ST. LUCIA ELECTRICITY SERVICES LIMITED

Financial Statements

December 31, 2012

ST. LUCIA ELECTRICITY SERVICES LIMITED

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KPMG

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

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

INDEPENDENT AUDITORS' REPORT

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, 2012, 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, 2012, 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 8, 2013

Castries, Saint Lucia

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Financial Position

December 31, 2012

(Expressed In Eastern Caribbean Dollars)

	Notes		2012	2011 Restated
Assets				
Non-current				
Property, plant and equipment	6	$	350,554,589	291,178,325
Intangible assets	7		15,053,991	9,821,895
Retirement benefit asset	8		9,354,000	9,135,000
Available-for-sale financial asset	9		167,969	166,163
Total non-current assets			375,130,549	310,301,383
Current				
Inventories	10		19,168,529	21,253,302
Trade, other receivables and prepayments	11		77,580,781	74,523,909
Cash and cash equivalents	12		36,685,474	28,035,425
Income tax receivable			9,043,958	829,511
Total current assets			142,478,742	124,642,147
Total assets		$	517,609,291	434,943,530
Equity and liabilities				
Shareholders' equity				
Share capital	13	$	80,162,792	80,162,792
Retained earnings			91,335,400	84,267,176
Total equity attributable to shareholders			171,498,192	164,429,968
Retirement benefit reserve	8		9,354,000	9,135,000
Total shareholders' equity			180,852,192	173,564,968
Liabilities				
Non-current				
Borrowings	14		167,797,100	123,395,650
Consumer deposits	15		14,770,880	13,871,047
Deferred tax liabilities	16		29,054,609	22,825,773
Consumer contributions	17		33,170,723	31,534,698
Retirement benefit liability	18		1,402,589	1,240,234
Total non-current liabilities			246,195,901	192,867,402
Current				
Borrowings	14		15,263,474	11,964,729
Trade and other payables	19		64,199,424	45,105,938
Dividends payable			11,098,300	11,440,493
Total current liabilities			90,561,198	68,511,160
Total liabilities			336,757,099	261,378,562
Total equity and liabilities		$	517,609,291	434,943,530

Approved by:

Director
Stephen McNamara

Director
Matthew Mathurin

The notes on pages 6 to 53 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Comprehensive Income

For the Year Ended December 31, 2012

(Expressed In Eastern Caribbean Dollars)

	Notes	2012	2011
Revenue			
Energy sales		$ 318,264,626	280,177,406
Fuel surcharge		22,083,227	39,184,718
Other revenue		1,486,119	1,657,480
		341,833,972	321,019,604
Operating expenses			
Fuel cost at base price		187,235,821	145,397,617
Fuel cost over base		22,074,156	40,334,648
Transmission and distribution		34,188,609	35,571,174
Generation		26,891,803	26,993,025
	27	270,390,389	248,296,464
Gross income		71,443,583	72,723,140
Administrative expenses	27	(28,061,709)	(27,754,131)
Operating profit		43,381,874	44,969,009
Other gains, net	22	66,876	66,067
Profit before finance costs and taxation		43,448,750	45,035,076
Finance costs, net	26	(9,388,635)	(8,761,356)
Profit before taxation		34,060,115	36,273,720
Taxation	23	(8,809,335)	(10,002,550)
Net profit for the year from continuing operations		25,250,780	26,271,170
Other comprehensive income:			
Actuarial losses on defined benefit plans		(315,156)	(192,023)
Total comprehensive income for the year		$ 24,935,624	26,079,147
Earnings per share	25	$ 1.10	1.15

The notes on pages 6 to 53 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity

For the Year Ended December 31, 2012

(Expressed In Eastern Caribbean Dollars)

	Notes	Stated Capital	Retained Earnings	Retirement Benefit Reserve	Total
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	20	-	(557,485)	-	(557,485)
Transfer to retirement benefit reserve		-	(118,000)	118,000	-
Ordinary dividends as previously stated	21	-	(18,000,000)	-	(18,000,000)
Prior year adjustment	21	-	(106,800)	-	(106,800)
Ordinary dividends as restated	21	-	(18,106,800)	-	(18,106,800)
Balance at December 31, 2011 as restated		$ 80,162,792	84,267,176	9,135,000	173,564,968
Balance at January 1, 2012 as restated		80,162,792	84,267,176	9,135,000	173,564,968
Total comprehensive income for the year		-	24,935,624	-	24,935,624
Transfer to retirement benefit reserve		-	(219,000)	219,000	-
Ordinary dividends	21	-	(17,648,400)	-	(17,648,400)
Balance at December 31, 2012		$ 80,162,792	91,335,400	9,354,000	180,852,192

The notes on pages 6 to 53 are an integral part of these financial statements.

