ST. VINCENT ELECTRICITY SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative figures for December 31, 2013)

ST. VINCENT ELECTRICITY SERVICES LIMITED

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CORPORATE INFORMATION

Registered Office

Kingstown
St. Vincent and the Grenadines

Directors

Ms. René M. Baptiste – Chairman, C.M.G., LL.B (Hons.), L.E.C.
Sir Vincent Beache - KCMG
Mr. Maurice Edwards – BSc., CGA, O.B.E.
Mr. Kirk Da Silva – MCMI, AFA, AICB, CFE, Acc. Dir., Cr. FA, DABFA
Mr. Godfred Pompey – Q.A.T, BSc., MA
Mr. Brian George – B. Eng. (Hons.), MSc, PMP
Mr. Simon Glynn
Mr. Patrick Da Silva
Mr. Tyrone Burke

Company Secretary

Mrs. Juliette Hinds-Wilson – CMA, ACIS

Chief Executive Officer

Mr. Thornley Myers – MSc, MASC, Dip. Mgmt.

Solicitors

Saunders & Huggins

Bankers

The Bank of Nova Scotia
FirstCaribbean International Bank (Barbados) Limited
Bank of St. Vincent and the Grenadines
RBTT Bank (Caribbean) Limited

Auditors

KPMG Eastern Caribbean
Chartered Accountants

KPMG Eastern Caribbean
The Financial Services Centre
Kingstown Park
P.O. Box 561
Kingstown
St. Vincent and the Grenadines

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INDEPENDENT AUDITORS' REPORT

To the Shareholder
St. Vincent Electricity Services Limited
Kingstown

Report on the Financial Statements

We have audited the accompanying financial statements of St. Vincent Electricity Services Limited, which comprise the statement of financial position as at December 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder
St. Vincent Electricity Services Limited
Kingstown

Report on the Financial Statements

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of St. Vincent Electricity Services Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

KPMG Eastern Caribbean
Kingstown, St. Vincent and the Grenadines
November 20, 2015

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Financial Position
As of December 31, 2014
With comparatives as of December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Note	2014 $	2013 $
Assets			
Property, plant and equipment	5	211,890,037	219,635,867
Long term investments	7	14,436,887	15,189,996
Retirement benefit asset	8	362,614	-
Total non-current assets		226,689,538	234,825,863
Inventories	9	7,113,678	9,732,888
Current portion of long term investments	7	1,468,132	2,119,253
Short-term securities	10	21,578,292	20,604,575
Income tax refundable	11	-	435,912
Trade and other receivables	6	42,666,438	42,018,002
Prepayments		365,291	353,440
Cash and cash equivalents	12	3,665,900	1,807,131
Total current assets		76,857,731	77,071,201
Total assets		303,547,269	311,897,064
Equity			
Share capital	13	29,045,910	29,045,910
Self insurance fund	5	27,000,000	27,000,000
Revaluation surplus		17,819,392	18,780,856
Retirement benefit reserve		56,370	(692,106)
Retained earnings		75,312,565	76,568,071
Total equity		149,234,237	150,702,731
Liabilities			
Loans and borrowings	14	61,866,745	73,293,562
Consumers' contributions to line extensions	15	3,830,942	4,415,504
Deferred grant income	16	147,306	156,708
Consumers' deposits	17	10,114,425	9,669,379
Retirement benefit obligation	8	-	692,106
Deferred tax liabilities	19	38,168,485	38,312,396
Total non-current liabilities		114,127,903	126,539,655
Bank overdraft	12	3,953,654	-
Income tax payable		256,417	-
Loans and borrowings	14	11,147,233	10,506,692
Trade and other payables	18	24,827,825	24,147,986
Total current liabilities		40,185,129	34,654,678
Total liabilities		154,313,032	165,203,931
Total equity and liabilities		303,547,269	311,897,064

The notes on pages 8 to 44 are an integral part of these financial statements.

Approved By:

Director

Director

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Comprehensive Income
For the year ended December 31, 2014
With comparative figures for December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Note	2014 $	2013 $
Revenues			
Energy sales		65,021,140	65,333,991
Fuel surcharge recovered		67,851,108	68,760,387
Other revenue		2,781,033	2,650,165
		135,653,281	136,744,543
Operating expenses			
Diesel generation		26,976,597	27,323,909
Hydro generation		3,858,163	4,223,861
Renewable energy purchased		205,799	-
Transmission & distribution		10,966,697	11,418,275
Fuel surcharge		67,737,214	69,100,620
Administrative expenses		14,993,565	13,158,181
	24	124,738,035	125,224,846
Operating profit		10,915,246	11,519,697
Other gains, net	20	63,971	23,915
Fuel subsidy		(3,497,123)	-
Flood damage repairs		(2,432,285)	-
Profit before finance costs and taxation		5,049,809	11,543,612
Finance costs		(3,245,983)	(4,787,890)
Profit before taxation		1,803,826	6,755,722
Taxation	21	(1,116,209)	(1,038,678)
Net profit for the year		687,617	5,717,044
Other comprehensive income:			
Items that will never be reclassified to profit or loss:			
Re-measurement of defined benefit pension plan, net of tax	8	748,476	182,126
Other comprehensive income for the year		748,476	182,126
Total comprehensive income for the year		1,436,093	5,899,170
Earnings per share	22	0.12	0.98

The notes on pages 8 to 44 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Changes in Equity
For the year ended December 31, 2014
With comparative figures for December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Share capital	Self insurance fund	Revaluation surplus	Retirement benefit reserve	Retained earnings	Total
	$	$	$	$	$	$
Current year						
Balance as of December 31, 2013	29,045,910	27,000,000	18,780,856	(692,106)	76,568,071	150,702,731
Total comprehensive income for the year						
Profit for the year	-	-	-	-	687,617	687,617
Other comprehensive income	-	-	-	748,476	-	748,476
Total comprehensive income for the year	-	-	-	748,476	687,617	1,436,093
Revaluation surplus realized	-	-	(961,464)	-	961,464	-
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividend	-	-	-	-	(2,904,587)	(2,904,587)
Balance as of December 31, 2014	29,045,910	27,000,000	17,819,392	56,370	75,312,565	149,234,237

