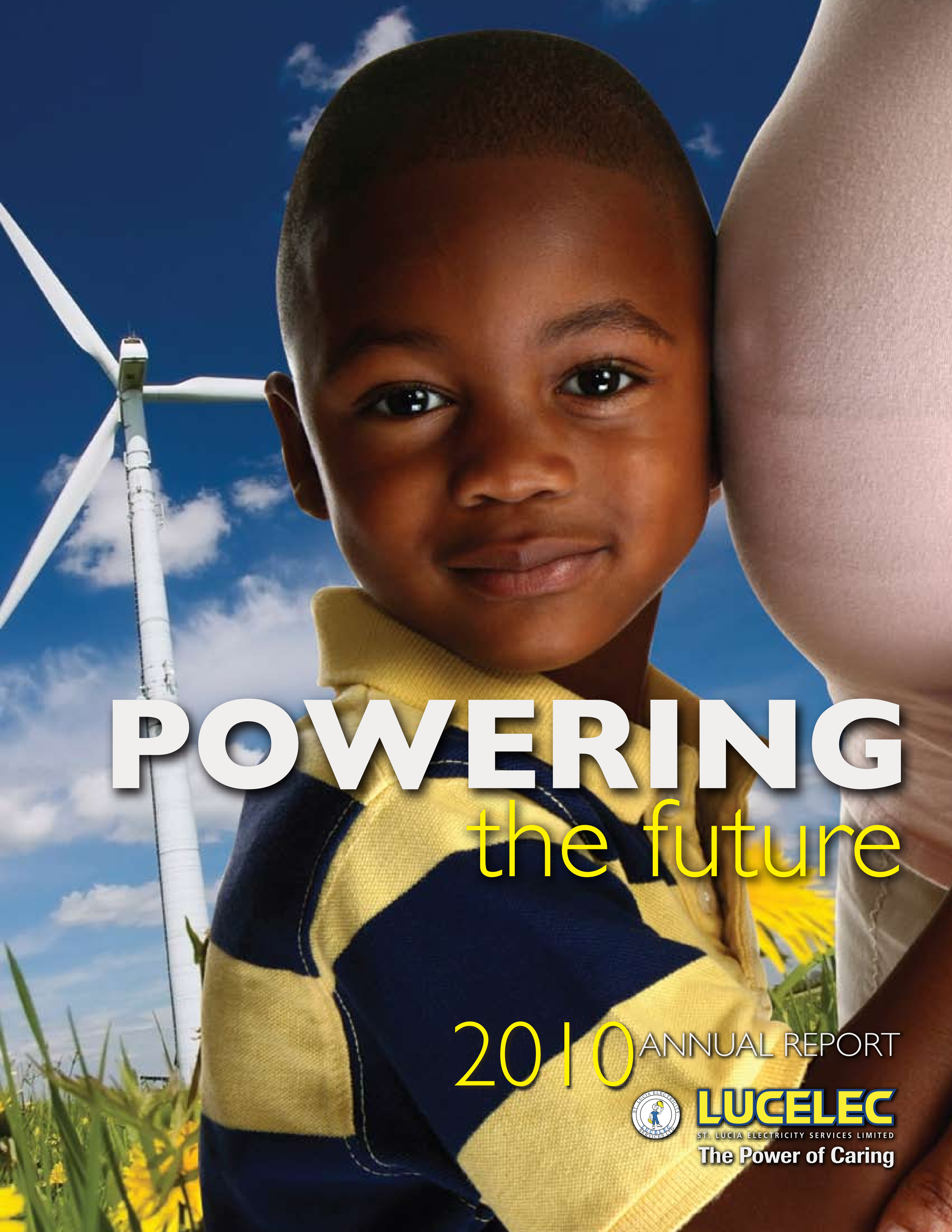


POWERING the future

2010 ANNUAL REPORT

LUCELEC
ST. LUCIA ELECTRICITY SERVICES LIMITED
The Power of Caring

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

MISSION STATEMENT

We will provide affordable energy and services that are safe, reliable, and environmentally responsible. We will meet the expectations of our shareholders and employees while being a catalyst for social and economic development in Saint Lucia.

VISION

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

REGISTERED OFFICE

LUCELEC Building
Sans Souci
John Compton Highway
Castries
Saint Lucia
Telephone Number:
758-457-4400
Fax Number: 758-457-4409
Email Address:
lucelec@candw.lc
Website: www.lucelec.com

ATTORNEYS-AT-LAW

McNamara & Company
20 Micoud Street
Castries
Saint Lucia

AUDITORS

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

BANKERS

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

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

POWERING THE FUTURE

In many ways 2010 was a seminal year for LUCELEC. It is the year that saw the adoption of a new energy policy, the creation (even if only in principle so far) of a new regulatory entity for electric utilities in the Eastern Caribbean, and rising peak demand for power that pushed LUCELEC into its reserve capacity boundaries.

Additionally, the increasing importance of issues such as climate change, energy security, sustainable development, and reducing energy costs is driving the push towards renewable energy technology, smarter energy grids, changing electric utility regulatory frameworks, and a rethinking of existing business models for electric utilities.

To remain true to its mission, LUCELEC has been preparing - strategically and operationally - to ensure a seamless and smooth transition into these new energy and business arrangements, and to meet the demand for power in the future. Critically, LUCELEC recognises that ***Powering the Future*** is more than just about energy and business infrastructure.

By empowering our employees and providing opportunities to the current and future generations of St. Lucians for excellence to shine through and for dreams to be realised, and by ensuring that our power of caring touches the most vulnerable in our communities, we **are** *Powering the Future*.

2010 PERFORMANCE INDICES & TARGETS

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

Target: <97%
Performance: 95.93%

SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)
SAIDI is a measure of reliability. It is the average outage duration for each customer served, and is calculated by totalling all customer interruption durations and dividing that by the total number of customers served. A lower number means fewer interruptions and a more reliable service.

Target: 5.9 hours
Performance: 8.01 hours

REPORTABLE INJURY ACCIDENTS (RIA)
RIA is the number of reportable injury accidents.

Target: Limit the Reportable Injury Accidents that result in two or more sick days to no more than 1
Performance: 8

SYSTEM LOSSES
System losses are total electric energy losses in the electrical system. It is calculated by dividing the difference between units generated and the sum of the units sold and units used by LUCELEC, by the units generated and expressing the result as a percentage.

Target: 9.0%
Performance: 9.46%

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

Target: 19.75 kWh
Performance: 19.47 kWh

WORK HOURS LOST
Work hours lost as a percentage of nominal work hours.

Target: 2.2
Performance: 2.13

ENVIRONMENTAL RATING
Measured by the number of incidents of oil and fuel spills from the power station and substations where the spill was not contained within the compound.

Target: Maximum 1
Performance: 0

CUSTOMER SERVICE PERCEPTION vs. EXPECTATIONS
Customer perception of service quality expressed as a percentage of customer expectation of service quality.

Target: 86%
Performance: 82.5%

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

Target: 18%
Performance: 19.1%

2011 TARGETS
TARIFF CHANGE vs. INFLATION:
<97%

SAIDI
5.9 hours

RIA
Maximum 1

SYSTEM LOSSES
9%

SPECIFIC FUEL CONSUMPTION
19.49 kWh

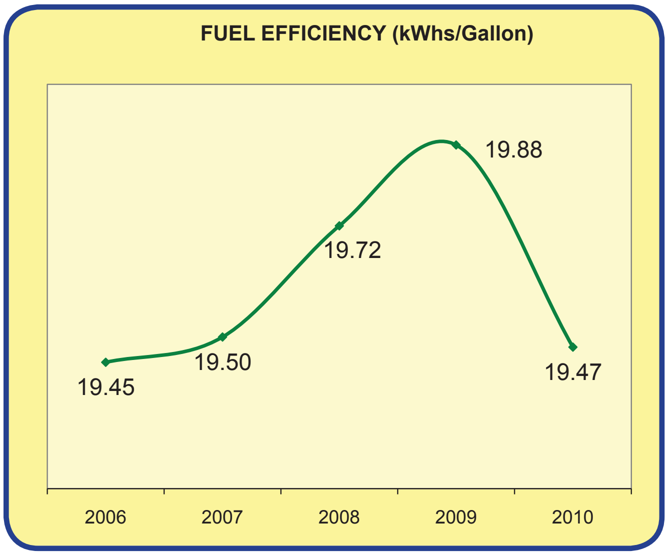
WORK HOURS LOST
2.10

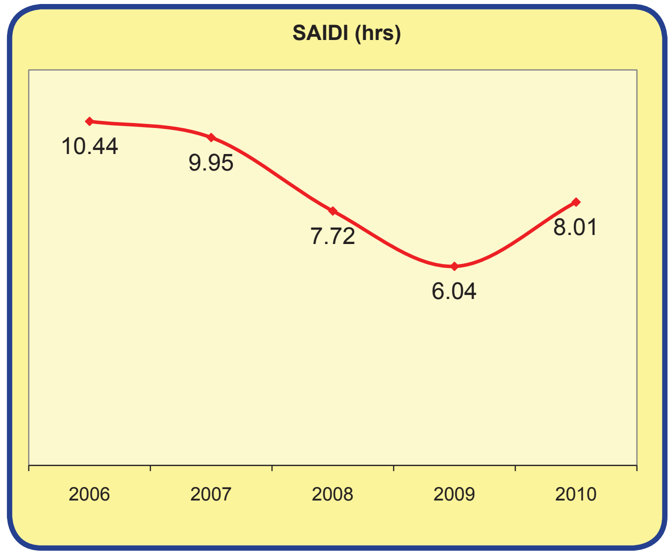
ENVIRONMENTAL RATING
Maximum 1

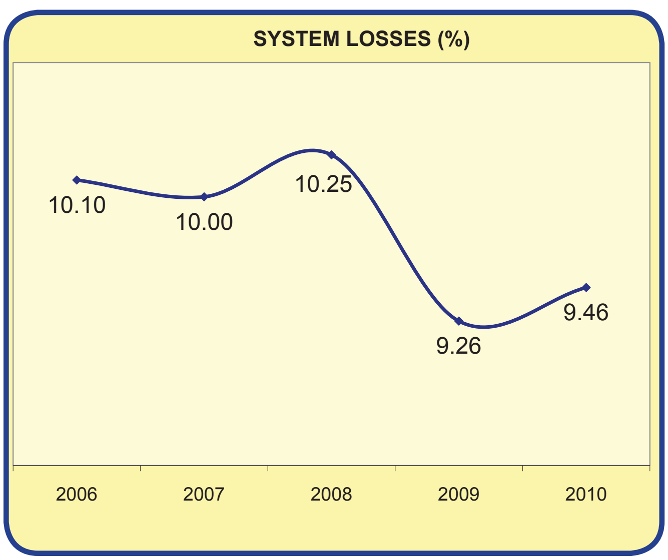
CUSTOMER SERVICE PERCEPTION vs. EXPECTATIONS
86%

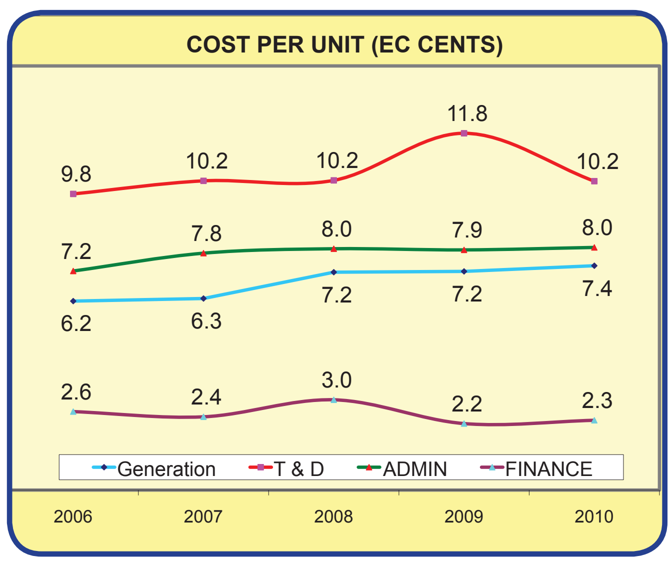
RETURN ON EQUITY
18.6%

5 YEAR OPERATIONAL AND FINANCIAL PERFORMANCE AT A GLANCE

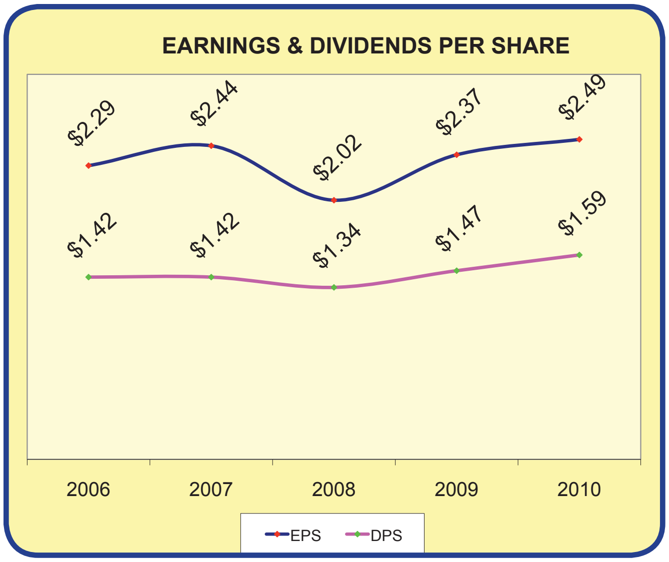


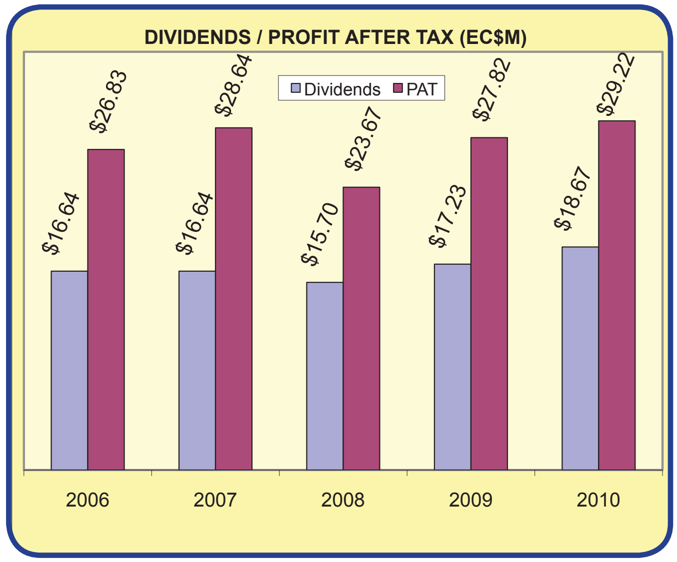


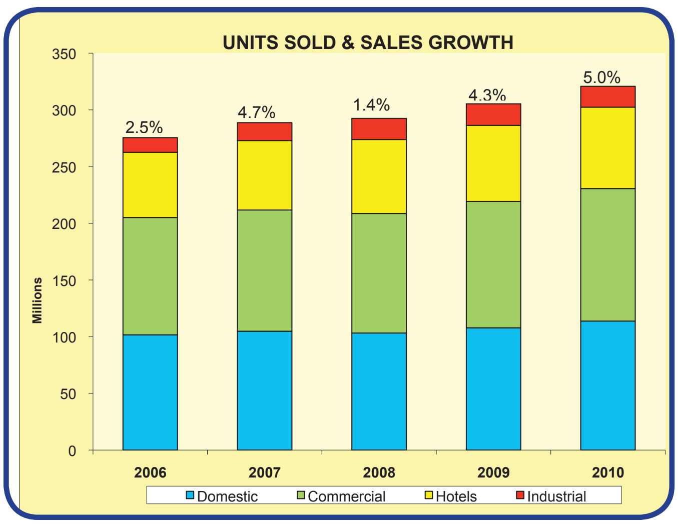


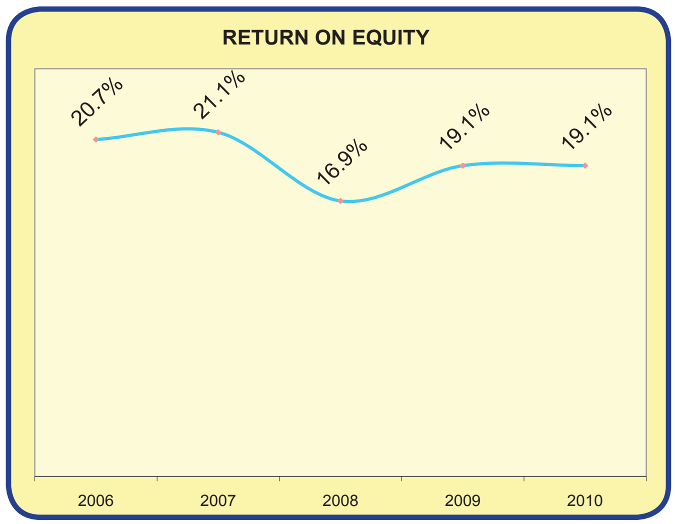


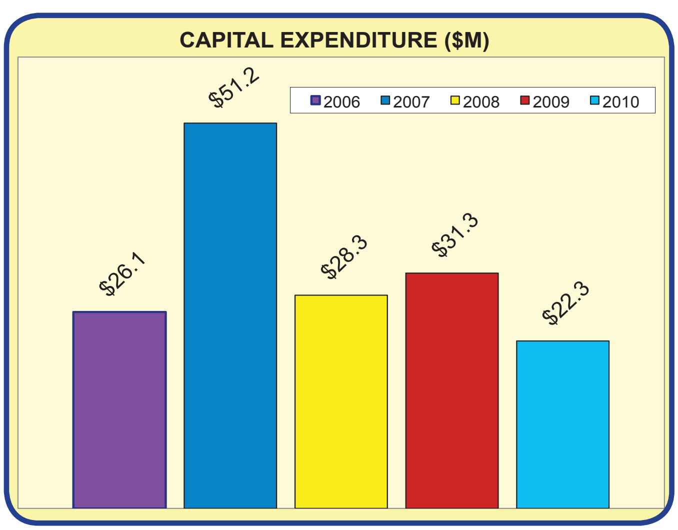
5 YEAR OPERATIONAL AND FINANCIAL PERFORMANCE AT A GLANCE (cont'd)