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows

For the Year Ended December 31, 2012

(Expressed In Eastern Caribbean Dollars)

	Notes		2012	2011
Cash flows from operating activities				
Profit before taxation		$	34,060,115	36,273,720
Adjustments for:				
Depreciation	6		31,962,555	33,267,743
Amortisation of intangible assets	7		662,741	996,502
Finance costs expensed			9,388,635	8,761,356
Gain on disposal of property, plant and equipment	22		(39,068)	(84,879)
Amortisation of consumer contributions	17		(555,030)	(1,065,162)
Post-retirement benefits			(371,801)	(225,698)
Operating profit before working capital changes			75,108,147	77,923,582
Decrease/(increase) in inventories			2,084,773	(1,267,417)
Increase in trade and other receivables			(3,056,872)	(14,741,630)
Increase in trade and other payables			19,093,486	3,389,264
Cash generated from operations			93,229,534	65,303,799
Interest received			763,938	483,161
Finance costs paid			(10,490,198)	(8,905,779)
Income tax paid			(10,794,946)	(14,850,237)
Net cash from operating activities			72,708,328	42,030,944
Cash flows from investing activities				
Acquisition of property, plant and equipment	6		(90,988,210)	(38,544,131)
Proceeds on disposal of property, plant and equipment			48,392	87,283
Acquisition of intangible assets	7		(6,254,770)	(6,845,467)
Net cash used in investing activities			(97,194,588)	(45,302,315)
Cash flows from financing activities				
Proceeds from borrowings			60,000,000	40,000,000
Repayment of borrowings			(11,861,703)	(13,158,524)
Dividends paid			(17,990,593)	(17,885,385)
Appropriation for tariff reduction			-	(557,485)
Consumer contributions received	17		2,191,055	2,724,033
Consumer deposits received (net)			797,550	301,829
Net cash from financing activities			33,136,309	11,424,468
Net increase in cash and cash equivalents			8,650,049	8,153,097
Cash and cash equivalents at beginning of year			28,035,425	19,882,328
Cash and cash equivalents at end of year	12	$	36,685,474	28,035,425

The notes on pages 6 to 53 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 8, 2013.

(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, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges which are recognized directly in other comprehensive income.

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

(b) *Financial Instruments*

(i) *Non-Derivative Financial Instruments*

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

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

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 and Other Receivables
Trade and other 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 and other 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.

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 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
■ Generator overhauls	$33^1/_3$% per annum
■ Motor vehicles	20 and $33^1/_3$% per annum
■ Furniture and fittings	10 - 25% per annum
■ Computer hardware	$12^1/_2$ - 25% per annum

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

(d) Intangible Assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated 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 amortized ranges 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.

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.

3. Significant Accounting Policies (Cont'd)

(g) Derivative Financial Instruments (Cont'd)

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

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

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

(h) Employee Benefits

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

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

The Company recognises actuarial gains and losses arising from defined benefit plans in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

(h) Employee Benefits (Cont'd)

(ii) *Pension Benefits Assumptions*

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

The expected return on plan assets assumption is determined on a uniform basis taking into consideration long-term historical returns, asset allocation and future estimates of long-term obligations.

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

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

(iii) *Termination Benefits*

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

If benefits are payable more than twelve months after the reporting period, then they are discounted to their 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 57.74% (2011 - 56.8%) 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.

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

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, 2012, and have not been applied in preparing these financial statements or disclosed in these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognized in the Company's financial statements.

(i) Standards, amendments and interpretations effective in the 2012 financial year are as follows:

- *IFRS 7, Financial Instruments: Disclosures* has been amended to introduce additional disclosures designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are effective for annual periods beginning on or after January 1, 2012; however, there were no effects on these financial statements.

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

- *IAS 1, Presentation of Financial Statements* has been amended to require an entity to present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregate 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. The amendment is effective for annual periods beginning on or after July 1, 2012.

3. Significant Accounting Policies (Cont'd)

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

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

- *IAS 19, Employee Benefits* 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 changed in the defined benefit obligation and plan assets in profit or loss, and for the expected return on plan assets recognized in profit or loss is to be calculated based on the rates 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. The Company is assessing the impact that this amendment will have on its 2013 financial statements.

- *IFRS 7, Financial Instruments: Disclosures* clarify existing applications used relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of offset" and "simultaneous realization and settlement". The amendment requires entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangements. The amendment is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact that this amendment will have on its 2013 financial statements.

- IFRS 9, *Financial Instruments:* effective for annual periods beginning on or after January 1, 2015, deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirement in IAS 39 in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: at amortized cost and fair value. A financial asset will be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets will be measured at fair value. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

  For an investment in an equity instrument that is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss.

3. Significant Accounting Policies (Cont'd)

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

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

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

However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income will be measured at fair value with changes in fair value being recognized in profit or loss.

IFRS 9 also requires that derivatives embedded in contracts with a host that is a financial asset are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

The impact of IFRS 9 on the Company's financial statements is currently being considered. IFRS 9 is permitted for early adoption but the Company does not intend to do so.

Recent amendments to IFRS 9

These were issued in December 2011 by the International Accounting Standards Board ("IASB"). The amendments require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 with early application permissible. In these amendments, the IASB has modified the relief from restating prior periods. IASB has also made amendments to IFRS 7 to require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9.

For entities which initially apply IFRS 9:

(a) before January 1, 2012, they need not restate prior periods and are not required to provide the disclosures set out in below;
(b) on or after January 1, 2012 and before January 1, 2013, they must elect either to provide the disclosures set out below or to restate prior periods; and
(c) on or after January 1, 2013, they shall provide the disclosures set out below. The entity need not restate prior periods.