The notes on pages 8 to 44 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Changes in Equity (cont'd)
For the year ended December 31, 2014
With comparative figures for December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Share capital	Self insurance fund	Revaluation surplus	Retirement benefit reserve	Retained earnings	Total
	$	$	$	$	$	$
Previous year						
Balance as of December 31, 2012	29,045,910	27,000,000	19,861,635	(893,064)	69,789,080	144,803,561
Total comprehensive income for the year						
Profit for the year	-	-	-	-	5,717,044	5,717,044
Other comprehensive income	-	-	-	-	182,126	182,126
Total comprehensive income for the year	-	-	-	-	5,899,170	5,899,170
Revaluation surplus realized	-	-	(1,080,779)	-	1,080,779	-
Transfer to retirement benefit reserve	-	-	-	200,958	(200,958)	-
Balance as of December 31, 2013	29,045,910	27,000,000	18,780,856	(692,106)	76,568,071	150,702,731

The notes on pages 8 to 44 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year ended December 31, 2014
With comparative figures for December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	2014 $	2013 $
Cash flows from operating activities		
Profit before taxation	1,803,826	6,755,722
Adjustments for:		
Depreciation	20,263,726	20,669,811
Amortization of consumers' contributions to line extensions	(1,176,164)	(1,244,182)
(Gain) loss on disposal of property, plant and equipment	(58,920)	13,033
Finance costs	3,245,983	4,787,890
Defined benefit pension expense	341,862	361,416
Defined benefit plan contributions	(295,881)	(294,542)
Foreign exchange gain	(5,051)	(36,948)
Amortization of deferred grant	(9,402)	(8,248)
Interest income	(1,657,986)	(1,901,548)
Operating profit before working capital changes	22,451,993	29,102,404
Change in inventories	2,619,170	(420,808)
Change in trade and other receivables	(699,204)	(5,143,079)
Change in prepayments	(11,851)	446,701
Change in trade and other payables	1,927,805	(2,591,010)
Cash generated from operations	26,287,913	21,394,208
Interest paid	(3,324,995)	(6,300,645)
Interest received	1,711,754	1,680,730
Income tax paid	(920,014)	(197,127)
Net cash generated from operating activities	23,754,658	16,577,166
Cash flows from investing activities		
Acquisition of short-term securities	(973,717)	(1,016,567)
Acquisition of long term securities	-	(872,700)
Acquisition of property, plant and equipment	(13,457,491)	(11,304,335)
Proceeds from disposal of property, plant and equipment	58,920	63,519
Proceeds from redemption of short term securities	-	2,000,000
Proceeds from redemption of long term securities	1,404,230	679,026
Net cash used in investing activities	(12,968,058)	(10,451,057)
Cash flows from financing activities		
Change in consumers' deposits	212,725	230,666
Proceeds from borrowings	-	6,720,500
Repayment of borrowings	(10,781,225)	(13,072,786)
Dividends paid	(2,904,587)	-
Change in consumers' contributions	591,602	501,353
Net cash used in financing activities	(12,881,485)	(5,620,267)
Net (decrease) increase in cash	(2,094,885)	505,842
Cash and cash equivalents - beginning of year	1,807,131	1,301,289
Cash and cash equivalents - end of year	(287,754)	1,807,131
Represented by		
Cash at bank	3,665,900	1,807,131
Bank overdraft	(3,953,654)	-
	(287,754)	1,807,131

The notes on pages 8 to 44 are an integral part of these financial statements.

1. Reporting entity

St. Vincent Electricity Services Limited ("the Company") was incorporated under the laws of St. Vincent and the Grenadines on November 27, 1961 and continued as Company 64 of 1961 under Section 365 of the Companies' Act of 1994, under the laws of St. Vincent and the Grenadines. The Company operates under the Electricity Supply Act of 1973, and has an exclusive licence for the exercise and performance of functions relating to the supply of electricity in St. Vincent and the Grenadines. The Company's registered office is situated at Paul's Avenue, Kingstown, St. Vincent and the Grenadines.

2. Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved for issue by the Board of Directors on October 29, 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for property, plant and equipment which is based on reproduction cost.

(c) Functional and presentation currency

The financial statements are presented in Eastern Caribbean dollars, which is the Company's functional currency. All financial information presented in Eastern Caribbean dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements 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(i) - Impairment
- Note 3(p) - Revenue
- Note 4 - Determination of fair values

2. Basis of accounting (cont'd)

(d) Use of estimates and judgements (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended December 31, 2015 is included in the following notes:

- Note 8 - Retirement benefit plan (principal actuarial assumptions)

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Manager, Finance has overall responsibility for overseeing all significant fair value measurements, including level three fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values are included in the following notes:

- Note 4 - Financial instruments

2. Basis of accounting (cont'd)

(e) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*.
- *Recoverable Amount Disclosures for Non*-Financial Assets (Amendments to IAS 36)

Offsetting financial assets and financial liabilities
As a result of the amendments to IAS 32, the Company has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The change did not have a material effect on the Company's financial statements.

Recoverable amount disclosures for non-financial assets
As a result of the amendments to IAS 36, the Company has expanded its disclosures of recoverable amounts when they are based on fair value less cost of disposal and recognised an impairment.

The change did not have a material impact on the Company's financial statements.

3. Significant accounting policies

Except for the changes explained in note 2(e), the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into Eastern Caribbean dollars at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated I to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

3. Significant accounting policies (cont'd)

(b) Cash, cash equivalents and short-term investment securities

Cash and cash equivalents comprise cash on hand and deposits held with banks. Cash equivalents include highly liquid investments with insignificant interest risk and original maturities of ninety (90) days or less at the date of purchase. Investments with maturities between ninety (90) days and one year at the date of purchase are considered to be short-term investment securities. Short-term investment securities consist primarily of certificates of deposit.

(c) Dividends

Dividends that are proposed and declared after the reporting date are not shown as a liability but are disclosed as a note to the financial statements.

