benefit obligations	1,190,000	1,143,000	827,000	752,000	787,000	712,000	2,804,000	2,607,000
Expected return on plan assets	(1,238,000)	(1,187,000)	(1,084,000)	(1,040,000)	(939,000)	(895,000)	(3,261,000)	(3,122,000)
Past service cost	-	-	-	131,000	-	-	-	131,000
Amortised net loss/(gain)	187,000	187,000	-	(9,000)	-	-	187,000	178,000
Net pension costs	$ 1,043,000	1,022,000	342,000	412,000	65,000	(6,000)	1,450,000	1,428,000

8. Retirement Benefit Asset (Cont'd)

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

	2011	2010
Administrative expenses	$ 27,753,851	26,488,452

The movement in the retirement benefit asset recognised in the statement of financial position was as follows:

	2011	2010
At beginning of year	$ 9,017,000	8,828,000
Total expenses as shown above	(1,450,000)	(1,428,000)
Contributions paid	1,568,000	1,617,000
At end of year	$ 9,135,000	9,017,000

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

	Grade III		Grade II		Grade I		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Cumulative amount as at January 1, 2011	$ 4,579,000	4,590,000	(889,000)	(1,531,000)	794,000	154,000	4,484,000	3,213,000
Recognised during the period	1,683,000	(11,000)	(500,000)	642,000	351,000	640,000	1,534,000	1,271,000
Cumulative amount as at December 31, 2011	$ 6,262,000	4,579,000	(1,389,000)	(889,000)	1,145,000	794,000	6,018,000	4,484,000

8. Retirement Benefit Asset (Cont'd)

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

Grade III

		2007	2008	2009	2010	2011
Defined benefit obligation	$	12,347,000	13,128,000	14,455,000	16,185,000	19,385,000
Fair value of plan assets		(17,333,000)	(11,582,000)	(14,470,000)	(16,111,000)	(17,577,000)
(Surplus)/deficit	$	(4,986,000)	1,546,000	(15,000)	74,000	1,808,000
Experience adjustment on plan liabilities	$	702,000	(693,000)	(380,000)	(106,000)	40,000
Experience adjustment on plan assets	$	(210,000)	(7,632,000)	1,195,000	(283,000)	(572,000)

Grade II

		2007	2008	2009	2010	2011
Defined benefit obligation	$	8,982,000	9,736,000	10,858,000	11,949,000	12,956,000
Fair value of plan assets		(12,005,000)	(13,055,000)	(14,009,000)	(14,496,000)	(16,048,000)
Surplus	$	(3,023,000)	(3,319,000)	(3,151,000)	(2,547,000)	(3,092,000)
Experience adjustment on plan liabilities	$	(534,000)	(96,000)	(34,000)	60,000	(230,000)
Experience adjustment on plan assets	$	(84,000)	(22,000)	(404,000)	(573,000)	270,000

Grade I

		2007	2008	2009	2010	2011
Defined benefit obligation	$	9,283,000	9,614,000	10,331,000	11,358,000	12,102,000
Fair value of plan assets		(11,287,000)	(11,984,000)	(12,780,000)	(13,418,000)	(13,935,000)
Surplus	$	(2,004,000)	(2,370,000)	(2,449,000)	(2,060,000)	(1,833,000)
Experience adjustment on plan liabilities	$	169,000	(122,000)	31,000	(379,000)	(78,000)
Experience adjustment on plan assets	$	(99,000)	(60,000)	(20,000)	(261,000)	(429,000)

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9. Available-for-sale Financial Asset

		2011	2010
Securities: available-for sale			
At beginning of year	$	163,410	8,504,527
Additions for year		2,753	-
Withdrawals for the year		-	(8,341,117)
At end of year	$	166,163	163,410

The available-for-sale financial asset as at December 31, 2011 has a stated interest rate of 1.52% (2010 – 1.80%).