At the date of initial application of IFRS 9, the entity shall disclose the changes in the classification of financial assets and financial liabilities showing separately,

(i) the changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 (i.e. not resulting from a change in measurement attribute on transition to IFRS 9); and

3. Significant Accounting Policies (Cont'd)

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

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

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

  Recent amendments to IFRS 9 (Cont'd)

  (ii) the changes in the carrying amounts arising from a change in measurement attribute on transition to IFRS 9.

  In addition to the above, in the reporting period in which IFRS 9 is initially applied, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost as a result of the transition to IFRS 9:

  (i) the fair value of the financial assets or financial liabilities at the end of the reporting period;

  (ii) the fair value gain or loss that would have been recognized in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified;

  (iii) the effective interest rate determined on the date of reclassification; and

  (iv) the interest income or expense recognized.

  If an entity treats the fair value of a financial asset or a financial liability as its amortized cost at the date of initial application, then the disclosures in (iii) and (iv) above shall be made for each reporting period following reclassification until de-recognition. Otherwise, all the disclosures need not be made after the reporting period containing the date of initial application.

  If these disclosures are made then, the entity should reconcile:

  (i) the measurement categories in IAS 39 and IFRS 9;

  (ii) the class of financial instruments at the date of initial application; and

  (iii) the line items presented in the statement of financial position.

- *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 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 new standard will have on its 2013 financial statements.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

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 value 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 value of trade and other payables approximate their carrying amounts at the reporting date.

Non-derivative financial liabilities
Non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value 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 which also 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 is 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 component of this allowance is a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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.

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

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.

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

Interest on borrowings is denominated in currencies 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 the 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.

5. Financial Risk Management (Cont'd)

Capital Management

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

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

(Expressed In Eastern Caribbean Dollars)

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, 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
Balance at January 1, 2012		88,161,346	548,195,383	3, 555,539	12,208,299	45,473,611	697,594,178
Additions		539,840	737,164	-	1,410,630	88,300,576	90,988,210
Transfers		(20,987)	97,146,570	47,076	23,874	(97,196,533)	-
Reclassifications from intangible assets		402,532	-	-	90,542	(133,141)	359,933
Disposals		-	-	(271,039)	(26,312)	-	(297,351)
Balance at December 31, 2012	$	89,082,731	646,079,117	3,331,576	13,707,033	36,444,513	788,644,970
Accumulated Depreciation							
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
Balance at January 1, 2012		33,022,063	360,522,613	2,792,902	10,078,275	-	406,415,853
Charge for the year		2,061,338	29,021,197	322,050	557,970	-	31,962,555
Eliminated on disposals		-	-	(262,592)	(25,435)	-	(288,027)
Balance at December 31, 2012	$	35,083,401	389,543,810	2,852,360	10,610,810	-	438,090,381
Carrying Amounts							
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
At January 1, 2012	$	55,139,283	187,672,770	762,637	2,130,024	45,473,611	291,178,325
At December 31, 2012	$	53,999,330	256,535,307	479,216	3,096,223	36,444,513	350,554,589

Borrowing costs amounting to $3,099,599 (2011 - $129,262) 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, 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
Balance at January 1, 2012	6,930,634	2,254,087	5,372,157	14,556,878
Additions	2,290,871	290,553	3,673,346	6,254,770
Transfers	8,624,192	200,622	(8,824,814)	-
Reclassifications to property, plant and equipment	-	(272,244)	(87,689)	(359,933)
Balance at December 31, 2012	$ 17,845,697	2,473,018	133,000	20,451,715
Accumulated Amortisation				
Balance at January 1, 2011	$ 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
Balance at January 1, 2012	4,734,983	-	-	4,734,983
Amortised for the year	662,741	-	-	662,741
Balance at December 31, 2012	$ 5,397,724	-	-	5,397,724
Carrying Amounts				
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
At January 1, 2012	$ 2,195,651	2,254,087	5,372,157	9,821,895
At December 31, 2012	$ 12,447,973	2,473,018	133,000	15,053,991

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

8. Retirement Benefit Asset

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

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

The most recent actuarial valuation of these two schemes is dated December 31, 2012. 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, 2012.

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**	
	2012	**2011**	**2012**	**2011**
	%	%	%	%
Discount rate	7.0	6.5	7.0	7.0
Expected return on plan assets	7.5	7.0	7.0-7.5	7.5
Future salary increases	2.5	2.5	5.5	5.5
Future pension increases	3.0	3.0	0.0	0.0
Future promotional increases	2.0	2.0	0.0	0.0

8. Retirement Benefit Asset (Cont'd)

The amounts recognised in the statement of financial position at December 31, 2012 are determined as follows:

		Grade III		Grade II		Grade I		Total	
		2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Present value of funded obligations	$	(20,483,000)	(19,385,000)	(13,872,000)	(12,956,000)	(12,788,000)	(12,102,000)	(47,143,000)	(44,443,000)
Fair value of plan assets		20,127,000	17,577,000	17,228,000	16,048,000	14,420,000	13,935,000	51,775,000	47,560,000
Unrecognised actuarial (loss)/gain		4,608,000	6,262,000	(1,410,000)	(1,389,000)	1,524,000	1,145,000	4,722,000	6,018,000
Defined benefit asset	$	4,252,000	4,454,000	1,946,000	1,703,000	3,156,000	2,978,000	9,354,000	9,135,000

The amount of $9,354,000 (2011 - $9,135,000) 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, 2012 were as follows:

		Grade III		Grade II		Grade I		Total	
		2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Defined benefit obligation as at January 1,	$	19,385,000	16,185,000	12,956,000	11,949,000	12,102,000	11,358,000	44,443,000	39,492,000
Services and interests costs		2,354,000	2, 094,000	1,508,000	1,426,000	1,063,000	1,004,000	4,925,000	4,524,000
Members' contributions		-	-	230,000	224,000	186,000	182,000	416,000	406,000
Benefits paid		(268,000)	(192,000)	(598,000)	(345,000)	(371,000)	(308,000)	(1,237,000)	(845,000)
Expense allowance		-	-	(69,000)	(68,000)	(57,000)	(56,000)	(126,000)	(124,000)
Actuarial (gain)/loss		(988,000)	1,298,000	(155,000)	(230,000)	(135,000)	(78,000)	(1,278,000)	990,000
Defined obligation benefit as at December 31,	$	20,483,000	19,385,000	13,872,000	12,956,000	12,788,000	12,102,000	47,143,000	44,443,000

The movements in the plans' assets for the year ended December 31, 2012 were as follows:

	Grade III		Grade II		Grade I		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Fair value of plan assets at January 1,	$ 17,577,000	16,111,000	16,048,000	14,496,000	13,935,000	13,418,000	47,560,000	44,025,000
Contributions paid - company	1,181,000	992,000	553,000	387,000	265,000	189,000	1,999,000	1,568,000
Contributions paid - members	-	-	230,000	224,000	186,000	182,000	416,000	406,000
Expected return on plan assets	1,262,000	1,238,000	1,198,000	1,084,000	976,000	939,000	3,436,000	3,261,000
Benefits paid	(268,000)	(192,000)	(598,000)	(345,000)	(371,000)	(308,000)	(1,237,000)	(845,000)
Expense allowance	-	-	(69,000)	(68,000)	(57,000)	(56,000)	(126,000)	(124,000)
Actuarial gain/(loss)	375,000	(572,000)	(134,000)	270,000	(514,000)	(429,000)	(273,000)	(731,000)
Fair value of plan assets at December 31,	$ 20,127,000	17,577,000	17,228,000	16,048,000	14,420,000	13,935,000	51,775,000	47,560,000

8. Retirement Benefit Asset (Cont'd)

Plan assets consist of the following:

	Grade III		Grade II		Grade I	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Equity securities	44%	94%	-	-	-	-
Debt securities	43%	-	40.0%	38.0%	-	-
Cash/Money Market	-	-	3.9%	3.2%	-	-
Other (Deposit administration account)	13%	6%	56.1%	58.8%	100%	100%
Total	100%	100%	100%	100%	100%	100%

The actual return on plan assets for the year ended December 31, 2012 was as follows:

		Grade III		Grade II		Grade I		Total	
		2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Return on plan assets	$	1,637,000	666,000	1,064,000	1,354,000	462,000	510,000	3,163,000	2,530,000

The amounts recognised in the statement of comprehensive income for the year ended December 31, 2012 were as follows:

		Grade III		Grade II		Grade I		Total	
		2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Current service cost	$	1,035,000	904,000	620,000	599,000	226,000	217,000	1,881,000	1,720,000
Interest on defined benefit obligations		1,319,000	1,190,000	888,000	827,000	837,000	787,000	3,044,000	2,804,000
Expected return on plan assets		(1,262,000)	(1,238,000)	(1,198,000)	(1,084,000)	(976,000)	(939,000)	(3,436,000)	(3,261,000)
Amortised net loss		291,000	187,000	-	-	-	-	291,000	187,000
Net pension costs	$	1,383,000	1,043,000	310,000	342,000	87,000	65,000	1,780,000	1,450,000

(Expressed In Eastern Caribbean Dollars)

8. Retirement Benefit Asset (Cont'd)

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

	2012	2011
Administrative expenses	$ 28,061,709	27,754,131

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

	2012	2011
At beginning of year	$ 9,135,000	9,017,000
Total expenses as shown above	(1,780,000)	(1,450,000)
Contributions paid	1,999,000	1,568,000
At end of year	$ 9,354,000	9,135,000

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

	Grade III		Grade II		Grade I		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Cumulative amount as at January 1,	$ 6,262,000	4,579,000	(1,389,000)	(889,000)	1,145,000	794,000	6,018,000	4,484,000
Recognised during the period	(1,654,000)	1,683,000	(21,000)	(500,000)	379,000	351,000	(1,296,000)	1,534,000
Cumulative amount as at December 31,	$ 4,608,000	6,262,000	(1,410,000)	(1,389,000)	1,524,000	1,145,000	4,722,000	6,018,000

8. Retirement Benefit Asset (Cont'd)

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

Grade III

		2008	2009	2010	2011	2012
Defined benefit obligation	$	13,128,000	14,455,000	16,185,000	19,385,000	20,483,000
Fair value of plan assets		(11,582,000)	(14,470,000)	(16,111,000)	(17,577,000)	(20,127,000)
Deficit/(surplus)	$	1,546,000	(15,000)	74,000	1,808,000	356,000
Experience adjustment on plan liabilities	$	(693,000)	(380,000)	(106,000)	40,000	(185,000)
Experience adjustment on plan assets	$	(7,632,000)	1,195,000	(283,000)	(572,000)	375,000