Dividends declared are recognised as a liability in the Company's financial statements in the period in which they become a constructive obligation.

(d) Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortized cost less a provision for doubtful debts. The provision for doubtful debts is determined by reference to specific disconnected consumers' accounts. Customers whose service have been disconnected during the current financial year and those that have been disconnected in excess of one year are subject to a provision of 50% and 100%, respectively on the outstanding balance, less deposits thereon.

(e) Inventories

Inventories are measured at the lower of cost, cost being determined on the weighted average basis, and net realizable value. Allowance is made for obsolete, slow-moving and damaged goods.

Goods-in-transit are stated at invoiced cost.

(f) Financial instruments

The Company classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

3. Significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

(*i*) *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Company initially recognises trade and other receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

(*ii*) *Non-derivative financial assets - measurement*

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

The Company's investments in equity securities are classified as available-for-sale financial assets. These assets are initially recognized at fair value plus any attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3 (i)) and foreign exchange gains and losses on available-for-sale monetary items (see note 3 (a)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

(*iii*) *Non-derivative financial liabilities – measurement*

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3. Significant accounting policies (cont'd)

(g) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment, except land which is carried at market value, are stated at replacement cost as of December 31, 2004. Reproduction cost and observed depreciation is determined on the basis of an independent appraisal of the assets made by Agra Monenco Inc., as of January 1, 1993. The value of assets at that date, together with the cost of subsequent additions, less retrials was re-appraised to December 31, 2004 using indices supplied by Agra Monenco Inc. The method of appraisal was to determine reproduction cost new less observed depreciation at the appraisal date.

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

The net proceeds of assets disposed of or retired during the year less the net book value of such assets are taken to current operations.

Revaluation surplus realized through the use of the revalued assets is systematically transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

- Freehold buildings & construction — $2^1/_2$ - 5% per annum
- Plant & machinery — 5 - 20% per annum
- Transmission & distribution — 5 - 6% per annum
- Motor vehicles — 25% per annum
- Furniture and equipment — $12^1/_2$% per annum

Depreciation is generally recognized in profit or loss.

3. Significant accounting policies (cont'd)

(g) Property, plant and equipment (cont'd)

(iv) Disposal

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

(v) Other

The assets' residual value, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(h) Income tax

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

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss; and
- temporary differences relating to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

3. Significant accounting policies (cont'd)

(h) Income tax (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary differences 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

(i) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- 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 bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

3. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(ii) Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's 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. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified 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. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

(iv) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories), to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For 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 CGUs.

3. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(iv) Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortization, if no impairment loss had been recognized.

(j) Trade and other payables

Liabilities for trade and other payables which are normally settled on 30 – 90 day terms and conditions and 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.

(k) Borrowings

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

(l) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. Significant accounting policies (cont'd)

(m) Consumer deposits

Given the long-term nature of the customer relationship, customer deposits are shown as non-current liabilities.

Customers' deposits are refundable on termination of supply and bear interest at the rate of 4% per annum.

(n) Consumer contributions

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost on the straight line basis by way of a reduction of the depreciation charge under transmission and distribution costs. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. The capital costs of consumer line extensions are included in property, plant and equipment.

(o) Share capital

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

(p) Revenue

Sale of energy
Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. The provision for unbilled sales is calculated on the basis of apportionment of revenue derived from the meter reading period under review. 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 fuel price at the base period. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month.

Unbilled sales
The provision for unbilled sales is calculated on the basis of apportionment of revenue derived from the meter reading period under review. The provision for unbilled sales is included in accrued income. The provision for unbilled fuel surcharge is included in accrued income.

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

3. Significant accounting policies (cont'd)

(q) Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present or legal constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pension
The Company provides retirement benefits, under a defined benefit plan and a defined contribution plan, for substantially all of its employees. The pension plans are funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is one that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit plan is a multi-employer scheme. There are five contributing employers; the others are Anguilla Electricity Company Ltd., Montserrat Electricity Services Ltd., St. Lucia Mortgage Finance Company Ltd. and St. Lucia Electricity Services Ltd. Multi-employers schemes pool the assets contributed by the various enterprises that are not under common control, and use the assets to provide benefits to employees of more than one enterprise on the basis that contributed and benefit levels are determined without regard to the identity of the enterprise that employs the employees concerned. The plan is accounted for as a defined benefit plan under IAS 19 – Employee Benefits

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 the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

3. Significant accounting policies (cont'd)

(q) Employee benefits (cont'd)

Pension (cont'd)
The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, exlcluding interest), are recongised immdiately in OCI. The Company determines the net interest expense (income) on the net definted benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contirbuitons and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company's contributions to the defined contribution pension plan are charged to operations in the year to which they relate.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(r) Deferred grant income

Grants related to the acquisition of property, plant and equipment are deferred and credited to income on a basis consistent with the amortization of the cost of asset to which they relate (Note 16).

(s) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expense comprises interest expense and foreign currency losses.

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3. Significant accounting policies (cont'd)

(t) New standards, and interpretations of and amendments to existing standards that are not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the Company has not applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

3. Significant accounting policies (cont'd)

(t) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd)

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.
- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards

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4. Financial instruments – fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts of financial assets and liabilities. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

December 31, 2014	Available for sale	Held to maturity	Loans and receivables	Other financial assets/liabilities	Total
Financial assets not measured at fair value					
Debt securities	-	14,832,319	-	-	14,832,319
Equity securities	1,072,700				1,072,700
Short-term securities	-	21,578,292	-	-	21,578,292
Trade and other receivables	-	-	42,666,438	-	42,666,438
Cash and cash equivalents	-	-	3,665,900	-	3,665,900
Total assets	1,072,700	36,410,611	46,332,338	-	83,815,649
Financial liabilities not measured at fair value					
Bank overdraft	-	-	-	3,953,654	3,953,654
Loans and borrowings	-	-	-	73,013,978	73,013,978
Customers' deposits	-	-	-	10,114,425	10,114,425
Trade and other payables	-	-	-	24,827,825	24,827,825
Total liabilities	-	-	-	111,909,882	111,909,882