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

10. Inventories

		2011	2010
Fuel inventories	$	5,239,123	4,126,640
Generation spare parts		9,129,953	8,619,842
Transmission, distribution and other spares		9,443,729	9,809,150
Gross inventories		23,812,805	22,555,632
Less: provision for inventory obsolescence		(2,560,579)	(2,570,380)
	$	21,252,226	19,985,252

11. Trade, Other Receivables and Prepayments

		2011	2010
Trade receivables due from related parties	$	12,133,507	8,832,425
Other trade receivables		46,729,918	33,070,115
Less: provision for impairment of trade receivables		(6,183,439)	(5,394,718)
Trade receivables, net		52,679,986	36,507,822
Other receivables due from related parties		675,281	-
Other receivables		2,235,408	4,267,300
Less: provision for impairment of other receivables		(402,760)	(370,442)
Other receivables, net		2,507,929	3,896,858
Accrued income		17,894,997	15,624,023
Prepayments		1,442,073	3,754,209
		19,337,070	19,378,232
	$	74,524,985	59,782,912

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 cash at hand and in bank.

		2011	2010
Cash at bank and in hand	$	14,053,106	7,100,615
Term deposits		13,982,319	12,781,713
	$	28,035,425	19,882,328

The bank overdraft is secured as in note 14.

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13. Share Capital

		2011	2010
Authorised:			
Voting ordinary shares	$	100,000,000	15,000,000
Ordinary non-voting shares	$	800,000	800,000
Preference shares	$	1,214,128	1,214,128

At a special meeting of shareholders held on May 6, 2011 the authorised voting ordinary share capital of the Company was increased to 100,000,000 shares

		2011	2010
Issued and fully paid			
22,400,000 (2010– 11,200,000) voting ordinary shares	$	77,562,792	77,562,792
520,000 (2010– 520,000) non-voting ordinary shares		2,600,000	2,600,000
	$	80,162,792	80,162,792

At a special meeting held on May 6, 2011, the Company's shareholders approved a stock split of two new shares in exchange for each existing ordinary share held on September 30, 2011.

14. Borrowings

This comprises:

	Notes		2011	2010
Current				
Bank borrowings		$	3,279,062	5,699,276
Related parties	26		8,685,667	7,936,174
			11,964,729	13,635,450
Non-current				
Bank borrowings			42,206,174	45,472,459
Related parties	26		81,189,476	49,236,267
			123,395,650	94,708,726
Total borrowings				
Bank borrowings			45,485,236	51,171,735
Related parties	26		89,875,143	57,172,441
		$	135,360,379	108,344,176

Borrowings include loans amounting to $41,811,267 (2010 - $2,716,900) that are guaranteed by the Government of Saint Lucia and other bank loans that are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable property and

14. Borrowings (Cont'd)

Borrowings are secured by hypothecary 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.

The weighted average effective rates at the date of the statement of financial position were as follows:

	2011 %	2010 %
Current		
Bank borrowings	7.82%	6.07
Related parties	7.48%	7.37

Maturity of non-current borrowings:

	2011	2010
Between 1 and 2 years	$ 12,751,316	10,956,284
Between 2 and 5 years	38,058,587	32,705,940
Over 5 years	72,585,747	51,046,502
	$ 123,395,650	94,708,726

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. At the reporting date, interest accrues on these deposits at a rate of 3% per annum at December 31, 2011 (2010 – 3% per annum).

	2011	2010
Consumer deposits	$ 10,308,391	10,006,562
Interest accrued	3,562,656	3,395,893
Total	$ 13,871,047	13,402,455

Accrued interest of $3,562,656 (2010 - $3,395,893) is included in consumer deposits.

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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% (2010 – 30%). The movement on the deferred tax liability account is as follows:

	2011	2010
At beginning of year	$ 24,619,474	27,704,168
Reversed during the year	(1,793,701)	(3,084,694)
At end of year	$ 22,825,773	24,619,474

Deferred tax liabilities derive from timing differences in the categories shown below and comprise:

	2011	2010
Property, plant and equipment	$ 20,457,386	22,261,147
Pensions and retirement benefit asset and liabilities	2,368,387	2,358,327
	$ 22,825,773	24,619,474

17. Consumer Contributions

	2011	2010
At beginning of year	$ 29,875,827	29,085,469
Contributions received	2,724,033	2,118,033
Amortisation for the year	(1,065,162)	(1,327,675)
At end of year	$ 31,534,698	29,875,827

18. Retirement benefit liability

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

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

	Grade III		Grades I and II	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Discount rate	6.5%	7.0	7.0%	7.0
Medical expense increase	4.0%	4.5	5.0%	5.0

The amounts recognised in the statement of financial position at December 31, 2011 are determined as follows:

	Grade III		Grade II & I		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Present value of funded obligations $	334,141	208,397	1,462,000	1,009,000	1,796,141	1,217,397
Unrecognised actuarial loss	(199,907)	(106,489)	(356,000)	45,000	(555,907)	(61,489)
Post retirement liability $	134,234	101,908	1,106,000	1,054,000	1,240,234	1,155,908

18. Retirement Benefit Liability (Cont'd)

The movements in the post retirement benefit obligation for the year ended December 31, 2011 were as follows:

	Grade III		Grades II & I		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Defined benefit obligation as at January 1 $	208,397	98,566	1,009,000	993,000	1,217,397	1,091,566
Services and interests costs	31,573	15,164	94,000	93,000	125,573	108,164
Benefits paid	(4,271)	(1,682)	(42,000)	(32,000)	(46,271)	(33,682)
Actuarial gain	98,442	96,349	401,000	(45,000)	499,442	51,349
Defined obligation benefit as at December 31 $	334,141	208,397	1,462,000	1,009,000	1,796,141	1,217,397

18. Retirement Benefit liability (Cont'd)

The amounts recognised in the statement of comprehensive income for the year ended December 31, 2011 were as follows:

	Grade III		Grade II & I		Total	
	2011	2010	2011	2010	2011	2010
Current service cost	$ 16,013	7,289	25,000	25,000	41,013	32,289
Interest on defined benefit obligations	15,560	7,875	69,000	68,000	84,560	75,875
Amortised net gain	5,024	16	-	-	5,024	16
Net pension costs	$ 36,597	15,180	94,000	93,000	130,597	108,180

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

	Grade III		Grade II & I		Total	
	2011	2010	2011	2010	2011	2010
Cumulative amount as at January 1	$ 106,492	10,159	(45,000)	-	61,492	10,159
Recognised during the period	93,415	96,333	401,000	45,000	494,415	141,333
Cumulative amount as at December 31	$ 199,907	106,492	356,000	45,000	555,907	151,492

19. Trade and Other Payables

	2011	2010
Trade payables	$ 17,303,513	17,713,233
Accrued expenses	19,264,838	15,403,789
Other payables	8,537,587	8,599,652
	$ 45,105,938	41,716,674

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

20. Tariff Reduction

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

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. In respect of 2010, 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 $557,485 (2010 - $2,554,830) is due to qualifying customers, and for this reporting period, has been included in trade and other payables.

21. Ordinary Dividends

		2011	2010
Interim - $0.30	(2010 - $0.65) per share	$ 6,876,000	7,618,000
Final - $0.49	(2010 - $0.94) per share	11,124,000	11,047,800
		$ 18,000,000	18,665,800

If computed on the basis of the number of shares after the stock split (Note 13), the interim dividend per share for 2010 would be $0.33 and the final would be $0.48.

22. Other Gains, Net

	2011	2010
Gain on disposal of property, plant and equipment	$ 84,879	218,645
Foreign exchange (loss)/gain	(18,812)	77,417
	$ 66,067	296,062

23. Taxation

	2011	2010
Current tax	$ 11,796,251	14,222,350
Net change in deferred tax liabilities (Note 16)	(1,793,701)	(3,084,694)
	$ 10,002,550	11,137,656

23. Taxation (Cont'd)

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

	2011	2010
Profit before taxation	$ 36,273,720	40,357,825
Tax at the statutory rate of 30% (2010 – 30%)	10,882,116	12,107,348
Tax effect of income not subject to tax	(319,549)	(398,303)
Tax effect of unadjusted differences	116,209	(104,585)
Tax effect of difference in deferred tax computation	(676,226)	(466,804)
Actual tax charge	$ 10,002,550	11,137,656

24. Fuel Price Hedging

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 has only been authorised to use Fixed Price Swaps in its programme during the period to cover the related contracts.

The Board of Directors, as part of the hedging strategy, approved a rolling 12 month hedging program commencing January 2011 utilising Fixed Price Swaps covering 75% of estimated monthly volumes.

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

25. Earnings Per Share

Earnings per share have been calculated by dividing the profit for the year of $26,271,170 (2010 - $29,220,169) by the weighted average number of issued ordinary shares of 22,920,000 (2010 - 11,720,000). The comparative basis computes the earnings per share on the basis of the stock split occurring during the previous year.