Grade II

		2008	2009	2010	2011	2012
Defined benefit obligation	$	9,736,000	10,858,000	11,949,000	12,956,000	13,872,000
Fair value of plan assets		(13,055,000)	(14,009,000)	(14,496,000)	(16,048,000)	(17,228,000)
Surplus	$	(3,319,000)	(3,151,000)	(2,547,000)	(3,092,000)	(3,356,000)
Experience adjustment on plan liabilities	$	(96,000)	(34,000)	(60,000)	(230,000)	(155,000)
Experience adjustment on plan assets	$	(22,000)	(404,000)	(573,000)	270,000	(134,000)

Grade I

		2008	2009	2010	2011	2012
Defined benefit obligation	$	9,614,000	10,331,000	11,358,000	12,102,000	12,788,000
Fair value of plan assets		(11,984,000)	(12,780,000)	(13,418,000)	(13,935,000)	(14,420,000)
Surplus	$	(2,370,000)	(2,449,000)	(2,060,000)	(1,833,000)	(1,632,000)
Experience adjustment on plan liabilities	$	(122,000)	31,000	(379,000)	(78,000)	(135,000)
Experience adjustment on plan assets	$	(60,000)	(20,000)	(261,000)	(429,000)	(514,000)

9. Available-for-sale Financial Asset

		2012	2011
Securities: available-for- sale			
At beginning of year	$	166,163	163,410
Additions for year		1,806	2,753
At end of year	$	167,969	166,163

The available-for-sale financial asset as at December 31, 2012 has a stated interest rate of 1.52% to 2% (2011 – 1.52%).

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

		2012	2011
Fuel inventories	$	2,971,407	5,239,123
Generation spare parts		8,960,417	9,129,953
Transmission, distribution and other spares		9,049,302	9,443,729
Goods in transit		415,084	1,076
Gross inventories		21,396,210	23,813,881
Less: provision for inventory obsolescence		(2,227,681)	(2,560,579)
	$	19,168,529	21,253,302

11. Trade, Other Receivables and Prepayments

		2012	2011
Trade receivables due from related parties	$	6,557,588	12,133,507
Other trade receivables		55,732,405	46,729,918
Less: provision for impairment of trade receivables		(7,154,293)	(6,183,439)
Trade receivables, net		55,135,700	52,679,986
Other receivables due from related parties		759,952	696,811
Other receivables		4,032,608	2,212,802
Less: provision for impairment of other receivables		(425,411)	(402,760)
Other receivables, net		4,367,149	2,506,853
Accrued income		16,732,600	17,894,997
		76,235,449	73,081,837
Prepayments		1,345,332	1,442,073
	$	77,580,781	74,523,909

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 comprise:

		2012	2011 Restated Note 33
Cash at bank and in hand	$	18,690,507	14,065,571
Term deposits		17,994,967	13,969,854
	$	36,685,474	28,035,425

13. Share Capital

		2012	2011
Authorised:			
Voting ordinary shares	$	100,000,000	100,000,000
Ordinary non-voting shares	$	800,000	800,000
Preference shares	$	1,214,128	1,214,128

		2012	2011
Issued and fully paid			
22,400,000 voting ordinary shares	$	77,562,792	77,562,792
520,000 non-voting ordinary shares		2,600,000	2,600,000
	$	80,162,792	80,162,792

14. Borrowings

This comprises:

	Notes		2012	2011
Current				
Bank borrowings		$	3,541,878	3,279,062
Related parties	26		11,721,596	8,685,667
			15,263,474	11,964,729
Non-current				
Bank borrowings			38,673,957	42,206,174
Related parties	26		129,123,143	81,189,476
			167,797,100	123,395,650
Total borrowings				
Bank borrowings			42,215,835	45,485,236
Related parties	26		140,844,739	89,875,143
		$	183,060,574	135,360,379

Borrowings include loans amounting to $99,990,240 (2011 - $41,811,267) 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 floating charges over all other assets, all ranking pari passu pursuant to a security sharing agreement, and assignment of insurance policies.

14. Borrowings (Cont'd)

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

	2012	**2011**
	%	%
Bank borrowings	8.11%	7.82%
Related parties	7.59%	7.48%

Maturity of non-current borrowings:

	2012	**2011**
Between 1 and 2 years	$ 14,724,543	12,751,316
Between 2 and 5 years	48,101,640	38,058,587
Over 5 years	104,970,917	72,585,747
	$ 167,797,100	123,395,650

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

15. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum (2011 – 3% per annum).