December 31, 2013	Available for sale	Held to maturity	Loans and receivables	Other financial assets/liabilities	Total
Financial assets not measured at fair value					
Debt securities		16,236,549	-	-	16,236,549
Equity securities	1,072,700	-	-	-	1,072,700
Short-term securities	-	20,604,575	-	-	20,604,575
Trade and other receivables	-	-	42,018,002	-	42,018,002
Cash and cash equivalents	-	-	1,807,131	-	1,807,131
Total assets	1,072,700	36,841,124	43,825,133	-	81,738,957
Financial liabilities not measured at fair value					
Loans and borrowings	-	-	-	83,800,254	83,800,254
Customers' deposits	-	-	-	9,669,378	9,669,378
Trade and other payables	-	-	-	24,147,986	24,147,986
Total liabilities	-	-	-	117,617,618	117,617,618

The Company’s equity securities are unquoted and their fair value cannot be reliably measured. These securities are carried at cost.

4. Financial instruments – fair values and risk management (cont'd)

(b) Measurement of fair values

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

4. Financial instruments – fair values and risk management (cont'd)

(c) Financial risk management

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

- credit risk
- liquidity risk
- market 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 reserves.

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

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 services offered. 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.

The Company's audit committee is responsible for monitoring compliance with the Company's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in these functions by internal audit. Internal audit performs both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises principally from the Company's receivables from customers and investments in debt securities.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit rating. Accounts receivables are shown net of provision for impairment for doubtful debts. Cash and short-term investments are held with substantial financial institutions, which present minimal risk of default.

4. Financial instruments – fair values and risk management (cont'd)

(c) Financial risk management (cont'd)

(ii) Credit risk (cont'd)

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

	Carrying amount	
	2014	**2013**
	$	**$**
Long-term investments	15,905,019	17,309,249
Short-term securities	21,578,292	20,604,575
Trade receivables	35,406,400	36,308,516
Other receivables	7,260,038	5,709,486
Income tax refundable	-	435,912
Cash and cash equivalents	3,665,900	1,807,131
	83,815,649	82,174,869

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

	Carrying amount	
	2014	**2013**
	$	**$**
Domestic	10,107,558	11,627,741
Commercial	10,694,246	11,602,848
Industrial	1,237,577	1,298,132
Government	19,700,599	19,054,497
	41,739,980	43,583,218
Provision for impairment of trade receivables	(6,333,580)	(7,274,702)
Trade receivables, net	35,406,400	36,308,516

4. Financial instruments – fair values and risk management (cont'd)

(c) Financial risk management (cont'd)

(ii) Credit risk (cont'd)

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and analysis of customer credit risk.

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

	Individual Impairment	Collective Impairments
Balance as at January 1, 2013	-	7,274,702
Impairment loss recognised	-	-
Amounts written off	-	-
Balance as at December 31, 2013	-	7,274,702
Impairment loss recognised	-	-
Reversal of prior year	-	(941,122)
Balance as at December 31, 2014	-	6,333,580

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The management of the Company aims at maintaining flexibility in funding by monitoring budgeting commitments and by keeping committed lines of credit available and by monitoring the timing of its cash flows.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	2014 $				
	Carrying amount	Contractual cash flows	1 year	2-5 years	More than 5 years
Non-derivative financial liabilities					
Bank overdraft	3,953,654	(3,953,654)	3,953,654	-	-
Trade payables	24,827,825	(24,827,825)	24,827,825	-	-
Borrowings	73,013,978	(84,776,133)	13,968,883	61,315,289	9,491,961
Customers' deposits	10,114,425	(10,114,425)	328,000	1,312,000	8,474,425
	111,909,882	(123,672,037)	43,078,362	62,627,289	17,966,386

4. Financial instruments – fair values and risk management (cont'd)

(c) Financial risk management (cont'd)

(iii) Liquidity risk (cont'd)

	2013 $				
	Carrying amount	**Contractual cash flows**	**1 year**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities					
Trade and other payables	24,147,986	(24,147,986)	24,147,986	-	-
Borrowings	83,800,254	(98,751,105)	13,746,217	60,575,567	24,429,321
Customers' deposits	9,669,378	(9,669,378)	295,000	1,180,000	8,194,378
	117,617,618	(132,568,469)	38,189,203	61,755,567	32,623,699

(iv) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates 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

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not generally engage in currency hedges, and rather aims to have financial liabilities denominated in local currencies in order to avoid currency risk.

The Company's operations are conducted in Eastern Caribbean Currency and are exposed to currency risk associated with the effect of fluctuations in the rates of exchange in various currencies. The Company has not used any derivative instruments to hedge its foreign exchange risk. As of balance sheet date, the Company has the following significant currency positions:

	2014		
	Financial assets $	**Financial liabilities $**	**Currency sensitivity gap $**
US Dollar (USD)	476,737	(73,013,978)	(72,537,241)
EC Dollar (XCD)	83,704,203	(43,247,247)	40,456,956
TOTAL	84,180,940	(116,261,225)	(32,080,285)

4. Financial instruments – fair values and risk management (cont'd)

(c) Financial risk management (cont'd)

(iv) Market risk (cont'd)

Currency risk (cont'd)

	2013		
	Financial assets $	**Financial liabilities $**	**Currency sensitivity gap $**
US Dollar (USD)	474,362	(83,800,254)	(83,325,892)
EC Dollar (XCD)	81,618,038	(38,389,576)	43,228,462
TOTAL	82,092,400	(122,189,821)	(40,097,430)

Exchange rates of 1 unit of the relevant foreign currencies to the EC dollar (XCD) at year end were as follows:

	USD $
At December 31, 2014	2.71
At December 31, 2013	2.71

The exchange rate between the EC dollar and USD is fixed and does not fluctuate.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The table below summarizes the Company's exposure to interest rate risks:

	2014 $	**2013 $**
Fixed-rate instruments		
Financial assets	39,963,955	37,914,504
Financial liabilities	83,128,403	93,469,632
	123,092,358	131,384,136

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or loss.