	2011	2010
Earnings per share - actual	1.15	2.49
Earnings per share - comparative basis	1.15	1.27

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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
- Post-employment benefits
- Termination benefits

The Company is controlled by the following entities:

	2011	2010
	%	%
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% (2010 – 14.44%) of the shares is widely held.

26. Related Parties (Cont'd)

LUCELEC Trust Company Inc.

The LUCELEC Trust Company Inc. was formally established on October 14, 2005 as a non-profit company, funded through a Deed of Covenant between LUCELEC as the donor and the Trust. The Fund was set up for the purpose of providing financial assistance or purchasing items and or/property to aid any legitimate non-political entity, charitable, educational and sporting body by way of donation. LUCELEC provided initial funding of two million dollars to the Trust and under the Deed of Covenant is committed to provide additional sums to the Trust annually.

LUCELEC donated the amount of $525,000(2010 -$268,000) to the Trust for 2011.

Transactions with shareholders during the year were as follows:

		2011	2010
Revenue			
National Insurance Corporation	$	3,017,753	2,732,013
Castries City Council		1,697,355	1,366,645
Government of St. Lucia and its corporations		25,335,780	22,291,840
	$	30,050,888	26,390,498

The Government of Saint Lucia receives a 10% discount on electricity charges in respect of all accounts other than Street lighting.

Finance Costs			
National Insurance Corporation	$	603,048	256,320
First Citizens Bank Limited		4,661,259	4,267,540
	$	5,264,307	4,523,860
Lease Charges			
Government of Saint Lucia	$	100,000	100,000

Loans from shareholders at the end of the financial year were as follows:

		2011	2010
National Insurance Corporation			
At beginning of year	$	2,735,616	3,647,489
Proceeds from new loan		40,000,000	-
Repayments during year		(1,095,742)	(1,168,193)
		41,639,874	2,479,296
Interest expense		603,048	256,320
At end of year	$	42,242,922	2,735,616

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26. Related Parties (Cont'd)

		2011	2010
First Citizens Bank Limited			
At beginning of year	$	54,436,824	61,241,427
Repayments during year		(11,465,862)	(11,072,143)
		42,970,962	50,169,284
Interest expense		4,661,259	4,267,540
At end of year	$	47,632,221	54,436,824

The above loans are fully secured (Note 14).

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

		2011	2010
National Insurance Corporation	$	257,545	222,809
Castries City Council		151,757	992,582
Government of Saint Lucia		11,724,205	7,617,034
	$	12,133,507	8,832,425

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 2011	Transaction Value 2010	Prepayments 2011	Prepayments 2010
Stephen McNamara	McNamara & Co	• Legal fees	85,155	30,850	-	133,984
		• Payments on behalf of third parties	475,930	519,695	-	-
Irving John	John's Service	Meter reading service fees	227,072	228,661	-	-
Christopher G. Huskilson	Emera Inc.	Management fees, re the fuel hedging pilot programme	-	27,100	-	-

27. Expenses by Nature

		2011	2010
Fuel cost over base	$	40,334,648	27,741,933
Fuel at base price		145,397,617	114,728,938
Depreciation on property, plant and equipment		33,267,743	33,196,564
Amortisation of intangible assets		996,502	1,117,876
Repairs and maintenance		11,404,666	12,047,276
Employee benefits		23,724,761	23,348,943
Other operating expenses		21,989,820	17,736,791
Amortisation of consumer contributions		(1,065,162)	(1,327,675)
	$	276,050,595	228,590,646

28. Employee Benefit Expense

		2011	2010
Wages and salaries	$	22,110,490	21,698,261
Pension costs – defined benefit plans		1,568,000	1,617,000
Medical benefits paid		46,271	33,682
	$	23,724,761	23,348,943

The number of permanent employees at December 31, 2011 was 247 (2010 – 241).