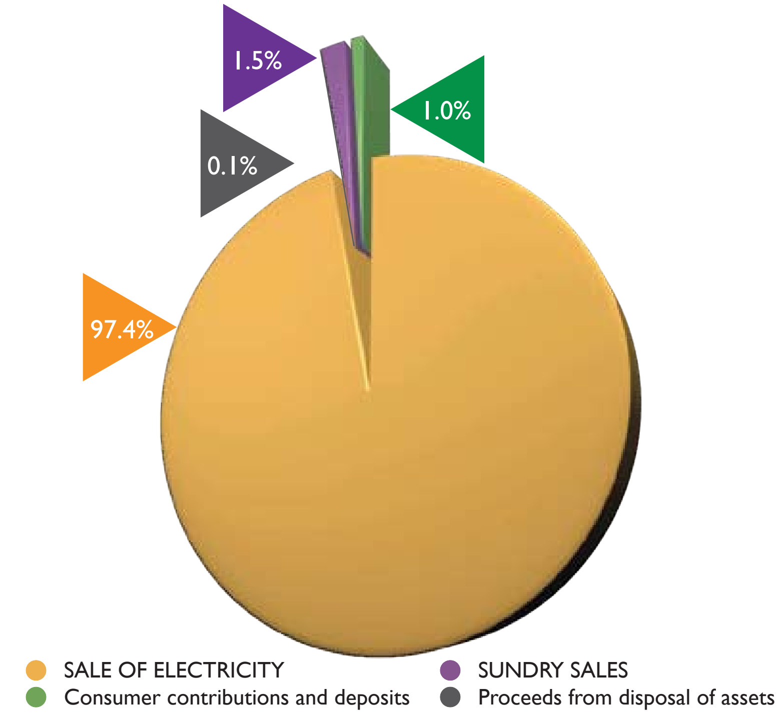




2010 FINANCIAL HIGHLIGHTS

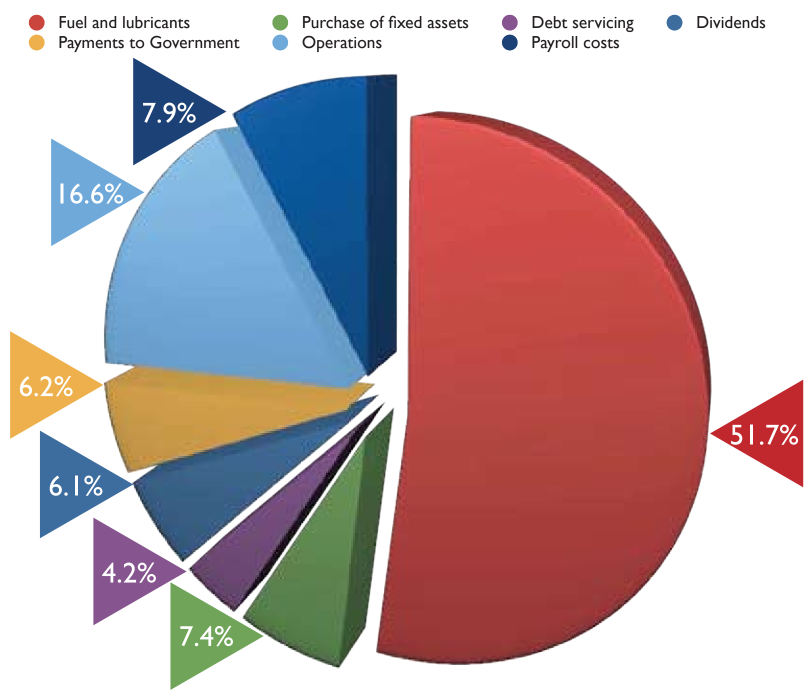
Where LUCELEC $ Came From

	$	cents
Sale of Electricity	267,074	97.4
Proceeds from disposal of assets	227	0.1
Consumer contributions and deposits	2,657	1.0
Sundry sales	4,214	1.5
	274,172	100.0



How the LUCELEC $ was spent

	$	cents
Payroll costs	22,386	7.9
Fuel and lubricants	146,421	51.7
Purchase of fixed assets	20,982	7.4
Debt servicing	11,832	4.2
Dividends	17,220	6.1
Payments to Government	17,481	6.2
Operations	47,023	16.6
	283,345	100.0



LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

CHAIRMAN'S REPORT


Dr. Trevor A. Byer
Chairman

INTRODUCTION

The year 2010 will remain etched in the memories of St. Lucians as the year in which all of us were reawakened to the devastatingly awesome 'power of nature', as Hurricane Tomas unleashed some 20 inches of rain in a 24 hour period resulting in the tragic loss of several lives, catastrophic destruction of vital infrastructure and agriculture, and extensive damage to property.

In the immediate aftermath of Tomas, we witnessed the remarkable speed and effectiveness with which LUCELEC's management, staff and its contractors emphatically demonstrated over the subsequent 15 days, the 'power of their commitment to excellence and to serve' even under the most dire circumstances. Indeed, what we observed was a company moulded into a synchronous operating team in which 'all hands were on deck', from the Cul-de-Sac Control Room, to the tireless transmission and distribution crews, to the daily system status reports.

DEVELOPMENTS IN THE ENERGY SECTOR

In this the third year since the onset of the global economic collapse, we have witnessed important energy sector developments here in St. Lucia, at the OECS sub-regional level and at the international level. At the national level, a new Energy Policy has been adopted by the government. This is an important step forward in articulating a framework within which energy sector strategies designed to implement the policy could unfold. Possible changes in the electric utility regulatory structure and business models for electric utilities were advanced by the Minister of Finance in the 2010/2011 Estimates of Revenue and Expenditure. The proposed establishment of Eastern Caribbean Energy Regulatory Authority (ECERA) will bring new challenges to the Company. In this regard the Company has begun preparing its human resource on the possible changes by exposing them to training on new regulatory regimes and has established an internal focus group dedicated to preparing the Company not only on the challenge but to begin the preparation for change. The Company anticipates that the good relations which exist between the Government and LUCELEC will auger well for constructive dialogue on what best will suit St. Lucia and its citizens.

In this context, of cardinal importance is enhancing national energy security which is most effectively achieved by the priority development of economically viable indigenous energy resources (such as geothermal, wind, waste-to-energy and enhanced energy efficiency in the production and use of energy), thereby reducing dependence on imported oil and its unpredictable foreign exchange costs and consequences. Also of critical relevance is the

Boarding a barge to Soufriere Post Hurricane Tomas

Restoring power in Soufriere

CHAIRMAN'S REPORT (cont'd)

recognition that the electric power sector in St. Lucia, as epitomized by LUCELEC and, indeed, in all countries, is a national strategic asset in which both the State and private entities participate.

At the international level, climate change has dominated the agenda, though with little to show in terms of concrete agreements being achieved, such as, measures to mitigate the impacts of climate change. As a small country in the vast Caribbean Sea, we need to be on our constant guard that we do not bear an inappropriate relative share of the cost of climate change mitigation, compared to those countries that historically over the decades have created and continue to produce the massive carbon dioxide impacts that are with us today. In this context, we need to ensure that when introducing new renewable energy sources that require initial subsidies to enhance their viability relative to other energy sources, that such subsidies are, at least co-financed, by those agencies that represent the vanguard advocating climate change mitigation.

LESSONS LEARNT FROM TOMAS

There are a few important lessons to be learnt from Hurricane Tomas, which both the Board and Management need to maintain on their 'front burners'. These include:

- The imperative of installing a second power station in Vieux Fort to ensure that the South is not totally dependent on power transmission from the Cul-de-Sac power station in the North;

- The recognition that a small mobile containerized high speed diesel unit should be available to provide additional generation security to communities that would become isolated following any catastrophic event;

- The need to re-examine the extent to which the 'underground transmission system' should be extended; and,

- The effectiveness of LUCELEC's 'Self Insurance Fund' (SIF), which was established in 2006 to provide insurance cover for the potential financial loss from hurricanes to the company's transmission and distribution system. The estimated cost of rehabilitating the T&D system from 'Tomas' is some EC$4 million compared with the total premiums of approximately EC$12 million, which LUCELEC would have paid for insurance cover to an insurance company since the SIF's establishment.

LESSONS LEARNT FROM POWER SECTOR RESTRUCTURING

Of relevance in the implementation of St. Lucia's New Energy Policy are the lessons learnt from power sector restructuring in developing countries over the past several years. In the mid-1990s the World Bank (WB) launched a major programme to support reforms in the electric power sector which was reviewed in depth in 2003 by the Operations Evaluation Departments of the WB Group which include those of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). A major issue in power sector reform which arose early in the programme, concerned the size of power systems below which it was uneconomic to unbundle the system, that is, separate the generation from the monopoly transmission and monopoly distribution components of the system, from each other. This is of special relevance in the Caribbean where many of the systems are very small.

Of the 150 power systems assessed, some 48 were systems with less than 300 megawatts (MW) of installed capacity all of which were vertically integrated monopolies, 5 of which had Independent Power Producers (IPPs) selling power to the monopoly company. The key finding was that it is uneconomic from the standpoints of economies of scale, co-ordination and scope, to unbundle a power system with installed capacity less than 300 MW. Such unbundling was attempted in a couple countries at the early phase of the programme, by the then so-called "market talebans", but was reversed subsequently.

While competition is relevant in seeking to enhance efficiency in most endeavours, it is critical to recall the words of the former CEO of British Airways who remarked that "competition is not really about competition, but about the elimination of competition, unless there is strong and independent regulation to ensure a reasonably level playing field". Without such highly effective and independent regulation the benefits of real competition would not be achieved. Indeed, the effects in the global financial sector of the "light touch or no touch, market knows best" regulation of the past couple of decades, played a key role in precipitating the financial sector collapse in the developed countries in the past two years.

LUCELEC COLLABORATION WITH OTHER CARIBBEAN LED POWER COMPANIES

Finally, in the wake of the "knock-on" economic and financial stresses being experienced in the Caribbean, it is relevant that LUCELEC seeks to deepen its collaboration with other Caribbean led power companies.

Dr. Trevor A. Byer
Chairman

BOARD OF DIRECTORS

1. DR. TREVOR A. BYER - CHAIRMAN

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

2. TREVOR M. LOUISY, ACC. DIR. – MANAGING DIRECTOR

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

3. ISAAC ANTHONY

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

4. STEPHEN MC NAMARA

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

5. MATTHEW LINCOLN MATHURIN, ACC. DIR

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

6. MICHAL ANDREWS, ACC. DIR.

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

7. LARRY HOWAI

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

8. CHRISTOPHER G. HUSKILSON

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

9. RAYMOND R. ROBINSON

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

10. IRVING JOHN

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

11. LAURIE BARNARD

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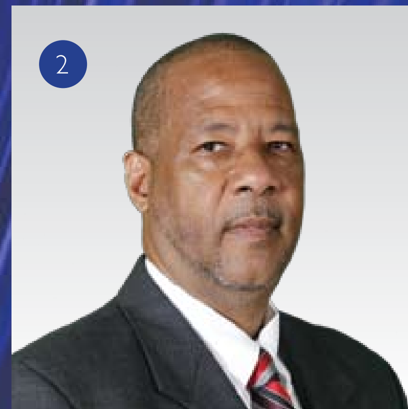
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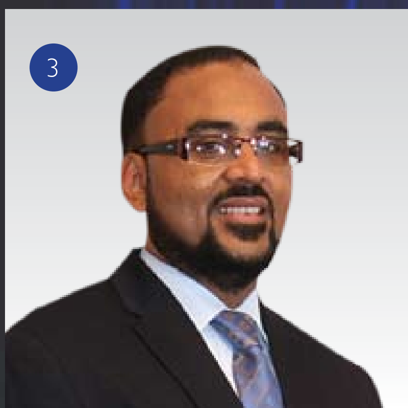
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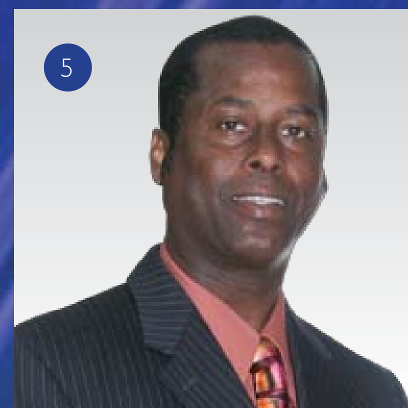
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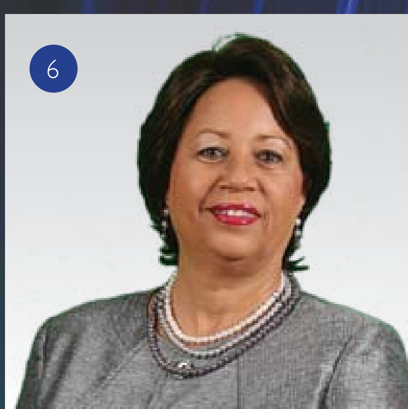
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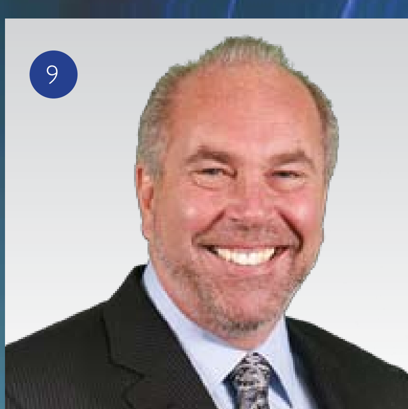
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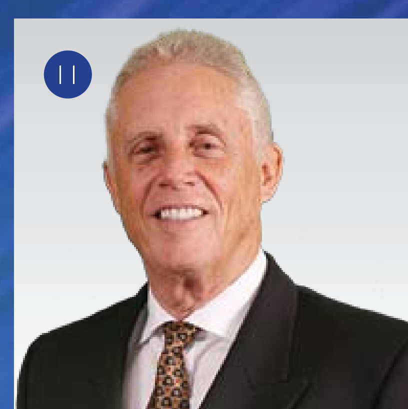
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POWERING THE future OF ST. LUCIA...

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

...THROUGH SOLAR ENERGY

"We've been working with a private company and the GOSL in piloting small grid-tied Photovoltaic systems – that is solar panels installed on roof tops to provide power, and having these systems tied to the LUCELEC grid."