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5. Property, plant and equipment

	Freehold property $	Generation $	Transmission & distribution $	Other $	Total $
Operational assets valuation					
As of January 1, 2013	118,078,671	249,586,500	207,895,324	19,318,024	594,878,519
Transfers	-	1,989,646	3,265,067	3,442,320	8,697,033
Disposals	-	-	-	(1,114,328)	(1,114,328)
As of December 31, 2013	118,078,671	251,576,146	211,160,391	21,646,016	602,461,224
As of January 1, 2014	118,078,671	251,576,146	211,169,391	21,646,016	602,461,224
Transfers	2,069,534	1,694,687	3,406,499	694,020	7,864,740
Disposals	-	(939,593)	-	(340,423)	(1,280,016)
As of December 31, 2014	120,148,205	252,331,240	214,575,890	21,999,613	609,045,948
Accumulated depreciation					
As of January 1, 2013	75,563,657	133,329,094	144,699,939	16,585,335	370,178,025
Charge for the year	2,551,496	10,370,130	6,678,482	1,069,703	20,669,811
Disposals and transfers	-	-	-	(1,037,779)	(1,037,779)
As of December 31, 2013	78,115,153	143,699,224	151,378,421	16,617,259	389,810,057
As of January 1, 2014	78,115,152	143,699,224	151,378,421	16,617,259	389,810,056
Charge for the year	2,594,033	10,098,866	6,472,752	1,098,075	20,263,726
Disposals and transfers	-		-	(340,423)	(340,423)
As of December 31, 2014	80,709,185	153,798,090	157,851,173	17,374,911	409,733,359
Net book value					
As of December 31, 2012	42,515,014	116,257,406	63,195,385	2,732,689	224,700,494
As of December 31, 2013	39,963,518	107,876,922	59,781,970	5,028,757	212,651,167
As of December 31, 2014	39,439,020	98,533,150	56,724,717	4,624,702	199,312,589

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5. Property, plant and equipment (cont'd)

	Freehold property $	Generation $	Transmission & distribution $	Other $	Total $
Non-operational assets					
As of January 1, 2013	-	2,133,120	502,763	1,741,515	4,377,398
Additions	860,314	5,216,560	3,300,040	1,927,421	11,304,335
Transfers	-	(1,989,646)	(3,265,067)	(3,442,320)	(8,697,033)
As of December 31, 2013	860,314	5,360,034	537,736	226,616	6,984,700
As of January 1, 2014	860,314	5,360,034	537,736	226,616	6,984,700
Additions	1,209,220	7,848,342	3,136,455	1,263,474	13,457,491
Transfers	(2,069,534)	(1,694,686)	(3,406,499)	(694,024)	(7,864,743)
As of December 31, 2014	-	11,513,690	267,692	796,066	12,577,448
Net book value					
As of December 31, 2012	42,515,015	118,390,526	63,698,148	4,474,203	229,077,892
As of December 31, 2013	40,823,832	113,236,956	60,319,706	5,255,373	219,635,867
As of December 31, 2014	39,439,020	110,046,840	56,992,409	5,420,768	211,890,037

Revaluation surplus realized, which represents the excess of depreciation on reproduction cost over original cost, during the year amounted to $961,464 (2013: $1,080,779). Depreciation on the original cost basis for 2014 is $19,589,033 (2013: $19,471,389).

Self insurance fund

The Company has created a self insurance fund for the coverage of its transmission and distribution assets. The transmission and distribution system which is included in property, plant and equipment has a carrying value of $57 million at December 31, 2014 (2013: $60.3 million). The value of the fund was $27 million at December 31, 2014 (2013: $27 million).

The fund is held as a reserve and has been created by way of appropriations from retained earnings.

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6. Trade and other receivables

	2014 $	2013 $
Current		
Trade receivables	41,739,980	43,583,218
Less: provision for impairment of trade receivables	(6,333,580)	(7,274,702)
Trade receivables, net	35,406,400	36,308,516
Other receivables	7,260,038	5,717,128
Less: provision for impairment of other receivables	-	(7,642)
Other receivables, net	7,260,038	5,709,486
	42,666,438	42,018,002

7. Long-term investments

	2014 $	2013 $
20,000 Eastern Caribbean Security Exchange Limited Class B Shares	200,000	200,000
100,000 Bank of St. Vincent & the Grenadines Limited Shares	872,700	872,700
4.5% Government Bonds due January 31, 2023.	14,832,319	16,236,549
	15,905,019	17,309,249
Less: Current portion	(1,468,132)	(2,119,253)
	14,436,887	15,189,996

8. Retirement benefit plan

The Company provides retirement benefits, under a regional multi-employer defined benefit plan and a defined contribution plan, for substantially all of its employees.

(a) Defined benefit plan

The Company contributes to the regional CDC Caribbean Pension Plan which is administered by Sagicor Life Inc.

The most recent actuarial valuation of the plan is dated January 1, 2013 and was completed by an independent actuary on June 19, 2014. The plan was valued using the "Projected Unit Credit" method of valuation.

The section of the plan which relates to the company was valued as at December 31, 2014 by an independent actuary.

The principal actuarial assumptions used in determining the present value of plan obligations were as follows:

	2014 %	2013 %
Discount rate at end of year	7.50	7.00
Future promotional salary increases	2.00	2.00
Future inflationary salary increases first three years	1.50	4.00
Future inflationary salary increases after three years	4.50	4.00
Expected rate of future pension increases	3.00	3.00

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

	2014 $	2013 $
Present value of defined benefit obligation	(8,146,592)	(8,818,400)
Fair value of plan assets	8,509,206	8,126,294
Defined benefit asset (obligation)	362,614	(692,106)

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

	2014 $	2013 $
Defined benefit obligation as at January 1	(8,818,400)	(8,280,304)
Interest costs	(620,866)	(592,075)
Current service costs	(283,897)	(273,655)
Benefits paid	465,568	191,452
Actuarial gain	1,111,003	136,182
Defined benefit obligation as at December 31	(8,146,592)	(8,818,400)