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	
			2011	2010
Available-for-sale financial assets	9	$	166,163	163,410
Trade and other receivables	11		73,082,912	56,028,703
Cash and cash equivalents	12		28,035,425	19,882,328
		$	101,284,500	76,074,441

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

		Carrying Amounts	
		2011	2010
Business	$	42,545,897	27,005,570
Residential		14,879,304	14,067,483
	$	57,425,201	41,073,053

Impairment losses:

The aging of trade receivables at the reporting date was:

		Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	$	29,311,102	-	18,886,654	-
Past due 30-60 days		11,195,165	-	8,504,868	-
Past due 60-90 days		7,023,460	-	3,139,955	-
Over 90 days		16,078,913	6,183,439	15,936,294	5,394,718
	$	63,608,640	6,183,439	46,467,771	5,394,718

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29. Financial Instruments (Cont'd)

Credit risk (Cont'd)

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

		Carrying Amount 2011	Carrying Amount 2010
Balance at January 1, 2011	$	5,394,718	4,853,357
Impairment loss recognized		788,721	541,361
Balance at December 31, 2011	$	6,183,439	5,394,718

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, 2011

Non-derivative financial liabilities		Carrying amount	Contractual cash flows	Under 1 year	1-2years	2-5 Years	More than 5 years
Borrowings	$	(135,360,379)	(198,201,231)	(18,955,336)	(21,730,725)	(59,396,847)	(98,118,323)
Trade and other payables		(45,108,938)	(45,108,938)	(45,108,938)	-	-	-
Dividends payable		(11,333,693)	(11,333,693)	(11,333,693)	-	-	-
	$	(191,803,010)	(254,643,862)	(75,397,967)	(21,730,725)	(59,396,847)	(98,118,323)

December 31, 2010

Non-derivative financial liabilities		Carrying amount	Contractual cash flows	Under 1 year	1-2years	2-5 Years	More than 5 years
Borrowings	$	(108,344,176)	(135,670,712)	(21,150,431)	(17,852,199)	(42,296,899)	(54,371,183)
Trade and other payables		(41,716,674)	(41,716,674)	(41,716,674)	-	-	-
Dividends payable		(11,219,078)	(11,219,078)	(11,219,078)	-	-	-
	$	(161,279,928)	(188,606,464)	(74,086,183)	(17,852,199)	(42,296,899)	(54,371,183)

29. Financial Instruments (Cont'd)

Currency Risk

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

	December 31, 2011			December 31, 2010		
	XCD	**BDS**	**GBP**	**XCD**	**BDS**	**GBP**
Trade and other receivables	74,524,985	-	-	58,997,144	-	-
Secured bank loans	(87,286,716)	-	-	(63,403,508)	-	-
Trade and other payables	(43,532,791)	-	(143,558)	(21,704,014)	(11,966)	(77,693)
Balance sheet exposure	(56,294,522)	-	(143,558)	(26,110,378)	(11,966)	(77,693)

The following significant exchange rates applied during the year**:**

		Reporting date			
		Average rate		Spot rate	
XCD		**2011**	**2010**	**2011**	**2010**
GBP £	$	4.343	4.147	4.199	4.177
BDS $	$	1.381	1.366	1.389	1.378

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 2011		Carrying Amount 2010	
Fixed rate instruments:					
Financial assets	$	28,201,588	1.81%	20,045,738	4.08%
Financial liabilities		(135,360,379)	7.5%	(108,344,176)	6.07%
	$	(107,158,791)		(88,298,438)	

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, 2011	Fair value as at December 31, 2011	Carrying amount as at December 31, 2010	Fair value as at December 31, 2010
Available for sale financial asset	$	166,163	166,163	163,410	163,410
Trade and other receivables		74,524,985	74,524,985	59,782,912	59,782,912
Cash and cash equivalents		28,035,425	28,035,425	19,882,328	19,882,328
Secured borrowings		(135,360,379)	(87,247,754)	(108,344,176)	(73,486,008)
Trade and other payables		(45,105,938)	(45,105,938)	(41,716,674)	(41,716,674)
Dividends payable		(11,333,693)	(11,333,693)	(11,219,078)	(11,219,078)
	$	(89,073,437)	(40,960,812)	(81,451,278)	(46,593,110)

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.

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30. Commitments

Capital commitments

Company had capital commitments at December 31, 2011 of $52,497,461 (2010 - $3,916,113) in respect of work contracted.

Operating lease commitments

(i) *Union premises*
The future aggregate minimum lease payments on the operating lease is as follows:

		2011	2010
Not later than 1 year	$	100,000	100,000
Later than 1 year and not later than 5 years		400,000	400,000
	$	500,000	500,000

The above operating lease is for a term of twenty years commencing 2001. 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 Saint Lucia and by reference being paid for similar premises at Union at the time of such negotiations.