MANAGEMENT TEAM

1. TREVOR LOUISY
B.Sc. (Electrical Engineering), Acc. Dir.
Managing Director

2. VICTOR EMMANUEL
B. Eng. (Electrical Engineering), M.Sc. (Information Systems Engineering)
Business Development Manager

3. EARL ESTRADO
CGA
Financial Controller

4. GOODWIN D'AUVERGNE
B.Sc. (Electrical Engineering)
Chief Engineer

5. ZIVA PHILLIPS
FCCA, B. Sc. (Economics and Accounting)
Finance and Accounts Manager

6. GARY EUGENE
M. Eng. (Electronics Engineering)
System Control Engineer

7. CALLIXTA BRANFORD
CGA
Internal Audit Manager

8. GILROY PULTIE
B.Sc. (Electrical & Computer Engineering), Certified Diploma Accounts & Finance (ACCA)
Transmission & Distribution Manager

9. FRANCIS DANIEL
B.Sc. (Electrical Engineering), MPM (Project Management)
Planning Manager

10. JEVON NATHANIEL
B.Sc. (Electrical Engineering), M.Sc. (Computer Science)
Generation Engineer

11. GILLIAN FRENCH
LLB (Hons) L.E.C. MRP (Telecommunications), Acc. Dir.
General Counsel/Company Secretary

12. ROGER JOSEPH
MA (International Communication & Development), Diploma Mass Communication
Corporate Communications Manager

13. NICOLE DUBOULAY
BA (Psychology), MBA (Human Resource Management), M.Sc. (Training and Performance Management)
Human Resource Manager

14. JENNIFA FLOOD-GEORGE
B.Sc. (Management Studies/Psychology)
Customer Service Manager

15. WYNN ALEXANDER
B.Sc. (Computer Science), M. Eng. Internetworking, DipFM
Information Systems Manager

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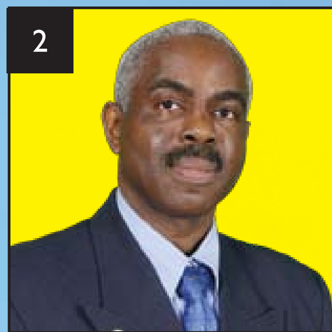
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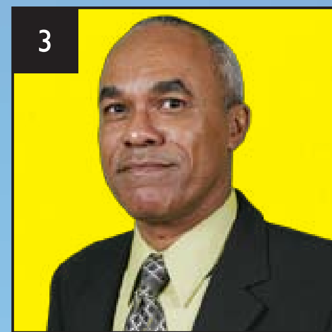
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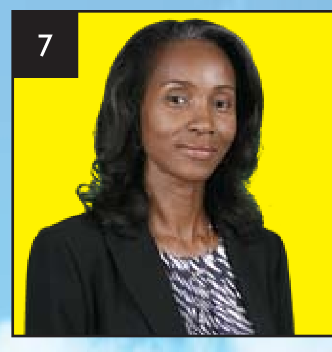
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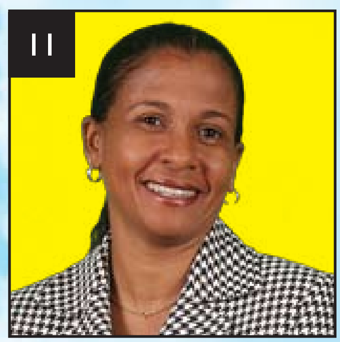
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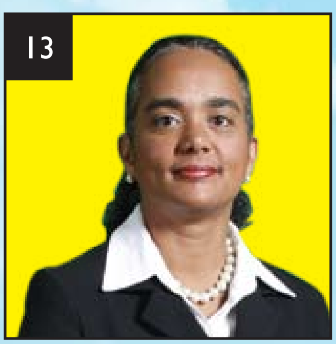
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POWERING THE
future
OF ST. LUCIA...

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

...THROUGH GEOTHERMAL ENERGY EXPLORATION

"We have given an undertaking to UNEC to purchase power produced from its exploration of geothermal energy potential at Soufriere under its agreement with the Government of Saint Lucia."

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

DIRECTORS REPORT

The Director's present their report for the year ended 31st December 2010

PRINCIPAL ACTIVITIES

In this the third year since the onset of the global economic collapse, The Company's principal activities consist of the generation, transmission and distribution of electricity. There were no significant changes to the nature of the Company's activities during the year.

DIRECTORS

The Directors of the Company since the 45th Annual Shareholders Meeting were:

NON-EXECUTIVE DIRECTORS:

- Dr. Trevor Byer
- Mr. Matthew Lincoln Mathurin
- Mr. Isaac Anthony
- Mr. Irving John
- Mr. Laurie Barnard
- Mr. Stephen McNamara
- Mrs. Michal Andrews (resigned effective 31st December 2010)
- Mr. Christopher G. Huskilson (resigned effective 7th February 2011)
- Mr. Raymond R. Robinson
- Mr. Larry Howai

EXECUTIVE DIRECTOR:

- Trevor Louisy

FINANCIAL RESULTS

The Company sold 330.7 million kWh of electricity, an increase of 5% over the previous year attributable to additional consumption caused by the extended drought, continued high temperatures for a large part of the year and higher economic activity especially in the Tourism sector. Growth was dampened late in the year due to the damage caused by Hurricane Tomas

Total revenues were EC$276.3 Million, an increase of 15.8% over the previous year, attributable to the sales increase and higher fuel prices.

Net profit for the year was EC$29.2M, which was an increase of 5.0% over the previous year.

The Company achieved Earnings per Share of EC$2.49 which was 5.0% higher than in 2009 and the dividend distribution was EC$1.59, an 8.2% increase.

Assets acquired during the year amounted to EC$21.0M. There were no long-term borrowings during the year as the Company prepared for the next stage of its development programme.

DIVIDENDS

The Board of Directors declared a dividend for the financial year ended 31st December 2010 of 70% of the Company's adjusted after tax net profits, having paid an interim dividend in September 2010 of $0.65 per ordinary share.

The total dividend for the 2010 financial year amounted to $1.59 per ordinary share.

STATE OF AFFAIRS

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

ACTIVITIES

In March 2010, Directors attended a Strategic Planning Session to discuss the strategic positioning of the Company to meet future financial, technical and regulatory challenges.

In August 2010, the Board conducted its second Annual Board Evaluation exercise. The facilitators found the results to be in keeping with international standards.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 31st December 2010 Mrs. Michal Andrews Director appointed by First Citizens Bank Limited resigned from office. In accordance with clause 54 of By Law No. 1 of the Company, First Citizens Bank Limited appointed Ms. Sharon Louise Christopher to replace Mrs. Andrews.

On 7th February 2011 Mr. Christopher Huskilson Director appointed by Emera (St. Lucia) Limited resigned from office. In accordance with clause 54 of By Law No. 1 of the Company, Emera (St. Lucia) Limited appointed Mr. Peter Williams to replace Mr. Huskilson.

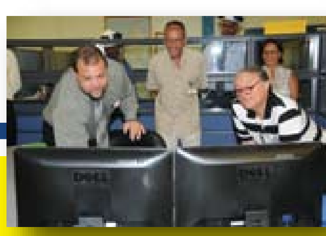
Apart from this and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since 31st December 2010 that have significant effect or may significantly affect the operations of the entity in subsequent financial years, the results of those operations, or the state of affairs of the entity in future years.

BY ORDER OF THE BOARD OF DIRECTORS

Gillian S. French
Company Secretary

LUCELEC
ST. LUCIA ELECTRICITY SERVICES LIMITED
The Power of Caring

OPERATIONS REVIEW



OPERATIONS REVIEW

CORPORATE PERFORMANCE

The Company's overall corporate performance for 2010 was below our usual high expectations considering the significant strides made over the last couple of years. The Company achieved four of the nine corporate targets.

The target was met for our Environmental Rating which replaced the Safety Audit rating, and the Company is pleased that there were no environmental incidents registered. The target for Work Hours Lost was met despite the drought earlier in the year and severe flu like symptoms in the middle of the year. Targets were also achieved for Return on Equity and for Tariff Change vs. Inflation, and despite inflation levels of approximately 1.8% this year, the non-fuel component of the tariff remained flat in 2010.

After making a significant improvement in the area of losses last year, the 2010 performance was a bit disappointing. The higher than anticipated system loads and the delay in the rollout of the Advanced Metering Infrastructure programme (AMI) affected the performance in this area resulting in System Losses of 9.46% against a target of 9%.

Similarly, the fuel efficiency target was not achieved as two of the major overhauls for 2010 were on the most efficient units in the generation plant. The impact on the performance in this area was further compounded by an extended unplanned outage on one of these units.

Even with the outages resulting from the impact of Hurricane Tomas eliminated from the calculations as is consistent with international practice, the Company failed to meet the target for SAIDI. Several unplanned interruptions on both the Generation and Transmission & Distribution systems contributed significantly to the poorer than anticipated performance in this area.

The Customer Satisfaction score of 82.5% versus a target of 86% was marginally lower than the 2009 performance (84.3), an indication of the very high standards that the Company sets itself, and the high expectations customers have of the Company.

The year's major disappointment was in relation to Reportable Injury Accidents (RIA). At year end the Company had registered eight (8), including one fatality which occurred when a contractor's employee was repairing a streetlight. All work on street lighting was temporarily suspended for a period of three weeks while maintenance and installation procedures underwent a comprehensive review.

OPERATIONAL PERFORMANCE

Full implementation of the new Customer Information System (CIS) Project began in 2010. The fuel price hedging programme has also been very successful and, in addition to achieving reasonable levels of price stability, has provided new learning opportunities for staff. Similarly, the Distribution Automation initiative, even with the limited rollout, has justified the investment. Progress was made also, albeit slowly, on the proposed new power generation site at Vieux Fort.
There were improvements in the Treasury function within the Finance & Accounts Department, resulting in more efficient use of Company funds and extremely favourable rates for investment of the Self Insurance Fund. A new electronic performance management system was rolled out and was used for staff appraisals in 2010.

Some initiatives did not progress as anticipated. Many like the Wind Power and Geothermal initiatives, the rollout of the AMI project, negotiations with the new Union representing the junior employees, and work on the HR Strategic Plan were delayed for reasons primarily out of the Company's control.

HURRICANE TOMAS

Undoubtedly, the most significant event and greatest challenge of the year, nationally and for the Company as well, was the passage of Hurricane Tomas between October 30 and 31. This hurricane is, perhaps, the most devastating in the island's recorded history.

LUCELEC technical staff was at the vanguard of an outstanding Company-wide recovery effort which saw almost complete restoration of the Transmission & Distribution system and electricity supply to over 98% of the Company's customers less than three weeks after the passage of the storm. This was achieved not only efficiently, but even more importantly, safely. The only parts of the Transmission & Distribution System not restored by that time were in the Fond St. Jacques area which was under a Government evacuation order, a portion of the 66kV transmission system near Colombette, Soufriere and part of the 11kV line in the Barre de Lisle area.

Delicate stage, coming out of total shutdown

The handling of the restoration effort significantly enhanced the Company's reputation with the Government of Saint Lucia, the business community, its various stakeholders, customers, and the regional and international community, and brought hope, comfort and inspiration to the entire nation. In a survey done in November, customer satisfaction with LUCELEC's restoration effort was rated at 88%, with nearly 90% of respondents scoring the Company 8 out of 10, or higher.

LOOKING AHEAD

In 2011 the Company will be pursuing several initiatives as it continues to position itself to meet its obligations to the country and the shareholders. Among these are the Human Resources Strategic Plan, the Compensation and Benefits Study, the first phase of the Depreciation, Cost of Service and Tariff Studies, Corporate Restructuring, and Generation Expansion.

Implementation of the CIS Project will continue as will work on improving Customer Care, the expansion of the Distribution Automation thrust, and the roll out of the AMI programme. Other initiatives that will occupy the Company's attention in 2011 include the installation of exhaust monitoring equipment at the Cul De Sac Power Plant to assist the Company in better measuring and managing the impact of its emissions on the environment and a pilot project to investigate how the Company can reduce own use as the Company seeks to ensure that it practices what it preaches in relation to energy efficiency. Details of these initiatives follow.

GENERATION EXPANSION PROGRAMME

As early as 2005 LUCELEC began exploring available options and seeking optimal solutions for the next phase of generation expansion which is estimated to be required by 2013. The need for an optimal solution is paramount considering the many intricacies related to obtaining the required generation capacity.

A critical factor in the expansion programme is the location of the new plant. The underlying requirements were that the preferred location would be in the south of the island – primarily for risk mitigation purposes, to facilitate economic activity in the south generally and to meet the power requirements of significant developments planned for this area. The land space also needed to be sufficiently large to cater to future expansion and had to be in close proximity to a marine port facility for ease in transporting equipment and fuel.

Site of proposed new Power plant in Vieux Fort

A site at La Tourney has been identified as the preferred site and has been approved by the International Civil Aviation Authority (ICAO), given its proximity to the Hewanorra International Airport. This site is under the control of the National Development Corporation (NDC) and LUCELEC has commenced discussions regarding the acquisition of the site. A Memorandum of Understanding (MOU) has been signed regarding access to the site for geotechnical and environmental impact studies that are scheduled to take place during 2011.

Another critical factor was the selection of a suitable generation technology. The technology must have a proven operational track record and the potential to reduce operating cost while increasing energy efficiency. The available choices are Tri-Fuel Reciprocating Engines, Circulating Fluidized Bed (CFB) boilers, and Gas Turbines. In keeping with the recently approved St. Lucia National Energy Policy renewable energy sources, such as Geothermal and Wind, are also being considered. Least Cost Studies have been undertaken to determine the most suitable technology and fuel to meet the country's needs.

It is estimated that the cost of expanding the generation capacity will range between US$60 million to US$100 million depending on the generation technology and the size of the plant.

As the generation expansion will constitute the largest capital investment that the Company has made in many years, various measures have been taken in order to secure the necessary financing for this venture.

During 2011 the final determination of the project cost will be completed and a financing plan, likely to include a mix of debt (for which various types will be explored) and equity, will be submitted for the Board's consideration.

The Company will undertake debt financing by open tender offer as part of its commitment to obtain the best terms and conditions possible.

AMI

The roll out of smart meters to domestic customers as part of LUCELEC's Advanced Metering Infrastructure (AMI) experienced a setback in 2010 due to the requirement of meter certification by the St. Lucia Bureau of Standards (SLBS). The pattern approval process involved extensive consultation and field investigations with the Saint Lucia Bureau of Standards and took most of 2010 to resolve.

Five thousand pattern approved meters (gREX) were ordered in December 2010. These meters will be tested for accuracy, as part of standard practice by LUCELEC, and will be deployed to some domestic customers in the first quarter of 2011. All of LUCELEC's high voltage (HV) customers had their meters replaced with AMI meters in 2010.

The AMI meters will allow LUCELEC to instantly and remotely detect abnormalities with the metering system, which can be caused by for example a broken wire to the meter, and which may result in errors in metering and subsequent billing. The system allows meters to be read remotely, significantly improving meter reading efficiency and accuracy, and provides detailed electricity consumption data which can enhance customer service delivery.

Work on building an interface between the AMI system and the

Customer Information System (CIS) was completed in 2010, which allows the automatic billing of customers using meter readings obtained from the AMI system. The system was tested and is now being used to read meters and bill customers automatically on a number of billing cycles in various locations.

DISTRIBUTION AUTOMATION

LUCELEC's Distribution Automation programme seeks to achieve significant gains in reliability by allowing the Transmission & Distribution system to be automatically and remotely reconfigured in the event of faults on the system. The programme began in 2009 and involves the installation of auto-reclosers and automated load break switches at various points on the system.

'AutoRecloser Babonneau

In 2010, an additional 12 auto-reclosers and the first 4 automated load break switches were installed, bringing the installed Distribution Automation equipment tally on the system to 24 auto-reclosers and 4 automated load break switches. During 2010 the 24 auto reclosers prevented a total of 164,205 customer interruptions, which equates to an average of 2.8 outages per customer. This also reduced customer outage time by an estimated average of 1.4 hours per customer, equivalent to a reduction in SAIDI of approximately 1.4 hours.

The 4 automated load break switches on the system were operated 12 times via SCADA using GPRS communications. The communications capability allowed system control operators to quickly reconfigure the system at a click of a mouse to minimize the impact of faults on customers and on reliability indices. In the past Transmission & Distribution supervisory staff would have had to drive out to the load break switches to effect that change, which could take more than 45 minutes. System control operators are now able to respond immediately.

2011 will see the deployment of additional automated load break switches and auto-reclosers on the system pushing the Company closer to its goals for system reliability.