	2012	**2011**
Consumer deposits	$ 11,105,941	10,308,391
Interest accrual	3,664,939	3,562,656
Total	$ 14,770,880	13,871,047

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% (2011 – 30%). The movement on the deferred tax liability account is as follows:

		2012	2011
At beginning of year	$	22,825,773	24,619,474
Charged/(reversed) during the year		6,228,836	(1,793,701)
At end of year	$	29,054,609	22,825,773

Deferred tax liabilities are attributed to the following items:

		2012	2011
Property, plant and equipment	$	26,669,186	20,457,386
Pensions and retirement benefit asset and liabilities		2,385,423	2,368,387
	$	29,054,609	22,825,773

17. Consumer Contributions

		2012	2011
At beginning of year	$	31,534,698	29,875,827
Contributions received		2,191,055	2,724,033
Amortisation for the year		(555,030)	(1,065,162)
At end of year	$	33,170,723	31,534,698

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	
	2012	**2011**	**2012**	**2011**
	%	%	%	%
Discount rate	7.0%	6.5%	7.0%	7.0%
Medical expense increase	4.5%	4.0%	5.0%	5.0%

The amounts recognised in the statement of financial position at December 31, 2012 are determined as follows:

	Grade III		Grade II & I		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Present value of funded obligations	$ 393,198	334,141	1,485,000	1,462,000	1,878,198	1,796,141
Unrecognised actuarial loss	(207,609)	(199,907)	(268,000)	(356,000)	(475,609)	(555,907)
Post retirement liability	$ 185,589	134,234	1,217,000	1,106,000	1,402,589	1,240,234

18. Retirement Benefit Liability (Cont'd)

The movements in the post retirement benefit obligation for the year ended December 31, 2012 were as follows:

		Grade III		Grades II & I		Total	
		2012	2011	2012	2011	2012	2011
Defined benefit obligation as at January 1,	$	334,141	208,397	1,462,000	1,009,000	1,796,141	1,217,397
Services and interests costs		46,013	31,573	137,000	94,000	183,013	125,573
Benefits paid		(4,814)	(4,271)	(40,000)	(42,000)	(44,814)	(46,271)
Actuarial (gain)/loss		17,858	98,442	(74,000)	401,000	(56,142)	499,442
Defined obligation benefit as at December 31,	$	393,198	334,141	1,485,000	1,462,000	1,878,198	1,796,141

The amounts recognised in the statement of comprehensive income for the year ended December 31, 2012 were as follows:

		Grade III		Grade II & I		Total	
		2012	2011	2012	2011	2012	2011
Current service cost	$	22,958	16,013	36,000	25,000	58,958	41,013
Interest on defined benefit obligations		23,055	15,560	101,000	69,000	124,055	84,560
Amortised net gain		10,156	5,024	14,000	-	24,156	5,024
Net pension costs	$	56,169	36,597	151,000	94,000	207,169	130,597

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

		Grade III		Grade II & I		Total	
		2012	2011	2012	2011	2012	2011
Cumulative amount as at January 1,	$	199,907	106,492	356,000	(45,000)	555,907	61,492
Recognised during the period		7,702	93,415	(88,000)	401,000	(80,298)	494,415
Cumulative amount as at December 31,	$	207,609	199,907	268,000	356,000	475,609	555,907

19. Trade and Other Payables

		2012	2011
Trade payables	$	18,532,480	17,303,513
Accrued expenses		37,887,395	19,264,838
Other payables		7,779,549	8,537,587
	$	64,199,424	45,105,938

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%. This was equal to a range of 10% to 14.5% in respect of 2012 (2011 - 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.

As the actual Rate of Return fell below the Allowable Rate of Return for the year ended December 31, 2012, no appropriation will be made. For the prior year, an amount of $557,485 was due to qualifying customers and was included in trade and other payables.

21. Ordinary Dividends

		2012	2011 Restated
Interim - $0.35 (2011 - $0.30) per share	$	8,022,000	6,876,000
Final - $0.42 (2011 - $0.49) per share		9,626,400	11,230,800
	$	17,648,400	18,106,800

In 2011, the final dividend was inadvertently understated by $106,800. The effect of the correction of this error is to increase dividends for the year ended December 31, 2011 and dividends payable at that date by an equivalent amount, with no impact on the statement of comprehensive income.

22. Other Gains, Net

		2012	2011
Gain on disposal of property, plant and equipment	$	39,068	84,879
Foreign exchange gain/(loss)		27,808	(18,812)
	$	66,876	66,067

23. Taxation

		2012	2011
Current tax	$	2,580,499	11,796,251
Net change in deferred tax liabilities (Note 16)		6,228,836	(1,793,701)
	$	8,809,335	10,002,550

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

		2012	2011
Profit before taxation	$	34,060,115	36,273,720
Tax at the statutory rate of 30% (2011 – 30%)		10,218,035	10,882,116
Tax effect of income not subject to tax		(166,509)	(319,549)
Tax effect of unadjusted differences		103,654	116,209
Tax effect of difference in deferred tax computation		(741,905)	(676,226)
Correction to 2010 taxes		(603,940)	-
Actual tax charge	$	8,809,335	10,002,550

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 that commenced in January 2012 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 $25,250,780 (2011 - $26,271,170) by the weighted average number of issued ordinary shares of 22,920,000 (2011– 22,920,000).

26. Related Parties

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

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

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

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

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

		2012	**2011**
Short-term employee benefits	$	3,193,306	2,911,221
Post-employment benefits		261,000	226,941
Directors' remuneration		287,118	188,325
Termination benefits		31,569	61,780
	$	3,772,993	3,388,267

26. Related Parties (Cont'd)

The Company is controlled by the following entities:

	2012	2011
	%	%
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	16.79	16.79
Castries City Council	16.33	16.33
Government of Saint Lucia	12.44	12.44
	85.56	85.56

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

Transactions with related parties

Transactions with shareholders during the year were as follows:

Donations

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 $360,000 (2011 - $525,000) to the Trust for 2012.