(ii) *Motor vehicles and property*
The Company entered into lease agreements for company vehicles for management staff property agreements for office premises, and housing agreements for project staff.

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

		2011	2010
Not later than 1 year	$	675,432	190,040
Later than 1 year and not later than 5 years		978,179	570,095
	$	1,653,611	764,135

(iii) *Fuel hedging*

During the year 2011, the Company executed fuel price hedging contracts for 75% of its estimated volumes. At December 31, 2011, the mark to market valuation for those contracts is US$88,719 or EC$241,041 (2010 - US$2,861,398 or EC$7,754,389).

31. Self Insurance Fund

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

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

The Company recently obtained, and the Board of Directors approved, an independent report on a fund investment policy to ensure its long term sustainability.

The fund balance as at December 31, 2011 is $14,136,016 (2010 - $12,775,799), of which $13,969,854 (2010 - $12,612,389) included in cash and cash equivalents have been invested in local financial institutions in short term liquid financial instruments. The balance of $166,163 (2010 - $163,410) disclosed as "Available-for-sale financial assets" represents fund amounts invested in the Unit Trust Corporation of Trinidad and Tobago.

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

32. CLICO Investment – Grade II Pension Scheme

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

On January 30, 2009, in accordance with the terms of the deposit administration contract between the CLICO and the scheme's trustees, the trustees with the consent of the Company served notice on CLICO to terminate the contract. Under the terms of the contract, CLICO is required to repay the value of the deposit administration contract in monthly installments of $250,000, and interest is accrued on the residual balance at a rate of 5% per annum. These monthly installments were paid to the scheme's new investment manager (RBC Investment Management (Caribbean) Limited) up until October 2010 when payments stopped. The residual balance of the fund held with CLICO at December 31, 2011 was $7.233 million (2010 - $6.932 million). In addition, the estimated value of the immediate annuity policies that the scheme holds with CLICO was $2.198 million as at December 31, 2011. The total value of the scheme's investment in CLICO was therefore $9.431 million as at December 31, 2011.

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32. CLICO Investment – Grade II Pension Scheme (Cont'd)

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

During 2011, the trustees also initiated legal action and obtained judgment against CLICO from the High Court of Justice (Saint Lucia) of the Eastern Caribbean Supreme Court in respect of the fund balance due to the Scheme.

Subsequent to the judgment, the operations of CLICO in Barbados and the Eastern Caribbean were placed under Judicial Management and this may affect CLICO's ability to honour its financial obligations to the Grade II pension scheme.

As at December 31, 2011, the computation of the present value of the pension obligations as required by IAS 19 are reliant on the value placed on the Scheme's investments with CLICO. While the Court-appointed Judicial Manager has put forward various proposals, including the sale of the business and/or reducing the value of policyholders' investments, for addressing CLICO's situation, there is a great degree of uncertainty regarding the eventual outcome. This uncertainty extends to the possible impairment of the scheme's residual investment in CLICO, and the quantification of such impairment. Consequently, no impairment of the Scheme's investment in CLICO was taken into consideration in the actuarial computation the present value of the pension obligations as required by IAS 19. The Company and the scheme's trustees are continuing to monitor the position closely.

33. Comparatives

At December 31, 2010, accrued income amounting to $4,565,231 was inadvertently included in other trade receivables. This financial year, this amount was reclassified to accrued income to be consistent with the current year's financial statement presentation. This reclassification has no effect on the results for the year ended December 31, 2010 or the financial position as at that date.