CUSTOMER INFORMATION SYSTEM (CIS)

As LUCELEC reviews its strategic development in the medium to long-term, customer service delivery remains one of the most crucial planks for continued success and survival in the future, particularly with looming potential changes to the operating environment.

LUCELEC has recognised that its existing Customer Information System (CIS) is technologically obsolete, having been installed since 1996 and with no significant technological enhancements or improvements planned for the software in the future. In addition, this system is inflexible, not sufficiently user friendly, and does not provide customer data and information on the dynamic basis required to meet some of management's demands now and in the future.

In 2008, the Company very carefully selected Cayenta as the new CIS provider, to replace the existing system with an up to date CIS that will meet its needs for the medium to long term. Some of the anticipated benefits of the new CIS include:-

- A more secure operating environment that will meet and surpass internal control requirements and standards;
- More user friendly interfaces;
- Access to more detailed customer and other information on a dynamic basis;
- Availability of information to support strategic decision making by management;
- A platform for the delivery of more efficient Customer Relationship Management (CRM) services towards the strategic goal of excellence in customer service delivery;
- Enabling maximum utilisation of online and e-commerce type applications including electronic bill presentation, direct online payments, and other e-commerce type activities;
- Interfaces into other Company assets that are critical to customer service delivery such as the Automated Metering Infrastructure (AMI), the Geographic Information System (GIS) and the JDE accounting software;
- Management tools to assist in timely identification of potential customer service difficulties, assisting in providing improved customer care by facilitating issue tracking and escalation, follow-up and service response analysis.

In order to ensure the timely and effective implementation of this CIS replacement project the Company is utilising sound project management and proper governance principles. Implementation of the project officially kicked off at the end of October 2010 and is expected to be completed in 2012.

HR STRATEGIC PLAN

The need for a properly structured Human Resources (HR) Strategic Plan for LUCELEC had been identified as early as 2006 as part of the development of the Company's Strategic Business Plan.

More recent discussions in 2009 on the assessment of the Company's progress towards the deliverables in that plan (for the period 2006 - 2015) made this requirement even more critical. The HR Strategic Plan will play a vital role in the achievement of the Company's strategic objectives ensuring that the right persons are brought into and retained in the organization, with the right mix of competencies for organizational effectiveness. This plan will direct the creation, development and improvement of HR policies, processes and approaches to various HR initiatives to ensure that these can add value to the Company's business, leading to higher levels of revenue, greater profitability and competitive advantage.

Cross functional team in discussion on Strategic HR Plan

The need for ensuring that such a plan is expedited for LUCELEC has been brought on by a number of factors, both external and internal to the Company. Externally, the changing utility environment suggests impending major changes in the status quo. Internally, there are changes in the expectations of employees most of which form the new generation of a younger workforce (65% of the present workforce is under 45 years and within that group, the majority (60%) are under 35 years). Workforce planning will become critical and the Company will have to adjust its policies and practices to develop and make the best use of available talent and skills. The availability of skilled persons will also become critical as the company seeks to diversify its operations into new business opportunities.

During the latter part of 2010, requests for proposals were sent out to four companies to provide assistance to the HR department with the framework, process and facilitation of discussions leading to the development of the HR Strategic plan. The need for the consultants to examine the current structure of the HR department in terms of its suitability to deliver the initiatives outlined in the plan, and a review of the HR Information System, was also included in the scope of work for this exercise. A consulting firm has been selected and preliminary work began during the final part of 2010.

The completed HR Strategic Plan will outline clear strategies, priorities and timelines which are clearly aligned with the Company's overall strategic direction. The resulting action plan will consist of short, medium and long term priorities with implementation timelines, HR roles and responsibilities, a change management plan and methods of monitoring and evaluation. Recommendations for the optimal structure of the HR department, an assessment of the capabilities of the HR staff in terms of what will be required to deliver the HR outcomes, and an assessment of the current HR Information System, will all form the final part of the exercise.

The plan will be available during the first quarter of 2011.

DEPRECIATION, COST OF SERVICE AND TARIFF STUDIES

As the Company strategizes for its continued success in a potentially new regulatory environment, it has initiated preliminary work with the intention to carry out necessary studies and analyses that will enable it to better understand the business drivers and other pertinent information required to make informed judgements on the various issues that will arise.

In this regard it will undertake a Depreciation Study that will report on applicable and relevant rates and methods to apply in setting depreciation rates that reflect current market conditions and which will facilitate a fair and accurate tariff determination.

Depreciation rates for engines such as this one will be determined by the study

A Cost of Service Study will also be conducted to inform baseline costs for the provision of service to the various categories of customers. This is also critical in tariff determination and formulation, enabling the Company to review its operating activities if required and to sensitise and inform its various stakeholders.

A Tariff Study encompassing the two studies above will also be undertaken. This will provide the Company with the capacity to evaluate the impact of various tariff scenarios on its own cognisance or based on recommendations from stakeholders, including the regulator. The study will also allow the Company to evaluate new tariff schemes based on current industry trends and customer demands and to make determinations of optimum tariff plans that fulfil the requirements of the Company and its stakeholders.

CORPORATE RESTRUCTURING

Following the Board's approval of a strategy seeking additional revenue streams to secure continued future growth, approval was given in principle for the incorporation of a wholly owned subsidiary to undertake these ventures going forward.

In the interest of transparency, good governance and in accordance with the requirements and objectives of the Electricity Supply Act, the new entity will be legally, financially and operationally separate from the regulated electricity undertaking.

The new entity is expected to aggressively pursue business opportunities locally and regionally and it is anticipated that over time shareholders will realize enhanced value of their ownership in the Company.

The appropriate legal instruments to give this new subsidiary effect will be pursued during 2011.

NEW EQUITY STRUCTURE

The Board has approved in principle for the Company to explore various initiatives in respect of its equity taking into consideration its current state of development and future strategic plans. These initiatives will be subject to the requisite shareholder and other relevant approvals required. These initiatives include:-

- As part of its strategy to facilitate higher trading activity in its equity, a stock split (on a basis to be determined) will be undertaken. This will reduce the market price per share from the current average of approximately EC$25 to a price that is intended to be more attractive.
- The Authorised share Capital of the Company will be increased to facilitate the raising of new equity as and when required.
- The Company will undertake an Additional Public Offering (APO) during 2011 with the objectives of:-
    - Building up its capital base;
    - Providing it with the capacity to undertake additional debt (in accordance with the terms of the Security Sharing Agreement (SSA) for financing of its capital programme;
    - Enabling it to undertake equity financing as and when required;
    - Expanding the shareholder base of the Company in terms of quantity and geographical spread;
    - Increasing the market for its equity on the Eastern Caribbean Stock Exchange.

ENVIRONMENT

LUCELEC has recognized that economic development results in environmental change and is committed to sustainable development to mitigate adverse impacts of its operations on the environment.

In that regard LUCELEC continues to do the following:

- Use fuels that have a minimal impact on the environment;
- Allow for proper disposal of all waste originating from its operations;
- Enforce a culture of keeping the company premises clean;
- Educate staff on Environmental Management.

In seeking to reduce its impact on the environment, the Company has purchased monitoring equipment to determine ambient levels of gas emissions (SOX, NOX and PM10) at its Cul de Sac Power Station site and surrounding areas. The equipment will be installed and commissioned in 2011.

In 2010 the Company began sourcing suitably qualified firms to undertake an environmental audit. Part of the terms of reference was a gap analysis to determine our present position and to provide a guide to the prioritizing of future efforts. The audit will take place during the first quarter of 2011.

Following on from the Audit LUCELEC will be looking to improve its environmental management systems and begin the process towards ISO 14001 compliance.

FINANCIAL OPERATIONS

SALES & REVENUES

Electricity sales increased by 5% in 2010, a further improvement over the 4.3% recorded in 2009. This was driven by higher usage due to the extended drought early in the year and high ambient temperatures that continued for a large part of the year. The rebound in the tourism sector evidenced by a significant increase in visitor arrivals as well as customer base increases also contributed. But for the dampened demand which resulted from Hurricane Tomas in late October, 2010, the growth rate would have been much higher.

The Domestic sector registered growth of 5.5%, the Commercial sector 4.9%, Hotel sector 7.0% and Street Lighting 2.2%. The relatively small Industrial sector declined by 3.3% reflecting reduced activity in this area after many years of growth.

Total revenues were EC$276.3M, an increase of 15.8% over the previous year's achievement of EC$238.7M. This was driven by the increased sales as indicated above and higher fuel prices following the significant declines that were experienced in late 2008 and into 2009. The overall average tariff was EC$0.84, an increase of 12% over that of the previous year (EC$0.75). Tariff movements reflect only the effect of fuel price movements as the Company's base tariff has not changed since 2005.

For the year the average fuel cost increase reflected the market conditions which pertained from the second half of 2009. The average fuel cost per gallon for the year was EC$7.42, an increase of 25.1% over that of 2009 which was EC$5.93 per gallon. Fuel continues to remain the single largest cost item comprising 63.3% of direct operating expenditure.

Generation costs (excluding fuel costs) were lower than the previous year by 2.8%, and followed a 5% reduction the previous year, as lower maintenance costs were sufficient to offset increases in depreciation and employee costs.

Transmission and Distribution costs (excluding the amounts set aside for the Self Insurance Fund) were lower by 1.3% as costs were managed prudently during the year.

Administrative expenditures increased by EC$1.1M (4.4%) reflecting targeted training in strategic areas such as Leadership and Regulatory Affairs, as well as in increased public relations and customer education and outreach activities.

Finance costs increased by EC$0.7M (10.1%) a result of interest costs on borrowings for capital expansion now being reflected as an operating expense upon the commissioning of the related assets.

PROFIT

Sales increases and prudent costs management resulted in Profit Before Tax of EC$40.4M, being higher than the previous year's outturn of EC$39.0M by 3.6%.

Profit after tax was EC$29.2M an improvement of 5.0% over the previous year's achievement of EC$27.8M.

Earnings per share for the year was EC$2.49 (2009 – EC$2.37) reflecting the higher net profit, and total dividends for the year was EC$1.59.

The company achieved a rate of Return on Equity of 19.1% (2009 - 19.0%) reflecting the improved performance over the previous year.

The net profit for the year translated to a 10% return on net Fixed Assets based on historical costs (2009 – 9.3%) and 7.3% on Total Assets (2009 – 6.8%).

Based on current replacement costs of its fixed assets the return on net Fixed Assets would be 3.9% and Return on Equity would reduce to 5.6%.

The Company's share price traded at EC$25 during the year, resulting in a price to earnings ratio of 10.1 times (2009 – 10.5 times). The total return to shareholders was 10.1% (2009 – 9.5%) representing significantly higher returns than what pertained in the general economy.

In accordance with the provisions of the Electricity Supply Act (as amended), an amount of EC$2.6M (2009 – EC$3.0M) was set aside out of net profits for distribution as tariff rebates to Hotel and Industrial customers during 2011, equivalent to 2.83 cents per kilowatt hour (kWh).

CAPITAL EXPENDITURE

Expenditure for the year was EC$21M (2009 - EC$30.1M; 2008 – EC$27.6M) continuing the major undertakings commenced last year such as the upgrade of the Transmission & Distribution network, the rollout of the Automated Metering Infrastructure, Distribution Automation and Generator overhauls.

WORKING CAPITAL MANAGEMENT

The challenges in this area centred primarily on management of customers' balances during the year as customers continued to face challenges from the effects of the economic downturn and Hurricane Tomas. The Company, to the extent that it was able to, accommodated customers on a case by case basis. The Days Sales Outstanding (DSO) registered at 61 days compared to 62 days in 2009, a marginal improvement. Certain formal arrangements have been made with some major customers which, it is anticipated, will improve collections in 2011.

CAPITAL FINANCING

The Company did not undertake long term borrowing during the year as it sought to reduce its debt levels in preparation for the financing of the next stage of its development which will likely involve significant new capital expenditure.

In this regard, the Company's lenders agreed in principle to amend the Security Sharing Agreement to increase the borrowing limit from 1 to 2 times Equity. Formal completion is expected in the first quarter of 2011.

SELF INSURANCE

During the year an amount of EC$3M was allocated for the fund. At the end of the year the fund balance stood at EC$12.8M. The majority of the fund's investments were withdrawn from the Unit Trust of Trinidad & Tobago due to very low returns. The funds were reinvested mainly in regional securities and at local banks at rates that were on average twice times that of the Unit Trust.

Following the approval of the Fund's Investment Policy by the Board, the Company invited tenders for a Fund Manager and received responses from three institutions. These are being evaluated by an internal Committee and a contract is expected to be concluded by the end of the first quarter of 2011.

The Company also engaged a professional firm to undertake a study that will guide the Board and management on an investment strategy that will ensure the long term sustainability of the fund taking various disaster scenarios into account. Based on the recommendations contained in the report the Board has approved management's recommendation for a minimum annual contribution of EC$3M into the fund.

As a result of damage caused by Hurricane Tomas the fund balance will be reduced by EC$4M during the first quarter of 2011, representing the restoration costs incurred.

The standby facility of EC$10M remains available to the Company and will be reviewed for suitability as the fund balance grows.

CREDIT RATING

The Company's CariBBB (Adequate) credit rating was reaffirmed by CariCRIS, the Caribbean credit rating agency in December 2010 on both the local and foreign currency scale. This is one notch below the Government of St. Lucia's rating of CariBBB+ which is also in the "Adequate" category.

RISK MANAGEMENT

Risk management and mitigation activities have continued during the year. The Company maintains a Risk Register which is updated regularly and reviewed by the Audit Committee of the Board. Appropriate actions are taken where necessary to mitigate High Risk items and in 2011 additional and more comprehensive training will be conducted for management and other staff.

FUEL PRICE HEDGING

The Fuel Price Hedging programme which commenced in 2009 continued during the year, managed by the Fuel Risk Management Committee (FRMC), the formal structure that was set up by the Board for this initiative. The strategic objective of price stability and reduced volatility remains the goal of the FRMC and the benefits to the various stakeholders continue to be emphasised. Regular reports are provided to the Board through the Audit Committee.

Hedging activities were undertaken to cover the entire year's estimated fuel consumption with the various counterparties that were contracted by the Company.

In addition the FRMC conducted two training sessions for its members and other staff to increase the knowledge of the FRMC members, create a resource pool within the Company, and to disseminate knowledge and information across the Company. This was also augmented by consultancy advice, daily market reports and subscriptions to various independent information sources. Various technical tools are also being evaluated for implementation during 2011.

A communications strategy was also developed and rolled out during the year. This included the use of information leaflets (mailed directly and made available at all customer locations), radio spots and programmes, newspaper articles, publication in the CARILEC journal, and briefings to staff members and other stakeholders.

During the year the Board approved the extension of the programme to cover fuel consumption for 2011.

OUTLOOK

The recent forecasts point to a slow recovery in the region during 2011, and uneven performance in the international arena. Overall the consensus appears to be that though certain risk factors such as inflation, deflation and recession remain for certain economies, the worst of the crisis appears to be over.

The Company will continue to review and recommit to its strategic objectives to ensure its continued financial and operational success to make certain that all its stakeholders' expectations are met.

Installing Distribution Automation Panel

The Year in Pictures

STAKEHOLDER ENGAGEMENTS

LUCELEC has an ongoing programme of meeting with various stakeholders to familiarise them with the company's operations and development plans and to receive from them feedback on the Company's service and operations.

1 - Local Media on a familiarisation tour of the Cul De Sac Power Plant

2a, b - LUCELEC meets with the public to discuss regulatory reform of the electric utility sector

3 - New Union (Civil Service Association) get an understanding of LUCELEC's operations

4 - LUCELEC honours the people who built the solid foundation on which the Company stands at the Annual Retirees Luncheon

5 - Board of Directors take familiarisation tour of all LUCELEC facilities

6 - LUCELEC shareholders get a taste of the ICC Twenty20 World Cup

1

2a

2b

3

4

6

5

The Year in Pictures

STAFF APPRECIATION NIGHT JANUARY 2010 - 1a, b, c

Every year the Company sets aside time to honour its employees for the contribution that they make to its success and to recognise top performers, long serving employees, those who registered perfect attendance for the year, and those retiring from the Company.

TRAINING - 2

Apart from overseas training workshops and conferences attended by staff, LUCELEC hosted several training programmes throughout the year to equip the staff with the skills needed for the job. **2a -** Senior Management in Leadership Training **2b -** JDE Software Training
2c - Performance Management Training
2d - Linesmen training


1a


1b

1c


2a


2b


2d


2c

CUSTOMER APPRECIATION WEEK - 1a, b, c

Customer Appreciation Week was observed from October 18 – 22, under the theme "The Power of Caring". The week is designed to thank customers for their business, patience, cooperation and understanding over the years.