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8. Retirement benefit obligation (cont'd)

(a) Defined benefit plan (cont'd)

The movements in the plan assets for the year ended December 31 were as follows:

	2014 $	2013 $
Fair value of plan assets as at January 1	8,126,294	7,387,240
Actual return on plan assets	552,599	652,366
Contributions	295,881	294,540
Benefits paid	(465,568)	(191,451)
Administration and other expenses	-	(16,401)
Fair value of plan assets as at December 31	8,509,206	8,126,294

Plan assets consist of the following:

	2014 %	2013 %
Bonds	38.42	40.27
Equities	30.33	37.17
Alternative investments	11.33	0.00
Other	19.92	22.56
	100.00	100.00

Return on Plan assets

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

	2014 $	2013 $
Return on Plan assets	341,862	361,416

The amounts recognised in the Statement of Comprehensive Income for the year ended December 31 were as follows:

	2014 $	2013 $
Current service costs	283,897	273,654
Administration & other expenses	-	16,402
Net interest on defined benefit liability:		
Interest cost	620,866	592,075
Expected return on plan assets	(562,901)	(520,715)
Net period pension cost	341,862	361,416

Re-measurement recognized in Other Comprehensive Income:

	2014 $	2013 $
Experience gains	(1,100,700)	(267,832)
Deferred tax (see note 21)	352,224	85,706
Experience gains, net of tax	(748,476)	(182,126)
Total amount recognized in Other Comprehensive Income	(748,476)	(182,126)

8. Retirement benefit obligation (cont'd)

(a) Defined benefit plan (cont'd)

Reconciliation of opening and closing defined benefit asset (liability):

	2014 $	2013 $
Defined benefit liability as at January 1	(692,106)	(893,064)
Net pension costs recognised in statement of comprehensive income	(341,861)	(361,416)
Contributions paid	295,881	294,542
Re-measurements recognized in Other Comprehensive Income	1,100,700	267,832
Defined benefit asset (liability) at end of year	362,614	(692,106)

The Company has contributed to a defined contribution plan for all its other employees which is administered by Colonial Life Insurance Company (Trinidad) Limited. The most recent actuarial valuation carried out on January 1, 2000 revealed a surplus of assets. The Company's contributions to the plan are expensed when incurred.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the present value of the defined benefit obligation by the amounts shown below:

Scenario	Benefit Obligation $
Valuation Results	2,998,489
Discount Rate -1%	3,510,697
Discount Rate +1%	2,590,676
Salary Increases -0.5%	2,941,079
Salary Increases +0.5%	3,058,589
Mortality assuming 1yr longer	3,003,325

9. Inventories

	2014 $	2013 $
Spares	7,876,656	9,446,430
Fuel and lubricants	1,482,491	2,544,240
Stationery	132,038	119,725
	9,491,185	12,110,395
Less: provision for obsolescence	(2,377,507)	(2,377,507)
	7,113,678	9,732,888

10. Short-term securities

Short term securities comprise interest bearing certificates of deposits with maturities of less than one year held with the Bank of St. Vincent and the Grenadines. The deposits bear interest at rates ranging from 3.75% to 5.0% annually (2013: 4.5% to 5.5%).

11. Income tax refundable

	2014 $	2013 $
Beginning of year	435,912	1,942,878
Offset prior year expense	(435,912)	(1,704,093)
Payments in current year	-	197,127
	-	435,912

Income tax refundable represents amounts over paid in the current financial year. These amounts are available to offset future tax liabilities.

12. Cash and cash equivalents

	2014 $	2013 $
Cash at bank	3,665,900	1,807,131
Bank overdraft	(3,953,654)	-
	(287,754)	1,807,131

Bank overdraft bears interest at the rate of 11% per annum. The bank overdraft is unsecured.

13. Share capital

Authorized – Unlimited number of ordinary shares without nominal or par value.

	2014 $	2013 $
Issued and fully paid – 5,809,182 ordinary shares without nominal or par value	29,045,910	29,045,910

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For the year ended December 31, 2014
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14. Loans and borrowings

	Note	2014 $	2013 $
Caribbean Development Bank Loans			
First Power Project:-			
International Development Association	14(a)(ii)	818,672	873,250
Third Power Project:-			
Lowmans Bay Project	14(b)	24,490,184	30,411,927
Government of St. Vincent and the Grenadines			
United States Agency for International Development	14(c)(i)	9,031,432	9,358,623
European Investment Bank Lowmans Bay	14(d)	14,348,617	15,615,156
PDV Caribé	14(e)	24,325,073	27,541,298
Total long-term borrowings		73,013,978	83,800,254
Less: Current portion		(11,147,233)	(10,506,692)
		61,866,745	73,293,562

	2014 $	2013 $
Current		
Bank borrowings	11,147,233	10,506,692
	11,147,233	10,506,692
Non-current		
Bank borrowings	53,836,625	64,600,939
Government of St Vincent and the Grenadines	8,030,120	8,692,623
	61,866,745	73,293,562
Total borrowings	73,013,978	83,800,254

(a) Caribbean Development Bank (CDB) First Power Project

(i) 10.5% loan obtained through the International Development Association-Special Action Credit (IDA/SAC) for an equivalent of US$593,890.

During 2011, the currencies in which the loan was repayable were amended, by conversion, to the United States dollar. The loan balance at conversion, of US$571,845 is repayable in 42 semi-annual installments of US$13,615 and is due October 15, 2029.

(ii) 10.5% loan obtained through the International Development Association (IDA).

This loan is for US$664,209 and is repayable in 80 semi-annual installments, of US$10,075, plus interest, due July 15, 2029.

14. Loans and borrowings (cont'd)

(a) Caribbean Development Bank (CDB) First Power Project (cont'd)

The above loans were made by the CDB to the Government of St Vincent and the Grenadines for on-lending by the Government to the Company. The loan agreements provide that:

(i) all payments of principal and interest shall be made by the Company to CDB and such payments shall be deemed payments by the Company to the Government.

(ii) the loans are to be secured by execution of a debenture giving a first floating charge over the undertaking and its uncalled capital.