Operating Statistics
2002-2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Generating Plant (kW)										
Available Capacity	76,000	76,000	76,000	76,000	76,000	65,800	65,800	56,800	56,800	66,400
Firm Capacity	55,600	55,600	55,600	55,600	55,600	46,300	46,300	37,000	37,000	47,800
Peak Demand	60,300	59,200	55,900	54,100	52,700	49,800	49,200	46,600	44,900	43,400
Percentage growth in peak demand	1.9%	5.9%	3.3%	2.7%	5.8%	1.2%	5.6%	3.8%	3.5%	0.2%
Sales (kWh x 1000)										
Domestic	113,505	113,757	107,820	103,214	104,784	101,635	98,914	96,062	92,848	89,084
Commercial (including Hotels)	190,846	188,640	178,518	170,624	168,151	160,895	158,483	151,451	141,374	133,996
Industrial	18,761	18,373	19,002	18,626	15,789	12,982	12,522	12,345	13,185	12,673
Street Lighting	10,263	9,959	9,741	9,510	9,117	8,886	7,480	6,544	4,713	3,634
Total Sales	333,375	330,729	315,081	301,975	297,841	284,398	277,399	266,402	252,120	239,387
Power Station and Office Use (kWh x 1000)	14,599	14,127	14,312	14,256	13,185	13,071	13,172	12,076	11,793	11,970
Losses (kWh x 1000)	37,234	36,033	33,597	36,105	34,672	33,291	33,043	30,062	35,070	34,356
Units Generated (kWh x 1000)	385,208	380,889	362,990	352,335	345,698	330,760	323,614	308,540	298,983	285,713
Percentage growth in units generated	1.1%	4.9%	3.0%	1.9%	4.5%	2.2%	4.9%	3.2%	4.6%	-0.3%
Percentage growth in sales	0.8%	5.0%	4.3%	1.4%	4.7%	2.5%	4.1%	5.7%	5.3%	-1.7%
Percentage Losses (excl. prior year sales adjs.)	9.7%	9.5%	9.3%	10.2%	10.0%	10.1%	10.2%	10.2%	11.7%	12.0%
Number of Consumers at Year End										
Domestic	54,415	53,566	52,986	51,444	50,163	48,697	47,417	46,347	44,980	43,460
Commercial (Including Hotels)	6,641	6,557	6,479	6,169	5,938	5,714	5,474	5,307	5157	5,050
Industrial	101	100	100	98	101	95	95	96	102	106
Street Lighting (accounts)	9	9	7	7	7	3*	16	16	14	17
	61,166	60,232	59,572	57,718	56,209	54,509	53,002	51,766	50,253	48,633
Percentage growth	1.6%	1.1%	3.2%	2.7%	3.1%	2.8%	2.4%	3.0%	3.3%	1.8%
Average Annual Consumption Per Customer (kWh)										
Domestic	2,086	2,124	2,035	2,006	2,089	2,087	2,086	2,073	2,064	2,050
Commercial (including Hotels)	28,738	28,769	27,553	27,658	28,318	28,158	28,952	28,538	27,414	26,534
Industrial	185,752	183,730	190,024	190,065	156,327	136,653	131,811	128,594	129,265	119,558
Diesel fuel consumed (Imp. Gall.)	**19,712,324**	**19,561,441**	**18,256,739**	**17,870,149**	**17,729,217**	**17,009,188**	**16,666,145**	**15,961,905**	**15,436,122**	**14,736,896**

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

Financial Statistics
2002-2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Units Sold (kWh x 1000)	333,378	330,729	315,082	301,975	297,841	284,398	277,399	266,402	252,120	239,387
Tariff Sales (Cents per kWh)	84.0	75.0	75.1	80.7	77.5	67.4	40.8	41.7	41.0	41.0
Fuel Charge (Cents per kWh)	11.8	8.1	0.0	19.0	3.4	12.3	32.1	22.6	18.3	14.9
Operating costs (Cents per kWh)	82.8	69.1	61.4	86.1	66.3	65.2	59.2	47.8	44.6	42.3
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	250,154	273,400	292,279	292,916	296,606	267,447	267,872	223,932	236,991	250,360
Retirement Benefit Asset	9,135	9,017	8,828	8,749	7,768	2,850	2,637	2,395	1,983	1,520
Available for Sale Investment	166	163	8,504	5,643	3,452	2,687	1,961	1,266	610	-
Capital Work in Progress	50,846	16,477	9,659	9,582	6,518	11,055	9,297	49,930	15,896	5,654
Current Assets	124,642	99,651	85,080	68,527	63,419	54,460	60,000	54,878	43,519	44,873
Current Liabilities	(68,404)	(68,796)	(67,635)	(52,483)	(57,776)	(57,545)	(66,625)	(48,165)	(35,743)	(38,144)
Total	366,539	329,913	336,714	332,934	319,987	280,954	275,142	284,236	263,256	264,263
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	84,374	76,970	69,338	63,789	58,330	53,932	46,028	49,081	40,831	35,038
Other Reserves & Consumer Contributions	40,670	38,893	37,913	37,177	32,315	25,328	24,332	24,515	25,250	24,628
Long Term Debt	123,396	94,709	107,848	110,754	107,288	81,360	84,916	88,848	75,927	83,988
Other Long Term Liabilities	37,936	39,178	41,452	41,051	41,891	40,171	39,703	41,629	41,085	40,446
Total	366,539	329,913	336,714	332,934	319,987	280,954	275,142	284,236	263,256	264,263
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	280,177	247,945	236,745	243,691	230,754	191,525	113,251	111,108	103,430	98,192
Fuel Surcharge	39,185	26,908	20	57,448	10,178	34,962	88,961	60,147	46,110	35,495
Other	1,657	1,417	1,926	1,082	657	943	848	545	749	481
Total	321,019	276,271	238,691	302,221	241,589	227,430	203,060	171,800	150,289	134,168