MONTSERRAT CHIEF MINISTER VISITS LUCELEC - 2

LUCELEC's reputation as among the best utilities in the Caribbean drew attention from the Chief Minister of Montserrat Honourable Reuben T. Meade. The Chief Minister toured the Cul De Sac Power Plant on July 9, and was keen on exploring the possibilities of closer ties between LUCELEC and Montserrat Utilities Limited (MUL) and the transference of best practices.

SAFETY, HEALTH, & FIRE AWARENESS MONTH - 3a, b

LUCELEC's Health and Safety Month is observed in March. This annual initiative is geared toward cultivating an accident free work environment while helping staff become better custodians of their health.


1a


1b


1c


2


3a


3b

1a

1b


2a


2b

SCHOLARSHIPS SOCIAL (1a, b) & WORKSHOP (2a, b)

In August, LUCELEC presented 26 scholarships to eligible children of employees. Five of the recipients were new entrants into the Company's scholarship programme having performed very well at the Common Entrance Exams. Miss Abigail Williams also received the second year's installment of the 3-year Bernard C. Theobalds Scholarship as she continues to pursue a degree in Mechanical Engineering at the University of the West Indies. The Company also hosted a special workshop for its scholarship holders to impart study, goal setting and career planning skills.

Our Top Performers for 2010

EMPLOYEE OF THE YEAR
Uchie Rosemond
Building Services

SUPERVISOR OF THE YEAR
Alana Francois-George
Planning Department

MANAGER OF THE YEAR
Jennifa Flood-George
Customer Service Manager

DEPARTMENT OF THE YEAR
Transmission & Distribution Department
(Gilroy Pultie)

LIVING THE VALUES
Generation Department
Nathaniel Deterville

CONTRACTOR OF THE YEAR
Islandwide Electricals

POWERING THE future OF ST. LUCIA...

...THROUGH EXPLORATION OF TRADITIONAL AND ALTERNATIVE SOURCES OF ENERGY INCLUDING WIND AND WASTE TO ENERGY

"We're working on developing a wind farm as a complementary and alternative source for generating electricity. And we've had discussions with the developers of a proposed waste to energy plant at Deglos with a view to purchasing any power that is derived from there."

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

LUCELEC prides itself on being a model corporate citizen. As such the Company embraces the concept of social responsibility in its broadest sense – incorporating organisational governance, human rights, labour practices, fair operating practices, consumer issues including the protection of customer health and safety, minimising impact on the environment, and community involvement and development. LUCELEC has therefore been actively involved with the St. Lucia Bureau of Standards in contributing to the development of the ISO 2600 Guidance on Social Responsibility and in the coming months will be assisting in efforts to have the document adopted at the national level.

The Company has also been actively engaged in supporting efforts at the community and national levels to improve the quality of life, provide for the elderly and needy, supporting initiatives targeted at the development of education, youth, sports, health care, arts and culture. Some of the Company's engagements in these areas are highlighted below.

EDUCATION

New Computer Lab for the Entrepot Secondary School

LUCELEC sees education as one of the most important keys to national development and places a high priority on supporting the national effort in educating and training young minds through support for individual schools and the development of the education system generally. Through donations of equipment and the funding of facilities improvements, the Company is improving the quality of school life and educational instruction for hundreds of students and teachers.

During 2010 the company funded the refurbishment of all bathrooms at the Camille Henry Memorial School, the tiling of a block of classrooms at the Monchy Combined School, and the construction of a playground at the Aux Lyons Combined School, among the interventions aimed at improving school facilities.

Several schools received donations of equipment to enhance instruction and the delivery of various aspects of the school curriculum. Among these were the upgrading of the entire computer laboratory at the Entrepot Secondary School and the purchase of a projector for the Information Technology (IT) Lab at the Corinth Secondary School to enable the two schools to effectively deliver aspects of the O-level IT syllabus. LUCELEC also funded a literacy project at the Desruisseaux Combined School and a public address system at the Vide Boutielle Primary School.

Other support for education included Gold Sponsorship of the National Schools' Science Fair and of the Junior Achievement Programme at the Choiseul Secondary School to help nurture innovation in Business and Science and Technology and encourage young people to explore the limitless possibilities of the future.

The Company also assisted in rewarding excellence and academic and sporting achievement through our donations of trophies and medals for annual graduations, sports meets, quizzes, spelling bees and other competitions to more than twenty five (25) schools in 2010.

Students explore the limitless possibilities of the future at the National Schools' Science Fair

Of course, the Company also has an extensive scholarship programme. One component provides secondary school scholarships to children of employees who excel at the Common Entrance Examinations. In 2010 the programme included a one-day workshop in which the scholarship holders were coached in areas such as Study Skills and Career Planning.

SPORTS

Beyond support for sports at the school level, LUCELEC provides assistance to sport at the club, national and regional levels. In 2010, the Company joined the other electric utilities in the Windward Islands to sponsor the Windward Islands Under 19 Cricket tournament to assist in the development of cricket at the sub-regional and regional levels. St. Lucia performed extremely well emerging winners in both the two-day and one-day tournaments.

St. Lucia's National Netball Team powered by LUCELEC.

LUCELEC also provided travelling uniforms for the Saint Lucia Special Olympics Team participating in the Special Olympics in Latin America. Support was also provided to the St. Lucia National Netball Association, the St.Lucia under-23 Netball team to compete in the OECS Netball Championship, to the St.Lucia Volleyball Association towards the 2010 Eastern Caribbean Volley Ball Association Women's Championship, to the St. Lucia National Darts Association towards participation in the Americas and Caribbean Cups of Darts Tournament in the Bahamas, to the St. Lucia Tennis Association to assist with getting some of St. Lucia's promising young talents to the Coca Cola ITF Junior International Tennis Tournament in St. Vincent and an ITF Development Programme in Curacao, and to the Saint Lucia Domino Association towards hosting the World Council of Domino Federations World team championships held in St. Lucia in October.

Castries Football Council's Youth League is grooming the footballers of the future with LUCELEC's support

At the club level assistance was provided to the Fond St. Jacques Youth & Sports Club to host a relay marathon and traditional fun sports to commemorate St. Lucia's 31st Anniversary of Independence, and to the Rockets Athletic Club to participate in the American Amateur Athletic Union Club Championships in Florida. The Company also supported the Rodney Heights Aquatic Centre's hosting of the Annual Inter-Club Invitational Swim Meet, and the Castries Football Council's hosting of its Youth League played in 3 divisions targeting children 15 and under, inclusive of youth at risk. Clubs such as the Northern United Sports Club, Challengers Sports and Social Club and Survival Football club each received assistance with the hosting of a Youth Football Clinic, participation in the National Premiere League Club Competition, and purchasing of football uniforms respectively.

YOUTH AT RISK

Through various philanthropic and sponsorship initiatives LUCELEC provided support to programmes that sought to provide basic needs and new experiences and opportunities in the classroom, on the playground, in sports, arts, culture, and at the community level for youth at risk. Some of these interventions included support for the Boys Training Centre, a major contribution to the meal project at the Vieux Fort Technical Secondary School for students who regularly attend school without a proper meal, and the hosting of a camp by the National Council of and for Persons with Disabilities.

The Company also assisted in funding the attendance of youth at risk in various communities to several summer camps, and contributed towards the establishment of the Court Diversion Programme - an after-school attendance centre targeted at juveniles flirting with criminal activity.

LUCELEC's initiatives targeting youth at risk included support for institutions like the Holy Family Children's Home, the Lions Club of Castries Kids-in-Sight project administered by the St. Lucia Blind Welfare Association to correct eye problems in underprivileged children, and the Marchand Youth Orchestra which keeps students off the street by providing instruction in orchestra and choir.

CHARITABLE

LUCELEC provides support for the St. Lucia Blind Welfare Association's Annual programme

LUCELEC supports a myriad of charities and charitable institutions in St. Lucia. In 2010, the Company donated $10,000 each to the Salvation Army and the St. Lucia Blind Welfare Association to assist these organisations in executing some of their programmes during the year. LUCELEC also makes monthly contributions to the Feed the Poor Ministry Inc towards the feeding programme for underprivileged seniors and the homeless.

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

Other contributions were made to support worthy causes such as to the Poppy Appeal Fund to assist veterans and their dependants and the distribution of food hampers to the underprivileged in various communities at Easter and Christmas through the St. Vincent de Paul Society of Augier and the Streams of Power Youth Aflame Ministry.

RELIGIOUS

In 2010, LUCELEC continued to support the religious community through their respective organisations and satellite groups. LUCELEC's support for efforts to nurture strong moral values and discipline among young people included contributing towards the Streams of Power Ministries' Annual Youth Camp and the annual summer camp of the Inter-School College and Christian Fellowship. And the Diocesan Clergy, the Hugh Carson Brown Memorial

Methodist Church, the Faith Tabernacle, the St. Joseph the Worker Roman Catholic Church, the Child Evangelism Fellowship, all received assistance with various fundraising activities as they sought to engage their respective communities in meaningful ways.

COMMUNITY

LUCELEC is contributing to bringing people together through its support for community initiatives, large and small, around the island.

The Company contributed $15,000 towards a pilot Community After School programme in Faux A Chaud, La Maze and Mon Repos being undertaken by the Ministry of Social Transformation in collaboration with the OAS. Through the Programme, children 8 to 16 years are engaged in after school instruction in Information Technology, Creative Arts, Skills Training, and Sports Development, in addition to Academic Support.

Assistance was provided to the Laborie Development Foundation towards hosting its Kolasyon Nwel - a community event showcasing traditional and contemporary cuisine, cultural activities and other entertainment. The company also assisted schools in Micoud, Grande Riviere and Bocage to recognise the contribution of various teachers who have given extended service to the respective communities, and the Dennery Public Library with the hosting of its Annual Children's Library Programme.

LUCELEC helps lift the spirits of the children from the Bexon Infant School post Hurricane Tomas

The Company supported the Cul De Sac United Mothers and Fathers Group and the Ti Colon/Barre St. Joseph Development Committee with providing food hampers, Easter and Christmas treats for the elderly, shut-ins and underprivileged children in the community. And in the true spirit of Christmas the staff gave up the annual Christmas party for children of employees and used the funds to host a party for the Bexon Infant School, one of the communities most affected by Hurricane Tomas. Soufriere was another community badly affected by Hurricane Tomas and the Company also funded the Christmas Party for children of the Soufriere Infant School, and donated several cases of bottled water to the Micoud Secondary School which was amongst the hardest hit by water shortages post Hurricane Tomas.

MEDICAL

LUCELEC recognises that health care and access to funds for major medical expenses remain a challenge for many. In 2010 the Company increased its annual contribution to the National Community Foundation to $30,000 to support requests for medical assistance. The Company also works with the St. Lucia Diabetic & Hypertensive Association to provide equipment, support workshops and training, health and wellness outreach programmes, and fundraising efforts, to assist in encouraging healthy lifestyles and supporting initiatives that seek to prevent and treat lifestyle related diseases.

ARTS & CULTURE

LUCELEC continues to support the aspirations and creative endeavours of numerous artists, artistic and cultural groups. Events such as St. Lucia Jazz and other national festivals continue to receive sponsorship from LUCELEC, as did several calypso tents and Ma Babay's La Rose Group.

NATIONAL

New Police Station at Rodney Bay constructed with LUCELEC's support.

LUCELEC was a proud supporter of St. Lucia Homecoming celebrations and the hosting of matches in the ICC Twenty20 World Cup, and continued its support for the Atlantic Rally for Cruisers (ARC) that provides additional exposure and revenues for tourism. The Company was also one of the largest contributors to the establishment of the Rodney Bay Police Station which was commissioned during 2010.

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

Financial Statements

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INDEPENDENT AUDITORS' REPORT

Members
St. Lucia Electricity Services Limited

We have audited the accompanying financial statements of St. Lucia Electricity Services Limited (the Company), which comprise the Statement of Financial Position as at December 31, 2010, and the statements of Comprehensive Income, Changes in Equity, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT, cont'd

Members
St. Lucia Electricity Services Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Eastern Caribbean
March 4, 2011
KPMG
Castries, St. Lucia

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Financial Position
December 31, 2010
with comparative figures for 2009

(Expressed in Eastern Caribbean Dollars)

	Notes		2010	2009 (Restated)
Assets				
Non-current				
Property, plant and equipment	6	$	285,904,341	298,127,080
Intangible assets	7		3,972,930	3,810,787
Retirement benefit asset	8		9,017,000	8,828,000
Available-for-sale financial asset	9		163,410	8,504,527
Total non-current assets			299,057,681	319,270,394
Current				
Inventories	10		19,985,252	17,719,024
Trade, other receivables and prepayments	11		59,782,912	50,935,250
Cash and cash equivalents	12		19,882,328	16,425,245
Total current assets			99,650,492	85,079,519
Total assets		$	398,708,173	404,349,913
Equity and liabilities				
Shareholders' equity				
Share capital	13	$	80,162,792	80,162,792
Retained earnings			76,970,314	69,338,132
Total equity attributable to shareholders			157,133,106	149,500,924
Retirement benefit reserve	8		9,017,000	8,828,000
Total shareholders' equity			166,150,106	158,328,924
Liabilities				
Non-current				
Borrowings	14		94,708,726	107,848,046
Consumer deposits	15		13,402,455	12,666,892
Deferred tax liabilities	16		24,619,474	27,704,168
Consumer contributions	17		29,875,827	29,085,469
Retirement benefit liability	18		1,155,908	1,081,408
Total non-current liabilities			163,762,390	178,385,983
Current				
Bank overdraft	12		-	2,981,733
Borrowings	14		13,635,450	12,115,386
Trade and other payables	19		41,716,674	42,051,184
Income tax payable			2,224,475	713,744
Dividends payable			11,219,078	9,772,959
Total current liabilities			68,795,677	67,635,006
Total liabilities			232,558,067	246,020,989
Total equity and liabilities		$	398,708,173	404,349,913

Approved by:

______________ Director ______________ Director

The notes on pages 49 to 92 are an integral part of these financial statements

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Comprehensive Income

December 31, 2010

with comparative figures for the year ended December 31, 2009

(Expressed in Eastern Caribbean Dollars)

	Notes		2010	2009 (Restated)
Revenue				
Energy sales		$	247,945,403	236,745,174
Fuel surcharge recovered			26,907,962	19,928
Other revenue			1,417,100	1,926,360
			276,270,465	238,691,462
Operating expenses				
Diesel generation			140,638,932	131,359,533
Transmission and distribution			33,721,329	37,108,093
Fuel surcharge	27		27,741,933	-
			202,102,194	168,467,626
Gross income			74,168,271	70,223,836
Administrative expenses			(26,488,452)	(24,978,378)
Operating profit			47,679,819	45,245,458
Other gains	22		296,062	636,406
Profit before finance costs and taxation			47,975,881	45,881,864
Finance costs			(7,618,056)	(6,915,402)
Profit before taxation			40,357,825	38,966,462
Taxation	23		(11,137,656)	(11,150,986)
Net profit for the year from continuing operations			29,220,169	27,815,476
Other comprehensive income:				
Actuarial losses on defined benefit plans			(178,357)	(239,144)
Other comprehensive loss for the year			(178,357)	(239,144)
Total comprehensive income for the year		$	29,041,812	27,576,332
Earnings per share	25	$	2.49	2.37

The notes on pages 49 to 92 are an integral part of these financial statements

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity

For the year ended December 31, 2010

with comparative figures for the year ended December 31, 2009

(Expressed in Eastern Caribbean Dollars)

	Notes		Stated Capital	Retained Earnings	Retirement Benefit Reserve	Hedging Reserve	Total
Balance at January 1, 2009 as restated		$	80,162,792	62,282,377	8,749,000	-	151,194,169
Total comprehensive income for the year as previously reported			-	27,399,509	-	1,428,830	28,828,339
Prior year's adjustment	32		-	176,823	-	(1,428,830)	(1,252,007)
Total comprehensive income for the year as restated			-	27,576,332	-	-	27,576,332
Transfer to retirement benefit reserve			-	(79,000)	79,000	-	-
Transfer to tariff reduction rebate	20		-	(231,538)	-	-	(231,538)
Transfer to tariff reduction reserve	20		-	(2,981,639)	-	-	(2,981,639)
Ordinary dividends	21		-	(17,228,400)	-	-	(17,228,400)
Balance at December 31, 2009 as restated		$	80,162,792	69,338,132	8,828,000	-	158,328,924
Balance at January 1, 2010		$	80,162,792	69,338,132	8,828,000	-	158,328,924
Total Comprehensive Income for the year			-	29,041,812	-	-	29,041,812
Transfer to tariff reduction reserve			-	(2,554,830)	-	-	(2,554,830)
Transfer to retirement benefit reserve			-	(189,000)	189,000	-	-
Ordinary dividends	21		-	(18,665,800)	-	-	(18,665,800)
Balance at December 31, 2010		$	80,162,792	76,970,314	9,017,000	-	166,150,106