(b) Caribbean Development Bank (CDB) Third Power Project

Loan for USD$18,311,000, obtained through the ordinary capital resources of the Bank, repayable in 44 approximately equal and consecutive quarterly installments of US$416,160, plus interest at a rate of 5.5% per annum on the principal amount. The Company shall pay a commitment charge of 1% per annum on the amount of the loan unwithdrawn. The loan has been secured by a guarantee of the Government of St. Vincent and the Grenadines and is due to mature in July 2020.

The loan agreement provides for a grace period of 4 years following the date of first draw-down on the loan. Other covenants stipulated in the agreement provide that:

(i) the Company's accounts receivable shall not exceed sixty (60) days sales;

(ii) the Company maintain a debt service coverage ratio of at least 1.5 times its total debt service;

(iii) no further expansion shall take place at Cane Hall site; and

(iv) the Company continues to set aside an amount of at least one million Eastern Caribbean dollars ($1,000,000) annually for the purposes of its self insurance plan in respect to its transmission and distribution assets.

(c) Government of St. Vincent and the Grenadines

(i) United States Agency for International Development Loan for US$7,500,000, repayable in 60 semi-annual installments of US$122,951 and a final installment of US$122,940, plus interest at 4% to June 30, 2007, and at 5% thereafter, due on June 30, 2025. The loan agreement provides that the Company is required to earn an annual rate of return of 8% on the current net asset value of the Company's operational assets.

14. Loans and borrowings (cont'd)

(d) European Investment Bank Lowmans Bay

Loan for EUR 8,300,000, to be disbursed as up to USD$10,000,000, repayable in 22 semi-annual installments of US$454,545, plus interest at a fixed rate of 5.505% due to mature in May 2020.

The loan agreement provides for a grace period of 4 years from the date of the first tranche. This loan is secured by a guarantee of the Government of St. Vincent and the Grenadines. Financial covenants stipulates that the Company shall:

(i) maintain a debt service ratio of at least 1.5; and

(ii) not declare any dividends or make any other distributions to any shareholder, unless debt service ratio is more than 1.5.

(e) PDV Caribé

Loan for US$12,000,000, for a period of ten (10) years, including a two (2) year grace period from the date of the first drawdown before principal and interest payments begin. The loan is repayable in equal, or approximately equal and consecutive semi-annual installments, plus interest at a fixed rate of 4.5%; commencing from the first due date after the expiry of the two (2) years grace period.

15. Consumers' contributions to line extensions

	Government $	Other consumers $	Total $
Contributions			
Beginning of year	4,363,153	19,021,179	23,384,332
Received during the year	-	595,053	595,053
Refunds	-	(3,451)	(3,451)
End of year	4,363,153	19,612,781	23,975,934
Amortization			
Beginning of year	4,363,153	14,605,675	18,968,828
For the year	-	1,176,164	1,176,164
End of year	4,363,153	15,781,839	20,144,992
Balance - 2013	-	4,415,504	4,415,504
Balance - 2014	-	3,830,942	3,830,942

16. Deferred grant income

	2014 $	2013 $
Agence Française de Développement Group Grant	156,708	164,956
Amortisation	(9,402)	(8,248)
	147,306	156,708

17. Consumers' deposits

	2014 $	2013 $
Deposits		
Beginning of year	6,230,440	5,999,774
Received during the year	540,894	526,190
Refunds	(328,169)	(295,524)
End of year	6,443,165	6,230,440
Interest		
Beginning of year	3,438,938	3,259,763
For the year	478,573	415,323
Paid during the year	(246,251)	(236,147)
	3,671,260	3,438,939
	10,114,425	9,669,379

18. Trade and other payables

	2014 $	2013 $
Current		
Trade payables	13,881,083	10,779,007
Accrued expenses	6,647,567	6,900,550
Other payables	3,291,482	5,460,736
Government of St Vincent and the Grenadines	1,007,693	1,007,693
	24,827,825	24,147,986

19. Deferred tax liabilities

Deferred tax liability is calculated in full on temporary differences using a principal tax rate of 32% (2013: 32%). The movement on the deferred tax liability account is as follows:-

	2014 $	2013 $
At beginning of year	38,312,396	38,892,104
Recognised in profit and loss	(496,135)	(665,414)
Recognised in other comprehensive income	352,224	85,706
At end of year	38,168,485	38,312,396

19. Deferred tax liabilities (cont'd)

Deferred tax (assets)/liabilities are attributable to the following:-

	2014 $	2013 $
Property, plant and equipment	38,175,931	38,725,609
Bad debt provision	(2,026,745)	(2,330,350)
Provision for obsolescence	(760,802)	(760,802)
Unbilled sales	2,664,065	2,899,413
Retirement benefit	116,036	(221,474)
	38,168,485	38,312,396

20. Other gains (losses) net

	2014 $	2013 $
Gain (loss) on disposal of property, plant and equipment	58,920	(13,033)
Foreign exchange gain	5,051	36,948
	63,971	23,915

21. Taxation

Income tax expense comprises:-

	2014 $	2013 $
Current	692,329	1,704,093
Deferred	(496,134)	(665,415)
	196,195	1,038,678
Prior periods	920,014	-
	1,116,209	1,038,678

Reconciliation of effective tax rate:	2014 %	2014 $	2013 %	2013 $
Profit before taxation		1,803,827		6,755,722
Income tax using applicable corporation tax rate	32.00	577,225	32.00	2,161,832
Non-deductible expenses (net)	314.03	5,664,641	95.97	6,483,280
Tax incentives	(307.65)	(5,549,536)	(102.64)	(6,934,131)
Tax loss utilized	-	-	0.10	(6,888)
Change in temporary differences	(27.50)	(496,135)	9.85	(665,415)
Under provision – prior year	51.00	920,014		
	61.88	1,116,209	15.37	1,038,678

21. Taxation (cont'd)

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

	2014 $			2013 $		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Re-measurement of defined benefit pension plan	1,100,700	352,224	748,476	267,832	85,706	182,126
Other comprehensive income	1,100,700	352,224	748,476	267,832	85,706	182,126

22. Earnings per share

Earnings per share is calculated upon net profit for the year of $687,617 (2013: $5,717,044) and on the average issued share capital of 5,809,182 (2013: 5,809,182) ordinary shares.