Supply of electricity

		2012	2011
National Insurance Corporation	$	3,449,262	3,017,753
Castries City Council		1,794,304	1,697,355
Government of Saint Lucia and its corporations		27,374,973	25,335,780
	$	32,618,539	30,050,888

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

26. Related Parties (Cont'd)

Transactions with related parties (Cont'd)

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

		2012	2011
National Insurance Corporation	$	308,579	257,545
Castries City Council		111,063	151,757
Government of Saint Lucia and its corporations		6,137,946	11,724,205
	$	6,557,588	12,133,507

Other Services

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

		2012	2011
LUCELEC Trust Company Inc.	$	20,070	20,070
Emera St. Lucia Ltd.		1,460	1,460
Castries City Council		-	36,782
Government of Saint Lucia and its corporations		738,422	638,499
	$	759,952	696,811

Loans from shareholders

Movements in loans from shareholders for the year and their balances at December 31, 2012 were as follows:

		2012	2011
National Insurance Corporation			
At beginning of year	$	42,242,922	2,735,616
Proceeds from new loan		60,000,000	40,000,000
Repayments during year		(4,799,578)	(1,095,742)
		97,443,344	41,639,874
Interest expense		2,573,776	603,048
At end of year	$	100,017,120	42,242,922

		2012	2011
First Citizens Bank Limited			
At beginning of year	$	47,632,221	54,436,824
Repayments during year		(10,597,922)	(11,465,862)
		37,034,299	42,970,962
Interest expense		3,793,320	4,661,259
At end of year	$	40,827,619	47,632,221

The above loans are fully secured (Note 14).

26. Related Parties (Cont'd)

Transactions with related parties (Cont'd)

Finance costs

Details of the related finance costs are as follows:

		2012	2011
National Insurance Corporation	$	2,573,776	603,048
First Citizens Bank Limited		3,793,320	4,661,259
	$	6,367,096	5,264,307

These charges are included in the finance costs, net of $9,388,635 (2011 - $8,761,356) disclosed in the statement of comprehensive income.

		2012	2011
Lease Charges			
Government of Saint Lucia	$	100,000	100,000

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 2012	2011
Stephen McNamara	McNamara & Co	Legal fees	395,821	85,155
		Payments on behalf of third parties	230,540	475,930

27. Expenses by Nature

	2012	2011
Fuel cost over base	$ 22,074,156	40,334,648
Fuel at base price	187,235,821	145,397,617
Depreciation on property, plant and equipment	31,962,555	33,267,743
Amortisation of intangible assets	662,741	996,502
Repairs and maintenance	10,821,935	11,404,666
Employee benefits (Note 28)	26,276,176	23,724,761
Other operating expenses	19,973,744	21,989,820
Amortisation of consumer contributions	(555,030)	(1,065,162)
	$ 298,452,098	276,050,595

Operating expenses	$ 270,390,389	248,296,464
Administrative expenses	28,061,709	27,754,131
	$ 298,452,098	276,050,595

28. Employee Benefit Expense

	2012	2011
Wages and salaries	$ 20,147,345	19,332,894
Pension contributions	2,050,601	1,812,616
Medical contributions	559,209	352,462
Other employee benefits	3,519,021	2,226,789
	$ 26,276,176	23,724,761

The number of permanent employees at December 31, 2012 was 249 (2011 – 247).

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 2012	2011
Available-for-sale financial asset	9	$ 167,969	166,163
Trade and other receivables	11	76,235,449	73,081,837
Cash and cash equivalents	12	36,685,474	28,035,425
		$ 113,088,892	101,283,425

29. Financial Instruments (Cont'd)

Credit Risk (Cont'd)

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

		Carrying Amounts	
		2012	**2011**
Business	$	47,187,831	42,545,897
Residential		15,102,162	14,879,304
	$	62,289,993	57,425,201

Impairment losses:

The aging of trade receivables at the reporting date was:

		Gross 2012	**Impairment 2012**	**Gross 2011**	**Impairment 2011**
Not past due	$	25,745,899	-	29,311,102	-
Past due 30-60 days		10,289,972	-	11,195,165	-
Past due 60-90 days		4,495,490	-	7,023,460	-
Over 90 days		21,758,632	7,154,293	16,078,913	6,183,439
	$	62,289,993	7,154,293	63,608,640	6,183,439

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

		Carrying Amount 2012	**Carrying Amount 2011**
Balance at beginning of year	$	6,183,439	5,394,718
Impairment loss recognized		970,854	788,721
Balance at end of year	$	7,154,293	6,183,439

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 are 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, 2012

Non-derivative financial liabilities		Carrying amount	Contractual cash flows	Under 1 year	1-2 years	2-5 Years	More than 5 years
Secured loans	$	(183,060,574)	(278,283,925)	(28,427,672)	(26,985,691)	(78,014,266)	(144,856,296)
Trade and other payables		(46,065,422)	(46,065,422)	(46,065,422)	-	-	-
	$	(229,125,996)	(324,349,347)	(74,493,094)	(26,985,691)	(78,014,266)	(144,856,296)

December 31, 2011

Non-derivative financial liabilities		Carrying amount	Contractual cash flows	Under 1 year	1-2 years	2-5 Years	More than 5 years
Secured loans	$	(135,360,379)	(198,201,231)	(18,955,336)	(21,730,725)	(59,396,847)	(98,118,323)
Trade and other payables		(30,913,299)	(30,913,299)	(30,913,299)	-	-	-
	$	(166,273,678)	(229,114,530)	(49,868,635)	(21,730,725)	(59,396,847)	(98,118,323)