The notes on pages 49 to 92 are an integral part of these financial statements

ST. LUCIA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year ended December 31, 2010
with comparative figures for the year ended December 31, 2009
(Expressed in Eastern Caribbean Dollars)

	Notes	2010	2009 (Restated)
Cash flows from operating activities			
Profit before taxation		$ 40,357,825	38,966,462
Adjustments for:			
Depreciation	6	33,196,564	30,740,624
Amortisation of intangible assets	7	1,117,876	1,090,503
Finance costs expensed		7,594,254	6,915,402
Gain on disposal of property, plant and equipment	22	(218,645)	(701,797)
Amortisation of consumer contributions	17	(1,327,675)	(1,443,482)
Post retirement benefits		(292,859)	(240,896)
Operating profit before working capital changes		80,427,340	75,326,816
Increase in trade and other receivables		(8,847,662)	(10,880,948)
Increase in inventories		(2,266,228)	(1,979,225)
(Decrease)/increase in trade and other payables		(334,510)	16,036,128
Cash generated from operations		68,978,939	78,502,771
Interest received		259,971	237,470
Finance costs paid		(7,584,761)	(7,291,084)
Income tax paid		(12,711,618)	(12,192,848)
Net cash from operating activities		48,942,531	59,256,309
Cash flows from investing activities			
Acquisition of available for sale financial asset		(12,990)	(2,598,613)
Acquisition of property, plant and equipment	6	(20,982,242)	(30,102,983)
Sale of available for sale financial assets		8,493,988	-
Proceeds on disposal of property, plant and equipment		227,062	711,822
Acquisition of intangible assets	7	(1,280,019)	(1,177,611)
Net cash used in investing activities		(13,554,201)	(33,167,385)
Cash flows from financing activities			
Proceeds from borrowings		-	10,000,000
Repayment of borrowings		(11,831,881)	(17,380,697)
Dividends paid		(17,219,681)	(15,706,594)
Transfer of tariff reduction rebate		(2,554,830)	(3,213,176)
Consumer contributions received	17	2,118,033	2,100,854
Consumer deposits received net		538,845	711,269
Net cash used in financing activities		(28,949,514)	(23,488,344)
Net increase in cash and cash equivalents		6,438,816	2,600,580
Cash and cash equivalents at beginning of year	12	13,443,512	10,842,932
Cash and cash equivalents at end of year		$ 19,882,328	13,443,512

The notes on pages 49 to 92 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 St. 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 Soucis, 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 4, 2011.

(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 judgements

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

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

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

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

3. Significant Accounting Policies

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

(a) Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign exchange currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised 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 recognised directly in other comprehensive income.

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

(b) Financial instruments

(i) *Non-derivative financial instruments*

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

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

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

Accounting for finance income and expense is discussed in note 3 (j).

3. Significant Accounting Policies (Cont'd)

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

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

Trade receivables, being short term, are not discounted.

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

Borrowings
Borrowings are recognised initially as the proceeds are received and are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 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 (as amended) 1994, 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 estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 5%. The annual amortisation of consumer contributions is deducted from the depreciation charge provided in respect of the capital cost of these line extensions. Contributions in excess of the applicable capital cost of line extensions 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 finalisation 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 and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(e)), and foreign exchange gains and losses on available-for-sale equity instruments (see note 3(a)), are recognised in other comprehensive income and presented with equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) *Share capital*

Ordinary shares

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

(c) Property, Plant and Equipment

(i) *Recognition and measurement*

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised 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 recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

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

(iii) *Depreciation*

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

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

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

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

(d) Intangible assets

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

Subsequent expenditure

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

Amortisation

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

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter into bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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

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

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

(ii) *Non-financial assets*

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

3. Significant Accounting Policies (Cont'd)

(f) Impairment (Cont'd)

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

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

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

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

(g) Derivative financial instruments

The Company holds derivative financial instruments to hedge the volatility of its fuel costs. 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 that present value.

(i) Revenue recognition

Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision for the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is based upon actual information for the preceding months and is reviewed periodically to assess reasonableness and adjusted where required. The provision of 60.2% (2009: 57.2%) at year end is based upon the actual information obtained subsequent to the year end. The provision for unbilled sales is included in accrued income.

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

3. Significant Accounting Policies (Cont'd)

(i) Revenue recognition (Cont'd)

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

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

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

Foreign currency gains and losses are reported on a net basis.

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(k) Income tax (Cont'd)

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

(l) Earnings per share

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

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for the annual period beginning after January 1, 2010 and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company.

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

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.

Non-derivative financial liabilities

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

5. Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

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.

5. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Trade and other receivables

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

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

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

More than 85 percent of the Company's customers have been transacting with the Company for over four years, and losses have occurred infrequently.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance is a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Company limits its exposure to credit risk by only investing in liquid securities. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

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

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:

5. Financial Risk Management (Cont'd)

Liquidity risk (Cont'd)

- Two overdraft facilities of EC$5 million and EC$3 million which are secured. Interest is payable at the rate of 9% and 8% respectively.
- A standby credit facility in the amount of EC$10 million which will be utilised to restore transmission and distribution lines and related assets damaged by hurricane and other natural disasters, should it become necessary. This facility is convertible into a 12-year term instalment loan subject to the necessary approvals. The interest rate is 7.41% on the credit facility and 6.5% if converted into a demand loan.

Market risk

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

Currency risk

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

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

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

Operational risk

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

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

5. Financial Risk Management (Cont'd)

Operational risk (Cont'd)

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

Capital management

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

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

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

(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, 2009	$	86,145,582	502,862,481	3,358,455	10,255,734	9,581,537	612,203,789
Adjustment		-	(244,071)	-	-	244,071	-
Additions		1,199,728	8,770,626	714,968	781,153	18,636,508	30,102,983
Transfers		-	19,591,266	-	-	(19,591,266)	-
Disposals		(62,924)	-	-	(13,188)	-	(76,112)
Balance at December 31, 2009		87,282,386	530,980,302	4,073,423	11,023,699	8,870,850	642,230,660
Balance at January 1, 2010		87,282,386	530,980,302	4,073,423	11,023,699	8,870,850	642,230,660
Additions		448,869	5,938,428	70,174	728,870	13,795,901	20,982,242
Transfers		-	7,618,979	-	-	(7,618,979)	-
Disposals		-	(3,040,443)	(770,664)	(38,034)	-	(3,849,141)
Balance at December 31, 2010	$	87,731,255	541,497,268	3,372,933	11,714,535	15,047,770	659,363,761
Accumulated Depreciation							
Balance at January 1, 2009	$	26,954,798	275,263,391	2,839,955	8,370,899	-	313,429,043
Charge for the year		2,024,816	27,918,842	274,569	522,397	-	30,740,624
Eliminated on disposals		(53,136)	-	-	(12,951)	-	(66,087)
Balance at December 31, 2009		28,926,478	303,182,233	3,114,524	8,880,345	-	344,103,580
Balance at January 1, 2010		28,926,478	303,182,233	3,114,524	8,880,345	-	344,103,580
Charge for the year		2,042,117	30,192,332	380,504	581,611	-	33,196,564
Eliminated on disposals		-	(3,040,443)	(770,664)	(29,617)	-	(3,840,724)
Balance at December 31, 2010	$	30,968,595	330,334,122	2,724,364	9,432,339	-	373,459,420
Carrying Amounts							
At January 1, 2009	$	59,190,784	227,599,090	518,500	1,884,835	9,581,537	298,774,746
At December 31, 2009	$	58,355,908	227,798,069	958,899	2,143,354	8,870,850	298,127,080
At January 1, 2010	$	58,355,908	227,798,069	958,899	2,143,354	8,870,850	298,127,080
At December 31, 2010	$	56,762,660	211,163,146	648,570	2,282,196	15,047,770	285,904,341

(Expressed In Eastern Caribbean Dollars)

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

Borrowing costs amounting to $800,000 (2009 - $1,595,616) were capitalised during the year.

7. Intangible Assets

		Enterprise Software	Way Leave Rights	Other Software	Work In Progress	Total
Cost						
Balance at January 1, 2009	$	4,282,545	971,236	-	-	5,253,781
Additions		-	280,495	109,426	787,690	1,177,611
Balance at December 31, 2009		4,282,545	1,251,731	109,426	787,690	6,431,392
Balance at January 1, 2010		4,282,545	1,251,731	109,426	787,690	6,431,392
Additions		-	304,283	334,197	641,540	1,280,019
Balance at December 31, 2010	$	4,282,545	1,556,014	443,623	1,429,230	7,711,411
Accumulated Amortisation						
Balance at January 1, 2009		1,530,102	-	-	-	1,530,102
Amortised for the year		1,070,504	-	19,999	-	1,090,503
Balance at December 31, 2009		2,600,606	-	19,999	-	2,620,605
Balance at January 1, 2010		2,600,606	-	19,999	-	2,620,605
Amortised for the year		1,117,876	-	-	-	1,117,876
Balance at December 31, 2010	$	3,718,482	-	19,999	-	3,738,481
Carrying Amounts						
At January 1, 2009	$	2,752,443	971,236	-	-	3,723,679
At December 31, 2009	$	1,681,939	1,251,731	89,427	787,690	3,810,787
At January 1, 2010	$	1,681,939	1,251,731	89,427	787,690	3,810,787
At December 31, 2010	$	564,063	1,556,014	423,624	1,429,230	3,972,930

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

8. Retirement Benefit Asset

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

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

In accordance with the terms of the agreement between the parties, the Company served notice on CLICO of the termination of the agreement effective January, 2009. The accumulated funds held on behalf of the scheme are being transferred to the new fund manager, RBTT Asset Management Limited, over a designated period of time in monthly installments of $249,990. The amount invested with CLICO at December 31, 2010 was $6,129,272.

The most recent actuarial valuation of these two schemes is dated December 31, 2010. 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, 2006.

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	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Discount rate	7.5	7.5	7.0	7.0
Expected return on plan assets	7.5	8.0	7.5	7.5
Future salary increases	6.5	6.5	5.5	5.5
Future pension increases	3.0	3.0	0.0	0.0

(Expressed In Eastern Caribbean Dollars)

8. Retirement Benefit Asset (Cont'd)

The amounts recognised in the statement of financial position at December 31, 2010 are determined as follows:

		Grade III		Grade II		Grade I		Total	
		2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Present value of funded obligations	$	(16,185,000)	(14,455,000)	(11,949,000)	(10,858,000)	(11,358,000)	(10,331,000)	(39,492,000)	(35,644,000)
Fair value of plan assets		16,111,000	14,470,000	14,496,000	14,009,000	13,418,000	12,780,000	44,025,000	41,259,000
Unrecognised actuarial loss/(gain)		4,579, 000	4,590,000	(889,000)	(1,531,000)	794,000	154,000	4,484,000	3,213,000
Defined benefit asset	$	4,505,000	4,605,000	1,658,000	1,620,000	2,854,000	2,603,000	9,017,000	8,828,000

The amount of $9,017,000 (2009 - $8,828,000) 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.

(Expressed In Eastern Caribbean Dollars)

8. Retirement Benefit Asset (Cont'd)

The movements in the defined benefit obligation for the year ended December 31, 2010 were as follows:

	Grade III		Grade II		Grade I		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Defined benefit obligation as at January 1, 2010	$ 14,455,000	13,128,000	10,858,000	9,736,000	10,331,000	9,614,000	35,644,000	32,478,000
Services and interests costs	2,022,000	1,888,000	1,330,000	1,224,000	889,000	855,000	4,241,000,	3,967,000
Members' contributions	-	-	218,000	215,000	198,000	169,000	416,000	384,000
Benefit improvements	-	-	131,000	-	-	60,000	131,000	60,000
Benefits paid	(186,000)	(181,000)	(582,000)	(240,000)	(387,000)	(361,000)	(1,155,000)	(782,000)
Expense allowance	-	-	(66,000)	(43,000)	(52,000)	(37,000)	(118,000)	(80,000)
Actuarial gain/(loss)	(106,000)	(380,000)	60,000	(34,000)	379,000	31,000	333,000	(383,000)
Defined obligation benefit as at December 31, 2010	$ 16,185,000	14,455,000	11,949,000	10,858,000	11,358,000	10,331,000	39,492,000	35,644,000

The movements in the plans' assets for the year ended December 31, 2010 were as follows:

	Grade III		Grade II		Grade I		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Fair value of plan assets at January 1, 2010	$ 14,470,000	11,582,000	14,009,000	13,055,000	12,780,000	11,984,000	41,259,000	36,621,000
Contributions paid - company	922,000	918,000	450,000	445,000	245,000	207,000	1,617,000	1,570,000
Contributions paid - members	-	-	218,000	215,000	198,000	169,000	416,000	384,000
Expected return on plan assets	1,187,000	956,000	1,040,000	981,000	895,000	838,000	3,122,000	2,775,000
Benefits paid	(186,000)	(181,000)	(582,000)	(240,000)	(387,000)	(361,000)	(1,155,000)	(782,000)
Expense allowance	-	-	(66,000)	(43,000)	(52,000)	(37,000)	(118,000)	(80,000)
Actuarial loss	(282,000)	1,195,000	(573,000)	(404,000)	(261,000)	(20,000)	(1,116,000)	771,000
Fair value of plan assets at December 31, 2010	$ 16,111,000	14,470,000	14,496,000	14,009,000	13,418,000	12,780,000	44,025,000	41,259,000

(Expressed In Eastern Caribbean Dollars)

8. Retirement Benefit Asset (Cont'd)

Plan assets consist of the following:

	Grade III		Grade II		Grade I	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Equity securities	100%	98%	-	-	-	-
Debt securities	-	-	25.1%	5.8%	-	-
Cash/Money Market	-	-	11.1%	14.6%	-	-
Other (Deposit administration account)	-	2%	63.8%	79.6%	100%	100%
Total	100%	100%	100%	100%	100%	100%

The actual return on plan assets for the year ended December 31, 2010 was as follows:

	Grade III		Grade II		Grade I		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Return on plan assets	$ 905,000	2,151,000	467,000	577,000	634,000	818,000	2,006,000	3,546,000

The amounts recognised in the statement of comprehensive income for the year ended December 31, 2010 were as follows:

	Grade III		Grade II		Grade I		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Current service cost	$ 879,000	847,000	578,000	549,000	177,000	188,000	1,634,000	1,584,000
Interest on defined benefit obligations	1,143,000	1,041,000	752,000	675,000	712,000	667,000	2,607,000	2,383,000
Expected return on plan assets	(1,187,000)	(956,000)	(1,040,000)	(981,000)	(895,000)	(838,000)	(3,122,000)	(2,775,000)
Past service cost	-	-	131,000	-	-	60,000	131,000	60,000
Amortised net loss/(gain)	187,000	282,000	(9,000)	(43,000)	-	-	178,000	239,000
Net pension costs	$ 1,022,000	1,214,000	412,000	200,000	(6,000)	77,000	1,428,000	1,491,000

(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:

		2010	2009
Administrative expenses	$	26,488,452	25,244,967

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

		2010	2009
At beginning of year	$	8,828,000	8,749,000
Total expenses as shown above		(1,428,000)	(1,491,000)
Contributions paid		1,617,000	1,570,000
At end of year	$	9,017,000	8,828,000

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

		Grade III		Grade II		Grade I		Total	
		2010	2009	2010	2009	2010	2009	2010	2009
Cumulative amount as at January 1, 2010	$	4,590,000	6,447,000	(1,531,000)	(1,944,000)	154,000	103,000	3,213,000	4,606,000
Recognised during the period		(11,000)	(1,857,000)	642,000	413,000	640,000	51,000	1,271,000	(1,393,000)
Cumulative amount as at December 31, 2010	$	4,579,000	4,590,000	(889,000)	(1,531,000)	794,000	154,000	4,484,000	3,213,000

8. Retirement Benefit Asset (Cont'd)

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

Grade III

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

Grade II

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

Grade I

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

9. Available-for-sale Financial Asset

		2010	**2009**
Securities: available-for sale			
At beginning of year	$	8,504,527	5,642,575
Additions for year		-	2,861,952
Withdrawals for the year		(8,341,117)	-
At end of year	$	163,410	8,504,527

The available-for-sale financial asset as at December 31, 2010 has a stated interest rate of 1.80% (2009 – 2.05%).