23. 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 entity 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.

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

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

The Company is controlled by the Government of St. Vincent and the Grenadines.

23. Related parties (cont'd)

Transactions with related parties during the year were as follows:

	2014 $	2013 $
Management compensation	3,413,833	3,259,850
Revenue		
Government of St. Vincent and the Grenadines and its corporations	16,861,999	16,484,560

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

Balances arising from supply of services at year end were as follows:

	2014 $	2013 $
Government of St. Vincent and the Grenadines	19,700,599	19,054,497

24. Expenses by nature

	2014 $	2013 $
Fuel cost over base price	67,737,214	69,100,620
Fuel at base price	3,817,934	3,502,232
Depreciation on property, plant and equipment	20,263,726	20,669,810
Repairs and maintenance	10,078,103	8,339,311
Employee benefit expense	16,197,696	16,158,136
Other operating expenses	7,819,526	8,698,919
Amortisation of consumer contributions	(1,176,164)	(1,244,182)
	124,738,035	125,224,846

25. Employee benefit expense

	2014 $	2013 $
Salaries and wages	14,170,146	14,297,009
National insurance contributions	607,983	488,617
Medical insurance contributions	287,570	276,912
Pension expense	1,131,997	1,095,598
	16,197,696	16,158,136
Number of employees at the reporting date	311	325

26. Capital commitments

As of December 31, 2014, the directors approved capital expenditure totaling $16.602 million (2013:$31.507 million).

27. Dividends

Dividends of EC $2,904,587 were declared and paid by the Company for the year. They were declared at $0.50 per share.

28. Contingent Liabilities

Interest at the rate of 18% is charged on amounts past due to PDVSA for the purchase of petroleum products. As at November 30, 2012, accrued interest amounting to $5,092,867 has been accrued by PDVSA on the outstanding balance. Included in this amount is $3,891,027 in respect of LPG imports which were not the responsibility of the Company.

Consequently, the Company is not admitting liability and is disputing any claims for the above amounts. If, however, the resolution of the dispute does not go in VINLEC's favor, the liability will be recorded in the period in which the dispute is resolved.

ST. VINCENT ELECTRICITY SERVICES LIMITED

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative figures)

ADDITIONAL INFORMATION

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ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS

To the Shareholder
St. Vincent Electricity Services Limited
Kingstown

The accompanying schedule I is presented as supplementary information only. In this respect, it does not form part of the financial statements of St. Vincent Electricity Services Limited for the year ended December 31, 2014 and hence is excluded from the opinion expressed in our report dated November 20, 2015 to the shareholder on such financial statements.

KPMG Eastern Caribbean

Kingstown, St. Vincent and the Grenadines

November 20, 2015

Schedule I

ST. VINCENT ELECTRICITY SERVICES LIMITED
Financial Statistics
For the year ended December 31, 2014
(Expressed in Eastern Caribbean Dollars)

	2014	2013	2012	2011	2010	2009
GENERATING PLANT (KW)						
Site Rated Capacity (KW)						
St. Vincent	41,413	42,675	42,675	42,693	40,357	37,989
Bequia	4,145	4,145	4,145	4,145	2,865	2,865
Union Island	1,170	1,170	1,420	1,300	1,300	1,300
Canouan	4,040	4,040	3,120	3,120	3,120	4,400
Mayreau	284	180	180	180	180	180
Firm Capacity (KW)						
St. Vincent	33,357	34,493	34,493	33,993	31,657	29,289
Bequia	2,579	2,579	2,579	2,579	1,881	1,881
Union Island	693	693	828	810	810	810
Canouan	2,484	2,484	1,728	1,782	1,782	2,808
Mayreau	162	108	108	108	108	108
Peak Demand (KW)- (All Time)						
St. Vincent	21,120	21,120	21,120	21,120	21,120	20,590
Bequia	1,570	1,570	1,570	1,500	1,500	1,500
Union Island	533	533	533	533	517	517
Canouan	2,447	2,447	2,447	2,447	2,447	2,447
Mayreau	79	65	56	50	43	43
PRODUCTION AND SALES						
Gross Generation (kWhs)						
Hydro	11,858,670	22,976,040	24,688,510	30,910,393	24,505,990	26,107,890
Solar	343,256	148,180	-	-	-	-
Diesel	129,469,267	118,905,211	118,236,374	109,798,084	115,481,698	116,104,891
	141,671,193	142,029,431	142,924,884	140,708,477	139,987,688	142,212,781
Own Use	(4,667,575)	(4,859,493)	(4,933,000)	(4,878,169)	(4,706,254)	(4,957,704)
Net Generation	137,003,618	137,169,938	137,991,884	135,830,308	135,281,434	137,255,077
Renewable energy purchased	159,568	133,501	-	-	-	-
Net energy available for sale	137,163,186	137,303,439	137,991,884	135,830,308	135,281,434	137,255,077
Sales (kWhs)						
Domestic	60,397,932	60,462,944	60,698,402	60,355,448	61,379,473	58,080,762
Commercial	56,749,650	57,565,123	58,160,981	55,458,862	54,230,403	58,751,973
Industrial	7,069,590	6,544,460	6,541,938	6,854,256	6,893,921	6,735,673
Street lighting	3,175,998	3,173,238	3,165,738	3,086,329	2,979,159	2,934,957
Total Sales	127,393,170	127,745,765	128,567,059	125,754,895	125,482,956	126,503,365
Loss (% of Net Generation)	7.12%	6.98%	6.68%	7.42%	7.24%	7.83%
Number of Consumers at Year end						
Domestic	37,531	36,864	36,292	35,970	35,571	35,218
Commercial	4,431	4,438	4,395	4,377	4,264	4,239
Industrial	21	21	20	22	24	26
Street lighting	47	47	47	48	48	48
	42,030	41,370	40,754	40,417	39,907	39,531