29. Financial Instruments (Cont'd)

Currency Risk

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

		2012			2011			
		EURO	**GBP**	**Total**	**EURO**	**GBP**	**BDS**	**Total**
Cash and cash equivalents		83,605	-	83,605	82,177	-	-	82,177
Trade and other payables		-	(127,673)	(127,673)	(114,273)	(188,978)	(1,750)	(305,001)
	$	83,605	(127,673)	(44,068)	(32,096)	(188,978)	(1,750)	(222,824)

The following significant exchange rates applied during the year:

		Reporting date			
XCD		**Average rate**		**Spot rate**	
		2012	**2011**	**2012**	**2011**
GBP 1	$	4.259	4. 343	4.342	4. 199
EURO 1	$	3.454	3. 725	3.552	3.481
BDS 1	$	1.321	1. 381	1.323	3.389

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 2012		Carrying Amount 2011	
Fixed rate instruments:					
Financial assets	$	18,162,935	2.88%	14,136,017	3.33%
Financial liabilities		(182,850,013)	7.50%	(134,711,716)	7.50%
	$	(164,687,078)		(120,575,699)	

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

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, 2012	Fair value as at December 31, 2012	Carrying amount as at December 31, 2011	Fair value as at December 31, 2011
Available-for-sale financial asset	$	167,969	167,969	166,163	166,163
Trade and other receivables		76,235,449	76,235,449	73,081,837	73,081,837
Cash and cash equivalents		36,685,474	36,685,474	28,035,425	28,035,425
Secured borrowings		(183,060,574)	(117,506,372)	(135,360,379)	(87,247,754)
Trade and other payables		(46,065,422)	(46,065,422)	(30,913,299)	(30,913,299)
	$	(116,037,104)	(50,482,902)	(64,990,253)	(16,877,628)

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

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

30. Commitments

Capital commitments

Company had capital commitments at December 31, 2012 of $621,448 (2011 - $52,497,461) in respect of work contracted.

Operating lease commitment

(i) Union premises

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

		2012	**2011**
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 commenced in 2001 for a term of twenty years. The yearly rent, after being paid at the rate of $100,000 on the 1st day of May in each year of the first 5 years, is negotiated thereafter annually 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, into property agreements for office premises and housing agreements for project staff.

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

		2012	**2011**
Not later than 1 year	$	587,014	675,432
Later than 1 year and not later than 5 years		1,076,751	978,179
	$	1,663,765	1,653,611

Fuel hedging

During the year 2012, the Company executed fuel price hedging contracts for 75% of its estimated volumes. At December 31, 2012, the mark to market valuation for those contracts is US$1,004,451 or EC$2,722,062 (2011 - US$88,719 or EC$241,041).

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 also 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, 2012 is $17,719,994 (2011 - $14,136,016), of which $17,552,025 (2011 - $13,969,854) included in cash and cash equivalents have been invested in local financial institutions in short term liquid financial instruments. The balance of $167,969 (2011 - $166,163) 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 instalments of $250,000, and interest is accrued on the residual balance at a rate of 5% per annum. These monthly instalments were paid to the scheme’s new investment manager (RBC Investment Management (Caribbean) Limited) up until October 2010 when payments stopped. The estimated residual balance of the fund held with CLICO at December 31, 2012 was $7.585 million (2011 - $7.233 million). In addition, the estimated value of the immediate annuity policies that the scheme holds with CLICO was $2.073 million as at December 31, 2012 (2011 - $2.198 million). The total value of the scheme’s investment in CLICO was therefore $9.658 million as at December 31, 2012 (2011 - $9.431 million).

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, 2012, the computation of the present value of the pension obligations as required by IAS 19 are reliant on the value placed on the Scheme's investments with CLICO. The Judicial Manager of CLICO has received sanction from the High Court of Barbados to pursue a restructuring plan for the Company. The proposed plan will result in a write down in value of all policyholders' liabilities to match the estimated value of the Company's net available assets. The restructured policyholder liabilities and all the assets of the Company will be transferred to a new company which will be separately governed and managed.

Currently, the quantitative effects of this proposed plan is uncertain. While discussions with the Judicial Manager point to a likely write down of the investment, there is still insufficient information available that will allow for a reliable determination of the extent of the haircut. Consequently, no impairment of the Scheme's investment in CLICO was taken into consideration in the computation of the Company's asset or liability on the balance sheet for the pension plans and its annual net pension cost as required by IAS 19.

Any write down in the value of the Scheme's assets will lead to a deterioration in its financial position and increase the likelihood of higher Company contributions being required to fund the benefits. The Company and the scheme's trustees are continuing to monitor the position closely.

33. Comparatives

Certain comparative figures were reclassified to be consistent with the 2012 financial statement presentation. In particular, at December 31, 2011, petty cash and cash float balances totalling $12,465, which were inadvertently included in term deposits, were reclassified to cash at hand and in bank. Similarly, goods in transit totalling $1,076 that were previously included in other trade receivables were reclassified accordingly. These reclassifications have no effect on the results for the year ended December 31, 2011 or the financial position as at that date.