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

		2010	**2009**
Fuel inventories	$	4,126,640	3,452,073
Generation spare parts		8,619,842	8,597,992
Transmission, distribution and other spares		9,809,150	8,244,431
Gross inventories		22,555,632	20,294,496
Less: provision for impairment of inventories		(2,570,380)	(2,575,472)
	$	19,985,252	17,719,024

(Expressed In Eastern Caribbean Dollars)

11. Trade, Other Receivables and Prepayments

		2010	2009 (Restated)
Trade receivables due from related parties	$	8,832,425	4,481,605
Other trade receivables		37,635,346	31,871,117
Less: provision for impairment of trade receivables		(5,394,718)	(4,853,357)
Trade receivables, net		41,073,053	31,499,365
Other receivables		4,267,300	3,116,644
Less: provision for impairment of other receivables		(370,442)	(180,931)
Other receivables, net		3,896,858	2,935,713
Accrued income		11,058,792	12,196,976
Prepayments		3,754,209	4,303,196
		14,813,001	16,500,172
	$	59,782,912	50,935,250

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

12. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

		2010	2009
Cash at bank and in hand	$	19,882,328	16,425,245
Bank overdraft		-	(2,981,733)
	$	19,882,328	13,443,512

The bank overdraft is secured as in note 14.

13. Share Capital

	2010	2009
Authorised:		
Voting ordinary shares	15,000,000	15,000,000
Ordinary non-voting shares	800,000	800,000
Preference shares	1,214,128	1,214,128

		2010	2009
Issued and fully paid			
11,200,000 (2009 – 11,200,000) voting ordinary shares	$	77,562,792	77,562,792
520,000 (2009 – 520,000) non-voting ordinary shares		2,600,000	2,600,000
	$	80,162,792	80,162,792

14. Borrowings

This comprises:

	Notes		2010	2009
Current				
Bank borrowings		$	5,699,276	4,143,371
Related parties	26		7,936,174	7,972,015
			13,635,450	12,115,386
Non-current				
Bank borrowings			45,472,459	50,931,146
Related parties	26		49,236,267	56,916,900
			94,708,726	107,848,046
Total borrowings		$	108,344,176	119,963,432

Borrowings include liabilities amounting to $108,344,176 (2009 - $119,963,432) which are secured by hypnotherapy obligations and mortgage debentures creating fixed charges over all immovable property and floating charges over all other assets, all ranking pari passu pursuant to a security sharing agreement, and assignment of insurance policies. Also included in borrowings are loans guaranteed by the Government of St. Lucia amounting to $2,716,900 (2009 - $3,622,533).

14. Borrowings (Cont'd)

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

	2010 %	2009 %
Current		
Bank borrowings	6.07	6.07
Related parties	7.37	7.37

Maturity of non-current borrowings:

	2010	2009
Between 1 and 2 years	$ 24,591,734	11,988,268
Between 2 and 5 years	32,705,940	32,122,743
Over 5 years	51,046,502	63,737,035
	$ 108,344,176	107,848,046

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

15. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum at December 31, 2010 (2009 – 3% per annum). Accrued interest of $3,395,893 (2009 - $3,222,976) is included in consumer deposits.

16. Deferred Tax Liabilities

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2009 – 30%). The movement on the deferred tax liability account is as follows:

	2010	2009
At beginning of year	$ 27,704,168	28,364,847
Reversed during the year	(3,084,694)	(660,679)
At end of year	$ 24,619,474	27,704,168

(Expressed In Eastern Caribbean Dollars)

16. Deferred Tax Liabilities (Cont'd)

Deferred tax liabilities are attributed to the following items:

		2010	2009
Property, plant and equipment	$	22,261,147	25,380,190
Pensions and retirement benefit asset and liabilities		2,358,327	2,323,978
	$	24,619,474	27,704,168

17. Consumer Contributions

		2010	2009
At beginning of year	$	29,085,469	28,428,097
Contributions received		2,118,033	2,100,854
Amortisation for the year		(1,327,675)	(1,443,482)
At end of year	$	29,875,827	29,085,469

(Expressed In Eastern Caribbean Dollars)

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	
	2010	2009	2010	2009
	%	%	%	%
Discount rate	7.0	7.5	7.0	7.0
Medical expense increase	4.5	5.0	5.0	5.0

The amounts recognised in the statement of financial position at December 31, 2010 are determined as follows:

	Grade III		Grade II & I		Total	
	2010	2009	2010	2009	2010	2009
Present value of funded obligations $	208,397	98,566	1,009,000	993,000	1,217,397	1,091,566
Fair value of plan assets	-	-	-	-	-	-
Unrecognised actuarial loss	(106,489)	(10,158)	45,000	-	(61,489)	(10,158)
Post retirement liability $	101,908	88,408	1,054,000	993,000	1,155,908	1,081,408

(Expressed In Eastern Caribbean Dollars)

18. Retirement Benefit Liability (Cont'd)

The movements in the post retirement benefit obligation for the year ended December 31, 2010 were as follows:

		Grade III		Grades II & I		Total	
		2010	**2009**	**2010**	**2009**	**2010**	**2009**
Defined benefit obligation as at January 1, 2010	$	98,566	88,603	993,000	927,000	1,091,566	1,015,603
Services and interests costs		15,164	12,789	93,000	94,000	108,164	106,789
Benefits paid		(1,682)	(1,682)	(32,000)	(28,000)	(33,682)	(29,682)
Actuarial gain		96,349	(1,144)	(45,000)	-	51,349	(1,144)
Defined obligation benefit as at December 31, 2010	$	208,397	98,566	1,009,000	993,000	1,217,397	1,091,566

18. Retirement Benefit liability (Cont'd)

The amounts recognised in the statement of comprehensive income for the year ended December 31, 2010 were as follows:

		Grade III		Grade II & I		Total	
		2010	**2009**	**2010**	**2009**	**2010**	**2009**
Current service cost	$	7,289	5,771	25,000	30,000	32,289	35,771
Interest on defined benefit obligations		7,875	7,018	68,000	64,000	75,875	71,018
Expected return on plan assets		-	-	-	-	-	-
Past service cost		-	-	-	-	-	-
Amortised net gain		16	144	-	-	16	144
Net pension costs	$	15,180	12,933	93,000	94,000	108,180	106,933

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

		Grade III		Grade II & I		Total	
		2010	**2009**	**2010**	**2009**	**2010**	**2009**
Cumulative amount as at January 1, 2010	$	10,159	11,444	-	-	10,159	11,444
Recognised during the period		96,333	(1,286)	45,000	-	141,333	(1,286)
Cumulative amount as at December 31, 2010	$	106,492	10,158	45,000	-	151,492	10,158

19. Trade and Other Payables

		2010	**2009 (Restated)**
Trade payables	$	17,713,233	17,478,894
Accrued expenses		15,403,789	15,144,536
Other payables		8,599,652	9,427,754
	$	41,716,674	42,051,184

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

20. Tariff Reduction Reserve

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

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. In respect of 2010, this was equal to a range of 10% to 14.5%.

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

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

Under the provisions of these amendments, an amount of $2,554,830 (2009 - $2,981,639) is due to qualifying customers, and for this reporting period, has been included in Trade and Other Payables.

21. Ordinary Dividends

			2010	2009
Interim - $0.65	(2009 - $0.65) per share	$	7,618,000	7,618,000
Final - $0.94	(2009 - $0.82) per share		11,047,800	9,610,400
		$	18,665,800	17,228,400

22. Other Gains, Net

		2010	2009
Gain on disposal of property, plant and equipment	$	218,645	701,797
Foreign exchange gain/(loss)		77,417	(65,391)
	$	296,062	636,406

23. Taxation

		2010	2009 (Restated)
Current tax	$	14,222,350	11,811,665
Net change in deferred tax liabilities (Note 16)		(3,084,694)	(660,679)
	$	11,137,656	11,150,986

23. Taxation (Cont'd)

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

		2010	2009 (Restated)
Profit before taxation	$	40,357,825	38,966,462
Tax at the statutory rate of 30% (2009 – 30%)		12,107,348	11,689,939
Tax effect of income not subject to tax		(398,303)	(433,045)
Tax effect of unadjusted differences		(104,585)	(105,908)
Tax effect of difference in deferred tax computation		(466,804)	-
Actual tax charge	$	11,137,656	11,150,986

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 full-fledged hedging program commencing January 2010 which currently covers the period up to December, 2011.

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 $29,220,169 (2009 restated - $27,815,476) by the weighted average number of issued ordinary shares of 11,720,000 (2009 - 11,720,000).

26. Related Parties

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

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

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

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

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

- Short-term employee benefits
- Post-employment benefits
- Termination benefits

The Company is controlled by the following entities:

	2010	**2009**
	%	%
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	16.79	16.79
Castries City Council	16.33	16.33
Government of St. Lucia	12.44	12.44
	85.56	85.56

The remaining 14.44% (2009 – 14.44%) of the shares is widely held.

26. Related Parties (Cont'd)

LUCELEC Trust Company Inc.

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

LUCELEC donated the amount of $268,000 (2009 -$250,000) to the Trust for 2010.

Transactions with shareholders during the year were as follows:

		2010	2009
Revenue			
National Insurance Corporation	$	2,732,013	2,379,324
Castries City Council		1,366,645	1,103,422
Government of St. Lucia and its corporations		22,291,840	25,996,694
	$	26,390,498	29,479,440
Finance Costs			
National Insurance Corporation	$	256,320	328,771
First Citizens Bank Limited		4,267,540	4,758,680
	$	4,523,860	5,087,451
Lease Charges			
Government of Saint Lucia	$	100,000	100,000

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

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

		2010	2009
National Insurance Corporation			
At beginning of year	$	3,647,489	4,559,361
Repayments during year		(1,168,193)	(1,240,643)
		2,479,296	3,318,718
Interest expense		256,320	328,771
At end of year	$	2,735,616	3,647,489

(Expressed In Eastern Caribbean Dollars)

26. Related Parties (Cont'd)

		2010	2009
First Citizens Bank Limited			
At beginning of year	$	61,241,427	68,046,030
Repayments during year		(11,072,143)	(11,563,283)
		50,169,284	56,482,747
Interest expense		4,267,540	4,758,680
At end of year	$	54,436,824	61,241,427

The above loans are fully secured (Note 14).

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

		2010	2009
National Insurance Corporation	$	222,809	237,106
Castries City Council		992,582	96,621
Government of Saint Lucia		7,617,033	4,070,653
	$	8,832,424	4,404,380

Transactions with key management personnel

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

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

Director/Shareholder	Company	Transactions	Transaction Value 2009	Transaction Value 2010	Prepayments 2009	Prepayments 2010
Stephen McNamara	McNamara & Co	Legal fees	140,458	30,850	184,604	133,984
		Payments on behalf of third parties	37,909	519,695	-	-
Irving John	John's Service	Meter reading service fees	258,874	228,661	-	-
Christopher G. Huskilson	Emera Inc.	*With regards to the fuel hedging pilot programme:*				
		Payments made by Emera Inc.	-	-	(111,192)	-
		Payments made by LUCELEC	-	-	-	-
		With regards to the fuel hedging pilot				
		Payments made by Emera Inc.-base commodity charge	1,809,945	-	-	-
		Payments made by LUCELEC-				
		Base commodity charge	727,027	-	-	-
		Management fees	271,690	27,100	-	-

(Expressed In Eastern Caribbean Dollars)

27. Expenses by Nature

		2010	2009 (Restated)
Fuel cost over base	$	27,741,933	-
Fuel at base price		116,148,303	107,569,350
Depreciation on property, plant and equipment		33,196,564	30,740,624
Amortisation of computer software		1,117,876	1,090,503
Repairs and maintenance		12,047,276	10,382,825
Employee benefit expense		23,348,943	22,854,670
Other operating expenses		16,317,426	22,251,514
Amortisation of consumer contributions		(1,327,675)	(1,443,482)
	$	228,590,646	193,446,004

28. Employee Benefit Expense

		2010	2009
Wages and salaries	$	21,698,261	21,254,988
Pension costs – defined benefit plans		1,617,000	1,570,000
Medical benefits paid		33,682	29,682
	$	23,348,943	22,854,670

The number of permanent employees at December 31, 2010 was 241 (2009 – 234).

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 2010	Carrying Amounts 2009 (Restated)
Available-for-sale financial assets	9	$	163,410	-
Trade, other receivables and prepayments	11		59,782,912	50,935,250
Cash and cash equivalents	12		19,882,328	16,425,245
		$	79,828,650	75,865,022

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

		Carrying Amounts 2010	Carrying Amounts 2009 (Restated)
Business	$	27,005,570	15,762,928
Residential		14,067,483	15,736,437
	$	41,073,053	31,499,365

29. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Impairment losses:

The aging of trade receivables at the reporting date was:

		Gross 2010	Impairment 2010	Gross 2009 (Restated)	Impairment 2009
Not past due	$	18,886,654	-	18,082,379	-
Past due 30-60 days		8,504,868	-	6,334,134	-
Past due 60-90 days		3,139,955	-	1,609,960	-
Over 90 days		15,936,294	5,394,718	10,326,249	4,853,357
	$	46,467,771	5,394,718	36,352,722	4,853,357

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

		Carrying Amount 2010	Carrying Amount 2009
Balance at January 1, 2010	$	4,853,357	4,637,186
Impairment loss recognised		541,361	216,171
Balance at December 31, 2010	$	5,394,718	4,853,357

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

(Expressed In Eastern Caribbean Dollars)

29. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2010

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

December 31, 2009

Non-derivative financial liabilities		Carrying amount	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
Secured loans	$	(119,963,432)	(153,117,157)	(20,311,362)	(19,723,930)	(43,694,179)	(69,387,686)
Bank overdraft		(2,981,733)	(2,981,733)	(2,981,733)	-	-	-
Trade and other payables		(42,051,184)	(42,051,184)	(42,051,184)	-	-	-
Dividend payable		(9,772,959)	(9,772,959)	(9,772,959)	-	-	-
	$	(174,769,308)	(207,923,003)	(75,117,238)	(19,723,930)	(43,694,179)	(69,387,686)

(Expressed In Eastern Caribbean Dollars)

29. Financial Instruments (Cont'd)

Currency Risk

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

	December 31, 2010				December 31, 2009					
	XCD	BDS	USD	GBP	XCD	BDS	EUR	USD	GBP	CDN
Trade and other receivables	58,997,144	-	289,215	-	50,172,858	-	-	280,611	-	-
Secured bank loans	(63,403,508)	-	(20,870,821)	-	(54,048,303)	-	-	(24,261,154)	-	-
Trade and other payables	(21,704,014)	(11,966)	(4,868,791)	(77,693)	(39,811,647)	(11,500)	(8,058)	(600,458)	(48,626)	(10,805)
Balance sheet exposure	(26,110,378)	(11,966)	(24,450,397)	(77,693)	(43,687,092)	(11,500)	(8,058)	(24,580,286)	(48,626)	(10,805)

The following significant exchange rates applied during the year:

		Reporting date			
		Average rate		Spot rate	
XCD		**2010**	**2009**	**2010**	**2009**
USD 1	$	2.717	2.717	2.717	2.717
EUR 1	$	3.356	3.781	3.578	3.836
GBP 1	$	4.147	4.246	4.177	3.940
CDN 1	$	2.604	2.388	2.700	2.544
BDS 1	$	1.366	1.386	1.378	1.328

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 2010		Carrying Amount 2009	
Fixed rate instruments:					
Financial assets	$	20,045,738	4.08%	24,929,772	4.08%
Financial liabilities		(108,344,176)	6.07%	(122,945,165)	6.07%
	$	(88,298,438)		(98,015,393)	

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

Fair values
Fair values versus carrying amounts

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

		Carrying amount as at December 31, 2010	Fair value as at December 31, 2010	Carrying amount as at December 31, 2009 restated	Fair value as at December 31, 2009 restated
Available for sale financial asset	$	163,410	163,410	8,504,527	8,504,527
Trade and other receivables		59,782,912	59,782,912	50,935,250	50,935,250
Cash and cash equivalents		19,882,328	19,882,328	16,425,245	16,425,245
Secured borrowings		(108,344,176)	(73,486,008)	(119,963,432)	(91,603,519)
Bank overdraft		-	-	(2,981,733)	(2,981,733)
Trade and other payables		(41,716,674)	(41,716,674)	(42,051,184)	(42,051,184)
Dividends payable		(11,219,078)	(11,219,078)	(9,772,959)	(9,772,959)
	$	(81,451,278)	(46,593,110)	(98,904,286)	(70,544,373)

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, 2010 of $3,916,113 (2009 - $410,000) in respect of work contracted.