Financial Statistics
2002-2011 (continued)

Operating Costs	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Fuel (Cost over Base)	40,335	27,742	-	57,915	10,846	34,712	89,170	60,114	45,669	35,673
Generation O&M	155,985	124,133	117,791	133,943	121,317	91,504	13,682	15,202	14,084	13,208
Transmission & Distribution	19,318	17,618	20,557	16,601	16,810	14,888	14,080	11,802	12,806	12,519
Administrative & Selling	26,148	24,784	23,266	22,167	21,180	19,596	23,352	18,407	19,486	20,344
Depreciation	34,264	34,314	31,832	29,468	27,171	24,763	23,885	21,905	20,493	19,608
Total	276,050	228,591	193,446	260,094	197,324	185,463	164,169	127,430	112,539	101,352
Operating Income	44,969	47,679	45,245.00	42,127	44,265	41,967	38,870	44,370	37,750	32,816
Interest Expense	8,761	7,618	6,915	8,997	7,201	7,131	6,074	5,686	7,344	8,805
Foreign Exchange (Gain) Loss/ Other	(66)	(296)	(636)	(462)	(151)	(503)	116	15	288	(37)
Net Income before Tax	36,274	40,357	38,966	33,592	37,215	35,339	32,680	38,669	30,117	24,048
Taxation	10,003	11,138	11,151	11,049	9,125	8,585	7,083	10,628	10,501	7,747
Net Income after Tax	26,271	29,219	27,815	22,543	28,090	26,754	25,597	28,124	19,616	16,301
Other Comprehensive (loss)/income	(192)	(178)	(239)	48	-	-	-	-	-	-
Dividend Declared	18,000	18,666	17,228	15,705	16,642	16,642	15,715	19,462	13,361	11,105
Retained Earnings for Year	8,079	10,376	10,348	6,886	11,448	10,112	9,882	8,662	6,255	5,196
Retained Earnings beginning of Year	76,970	69,338	62,282	57,061	52,303	45,924	49,081	40,831	35,038	30,279
Transfer to Retirement Benefit & Reserves	(118)	(189)	(79)	(981)	(644)	636	(242)	(412)	(463)	(437)
Tariff Reduction Reserve	(557)	(2,555)	(3,213)	(1,953)	(6,046)	(3,087)	(4,557)	-	-	-
Prior Year Adjustment			-	-	-	(1,282)	(8,240)	-	-	-
Retained Earnings end of Year	84,374	76,970	69,338	61,013	57,061	52,303	45,925	49,081	40,831	35,038
Return on Rate Base	15.12%	17.41%	18.32%	17.77%	21.42%	18.91%	19.67%	12.91%	10.52%	9.70%
Earnings per share (EC$)	$1.15	$ 1.27	$ 2.36	$ 1.92	$ 2.48	$ 2.30	$2.18	$2.40	$1.67	$1.39
Dividend per share (EC$)	$0.79	$ 1.59	$ 1.47	$ 1.34	$ 1.42	$ 1.42	$1.34	$1.66	$1.14	$0.95
Debt/Equity Ratio	45/55	41/59	44/56	47/53	48/52	43/57	43/57	44/56	45/55	50/50
Capital expenditure	$45,390	$22,262	$31,281	$28,344	$51,794	$26,108	$27,200	$42,881	$17,404	$12,706

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

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The Power of Caring