Operating lease commitment

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

		2010	**2009**
Not later than 1 year	$	100,000	100,000
Later than 1 year and not later than 5 years		-	-
	$	100,000	100,000

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

The Company entered into Lease agreements for company vehicles for management staff. The future aggregate minimum lease payments on the leases are as follows:

		2010	**2009**
Not Later than 1 year	$	194,040	-
Later than 1 year and not later than 5 years		570,095	-
	$	764,135	-

Fuel hedging

During the year 2010, the Company executed fuel price hedging contracts for the first and second quarters of 2011 for 75% and 50% of its estimated purchases. At December 31, 2010, the mark to market valuation for those contracts is US$2,861,398 or EC$7,754,389.

31. Self Insurance Fund

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

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

The fund balance as at December 31, 2010 is $12,775,799 (2009 - $8,504,527), of which $12,612,893 (2009 – Nil) included in cash and cash equivalents have been invested in local financial institutions in short term liquid financial instruments. The balance of $163,410 (2009 – $8,504,527) 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.

The Company’s transmission and distribution infrastructure was damaged during the passage of Hurricane Tomas on October 31, 2010. Total costs to restore the transmission and distribution network to working capability have been estimated at $4.22 million, of which $2.99 million was incurred by the year end.

32. Prior Years’ Adjustments

(a) Tariffs

During the year the Company discovered that incorrect tariffs were applied to certain customers’ accounts in previous years, resulting in an overstatement of revenue up to December 31, 2009 by $2,998,646, an understatement of interest expenses up to that date of $329,478, and overstatement of income tax and understatement of other payables at that date by $998,437 and $329,478 respectively. The effect of the correction was to:

(i) reduce trade receivables at December 31, 2009 by $2,998,646 of which $2,151,898 originated prior to January 1, 2009

(ii) reduce retained earnings at December 31, 2009 by $2,329,670 of which $1,506,329 referred to periods prior to January 1, 2009

(iii) reduce income tax payable at December 31, 2009 by $998,437 of which $645,570 referred to periods prior to January 1, 2009

(iv) increase trade and other payables by $329,478, of which $266,589 arose from periods prior to January 1, 2009.

32. Prior Years' Adjustments (cont'd)

(b) Hedging

During the year, the company changed its accounting treatment for hedging. It adopted the provisions of IAS 39, Financial Instruments: Recognition and measurement through the use of the "Basis Adjustment" concept.

The effect of this correction is to reduce the hedging reserve at December 31, 2009 by $1,428,830, increase the total comprehensive income by the same amount, and increase the corporate tax charge for the year by $428,649.

33. Comparatives

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

34. Subsequent Events

Subsequent to the year end, the Government of Barbados announced its decision to place Colonial Life Insurance Company Limited (CLICO) in judicial management. This may affect CLICO's ability to honour its financial obligations to LUCELEC in respect of the Grade II Pension Scheme. As at December 31, 2010, the amount invested with CLICO was $6,129,272. The Company has since initiated legal action to recover the amounts outstanding.

OPERATING STATISTICS 2001 - 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Generating Plant (kW)										
Available Capacity	76,000	76,000	76,000	76,000	65,800	65,800	56,800	56,800	66,400	66,400
Firm Capacity	55,600	55,600	55,600	55,600	46,300	46,300	37,000	37,000	47,800	47,800
Peak Demand	59,200	55,900	54,100	52,700	49,800	49,200	46,600	44,900	43,400	43,300
Percentage growth in peak demand	5.9%	3.3%	2.7%	5.8%	1.2%	5.6%	3.8%	3.5%	0.2%	0.0%
Sales (kWh x 1000)										
Domestic	113,757	107,820	103,214	104,784	101,635	98,914	96,062	92,848	89,084	88,443
Commercial (including Hotels)	188,640	178,518	170,624	168,151	160,895	158,483	151,451	141,374	133,996	137,017
Industrial	18,373	19,002	18,626	15,789	12,982	12,522	12,345	13,185	12,673	12,954
Street Lighting	9,959	9,741	9,510	9,117	8,886	7,480	6,544	4,713	3,634	5,002
Total Sales	**330,729**	**315,081**	**301,975**	**297,841**	**284,398**	**277,399**	**266,402**	**252,120**	**239,387**	**243,416**
Power Station and Office Use (kWh x 1000)	14,127	14,312	14,256	13,185	13,071	13,172	12,076	11,793	11,970	12,522
Losses (kWh x 1000)	36,033	33,597	36,105	34,672	33,291	33,043	30,062	35,070	34,356	30,601
Units Generated (kWh x 1000)	**380,889**	**362,990**	**352,335**	**345,698**	**330,760**	**323,614**	**308,540**	**298,983**	**285,713**	**286,539**
Percentage growth in units generated	4.9%	3.0%	1.9%	4.5%	2.2%	4.9%	3.2%	4.6%	-0.3%	3.5%
Percentage growth in sales	5.0%	4.3%	1.4%	4.7%	2.5%	4.1%	5.7%	5.3%	-1.7%	4.0%
Percentage Losses (excl. prior year sales adjs.)	9.5%	9.3%	10.2%	10.0%	10.1%	10.2%	10.2%	11.7%	12.0%	10.7%
Customers										
Domestic	53,566	52,986	51,444	50,163	48,697	47,417	46,347	44,980	43,460	42,548
Commercial (Including Hotels)	6,557	6,479	6,169	5,938	5,714	5,474	5,307	5157	5,050	5,082
Industrial	100	100	98	101	95	95	96	102	106	112
Street Lighting (accounts)	9	7	7	7	3*	16	16	14	17	18
Number of Consumers at Year End	**60,232**	**59,572**	**57,718**	**56,209**	**54,509**	**53,002**	**51,766**	**50,253**	**48,633**	**47,760**
Percentage growth	1.1%	3.2%	2.7%	3.1%	2.8%	2.4%	3.0%	3.3%	1.8%	3.1%
Average Annual Consumption Per Customer (kWh)										
Domestic	2,124	2,035	2,006	2,089	2,087	2,086	2,073	2,064	2,050	2,079
Commercial (including Hotels)	28,769	27,553	27,658	28,318	28,158	28,952	28,538	27,414	26,534	26,961
Industrial	183,730	190,024	190,065	156,327	136,653	131,811	128,594	129,265	119,558	115,661
Diesel fuel consumed (Imp. Gall.)	19,561,441	18,256,739	17,870,149	17,729,217	17,009,188	16,666,145	15,961,905	15,436,122	14,736,896	14,860,580

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

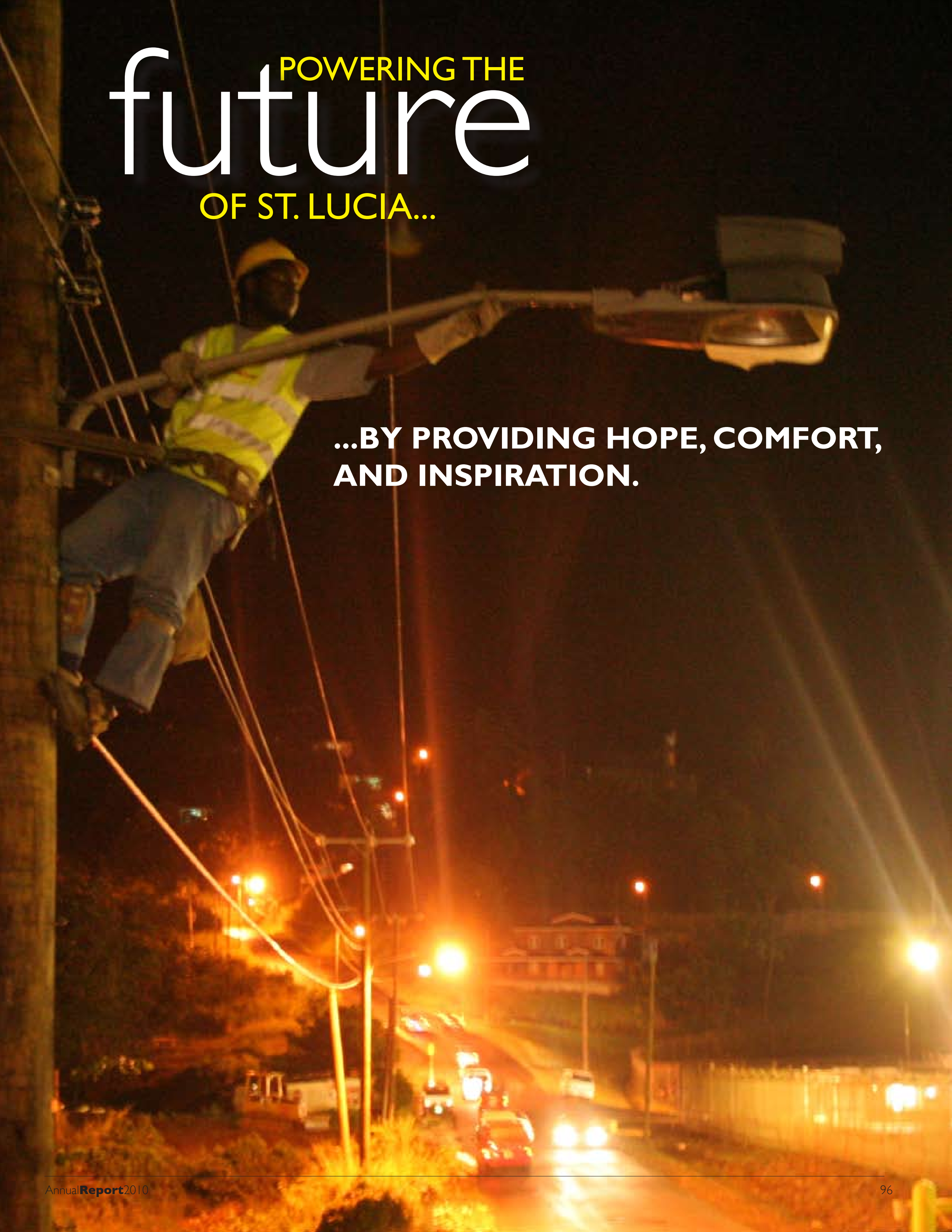
FINANCIAL STATISTICS 2001 - 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Units Sold (kWh x 1000)	330,729	315,082	301,975	297,841	284,398	277,399	266,402	252,120	239,387	243,417
Tariff Sales (Cents per kWh)	75.0	75.1	80.7	77.5	67.4	40.8	41.7	41.0	41.0	41.3
Fuel Charge (Cents per kWh)	8.1	0.0	19.0	3.4	12.3	32.1	22.6	18.3	14.9	16.6
Operating costs (Cents per kWh)	69.1	61.4	86.1	66.3	65.2	59.2	47.8	44.6	42.3	42.7
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	275,629	293,067	292,916	296,606	267,447	267,872	223,932	236,991	250,360	243,001
Retirement Benefit Asset	9,017	8,828	8,749	7,768	2,850	2,637	2,395	1,983	1,520	1,083
Available for Sale Investment	163	8,504	5,643	3,452	2,687	1,961	1,266	610	-	-
Capital Work in Progress	14,249	8,871	9,582	6,518	11,055	9,297	49,930	15,896	5,654	19,957
Current Assets	99,650	85,079	68,527	63,419	54,460	60,000	54,878	43,519	44,873	47,879
Current Liabilities	(68,796)	(67,635)	(52,483)	(57,776)	(57,545)	(66,625)	(48,165)	(35,743)	(38,144)	(46,451)
Total	**329,913**	**336,714**	**332,934**	**319,987**	**280,954**	**275,142**	**284,236**	**263,256**	**264,263**	**265,469**
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	76,970	69,338	63,789	58,330	53,932	46,028	49,081	40,831	35,038	30,279
Other Reserves & Consumer Contributions	38,893	37,913	37,177	32,315	25,328	24,332	24,515	25,250	24,628	23,708
Long Term Debt	94,709	107,848	110,754	107,288	81,360	84,916	88,848	75,927	83,988	91,983
Other Long Term Liabilities	39,178	41,452	41,051	41,891	40,171	39,703	41,629	41,085	40,446	39,336
Total	**329,913**	**336,714**	**332,934**	**319,987**	**280,954**	**275,142**	**284,236**	**263,256**	**264,263**	**265,469**
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	247,945	236,745	243,691	230,754	191,525	113,251	111,108	103,430	98,192	100,401
Fuel Surcharge	26,908	20	57,448	10,178	34,962	88,961	60,147	46,110	35,495	40,492
Other	1,417	1,926	1,082	657	943	848	545	749	481	842
Total	**276,271**	**238,691**	**302,221**	**241,589**	**227,430**	**203,060**	**171,800**	**150,289**	**134,168**	**141,735**

FINANCIAL STATISTICS 2001 - 2010 (cont'd)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Costs										
Fuel (Cost over Base)	27,742	-	57,915	10,846	34,712	89,170	60,114	45,669	35,673	40,367
Generation O&M	124,134	117,791	133,943	121,317	91,504	13,682	15,202	14,084	13,208	14,498
Transmission & Distribution	17,618	20,557	16,601	16,810	14,888	14,080	11,802	12,806	12,519	11,925
Administrative & Selling	24,784	23,266	22,167	21,321	19,596	23,373	18,407	19,486	20,344	18,305
Depreciation	34,314	31,832	29,468	27,171	24,763	23,885	21,905	20,493	19,608	18,893
Total	**228,591**	**193,446**	**260,094**	**197,465**	**185,463**	**164,190**	**127,430**	**112,538**	**101,352**	**103,988**
Operating Income	47,679	45,245	42,127	44,124	41,967	38,870	44,370	37,750	32,816	37,747
Interest Expense	7,618	6,915	8,997	7,201	7,131	6,074	5,686	7,344	8,805	9,360
Foreign Exchange (Gain) Loss/ Other	(296)	(636)	(462)	(151)	(503)	116	15	288	(37)	-
Net Income before Tax	40,357	38,966	33,592	37,074	35,339	32,680	38,669	30,118	24,048	28,387
Taxation	11,138	11,151	11,049	7,715	8,585	7,083	10,628	10,501	7,747	8,919
Net Income after Tax	29,219	27,815	22,543	29,359	26,754	25,597	28,124	19,616	16,301	19,468
Other Comprehensive income	(178)	(239)	48	-	-	-	-	-	-	-
Dividend Declared	18,666	17,228	15,705	16,642	16,642	15,715	19,462	13,361	11,105	13,478
Retained Earnings for Year	10,376	10,348	6,886	12,717	10,112	9,882	8,662	6,256	5,196	5,990
Retained Earnings beginning of Year	69,338	62,282	58,330	52,303	45,924	49,081	40,831	35,038	30,279	24,529
Transfer to Retirement Benefit & Reserves	(189)	(79)	(981)	(644)	636	(242)	(412)	(463)	(437)	(240)
Tariff Reduction Reserve	(2,555)	(3,213)	(1,953)	(6,046)	(3,087)	(4,557)	-	-	-	-
Prior Year Adjustment		-	-	-	(1,282)	(8,240)	-	-	-	-
Retained Earnings end of Year	76,970	69,338	62,282	58,330	52,303	45,924	49,081	40,831	35,038	30,279
Return on Rate Base	17.41%	18.24%	17.77%	21.42%	18.91%	19.67%	12.91%	10.52%	9.70%	11.08%
Earnings per share (EC$)	$ 2.49	$ 2.36	$ 1.92	$ 2.48	$ 2.30	$2.18	$2.40	$1.67	$1.39	$1.66
Dividend per share (EC$)	$ 1.59	$ 1.47	$ 1.34	$ 1.42	$ 1.42	$1.34	$1.66	$1.14	$0.95	$1.15
Debt/Equity Ratio	41/59	44/56	47/53	48/52	43/57	43/57	44/56	45/55	50/50	53/47
Capital expenditure	$22,262	$31,281	$28,344	$51,794	$26,108	$27,200	$42,881	$17,404	$12,706	$20,155

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