ST. VINCENT ELECTRICITY SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008
(With comparative figures for December 31, 2007)

CORPORATE INFORMATION

Registered Office

Kingstown
St. Vincent and the Grenadines

Directors

Mr. Douglas Cole – Chairman, B.Eng. (Hons.), EMBA
Sir Vincent Beache - KCMG
Mr. Maurice Edwards – BSc. CGA, O.B.E.
Mr. Kirk Da Silva – MCMI, AFA, AICB, CFE, Acc. Dir.
Mr. Godfred Pompey – Q.A.T, BSc. MA
Mr. Brian George – B. Eng. (Hons.), MSc, PMP
Mr. Simon Glynn
Mr. Patrick Da Silva
Mr. Roosevelt Trent

Company Secretary

Mrs. Juliette Hinds-Wilson – CMA, FCA, Grad ICSA

Chief Executive Officer

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

Solicitors

Saunders & Huggins

Bankers

The Bank of Nova Scotia
FirstCaribbean International Bank (Barbados) Limited
National Commercial Bank (SVG) Limited
RBTT Bank (Caribbean) Limited

Auditors

KPMG Eastern Caribbean
Chartered Accountants

ST. VINCENT ELECTRICITY SERVICES LIMITED

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

Telephone (784) 456-2669
(784) 456-1644
Fax (784) 456-1576
e-Mail kpmg@kpmg.vc

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
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 balance sheet as at December 31, 2008, and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's 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 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 auditor's 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, the auditor considers 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 Shareholders of:
St. Vincent Electricity Services Limited
Kingstown

Report on the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of St. Vincent Electricity Services Limited as of December 31, 2008, and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

kpmg

Chartered Accountants
Kingstown, St. Vincent and the Grenadines
June 25, 2009

ST. VINCENT ELECTRICITY SERVICES LIMITED
Balance Sheet
As of December 31, 2008
With comparatives as of December 31, 2007
(Expressed in Eastern Caribbean Dollars)

	Notes	2008 $	Restated 2007 $
Assets			
Current			
Cash	5	10,816,542	18,165,273
Short-term securities	6	23,582,468	9,896,630
Trade and other receivables	7	39,308,393	35,125,330
Income tax refundable	8	3,760,726	4,705,227
Inventories	9	10,619,036	10,769,541
		88,087,165	78,662,001
Non-current			
Long-term investments	10	200,000	200,000
Property, plant and equipment	11	217,791,403	210,785,886
Retirement benefit asset	12	1,802,990	1,662,781
		219,794,393	212,648,667
Total assets		307,881,558	291,310,668
Liabilities			
Current			
Trade and other payables	13	33,245,965	25,868,049
Dividend payable		3,501,394	2,000,000
Borrowings	14	4,502,492	3,194,250
		41,249,851	31,062,299
Non-current			
Borrowings	14	79,008,631	76,603,402
Consumers' contributions to line extensions	15	6,816,834	7,546,081
Grant	16	211,279	224,766
Consumers' deposits	17	8,302,367	7,947,660
Deferred tax liabilities	18	30,593,865	28,221,198
		124,932,976	120,543,107
Total liabilities		166,182,827	151,605,406
Shareholders' equity			
Share capital	19	29,045,910	29,045,910
Revaluation surplus		27,188,386	30,541,443
Self insurance fund		15,000,000	12,000,000
Retirement benefit reserve		1,802,990	1,662,781
Retained earnings		68,661,445	66,455,128
Total shareholders' equity		141,698,731	139,705,262
Total liabilities and shareholders' equity		307,881,558	291,310,668

The notes on pages 7 to 38 are an integral part of these financial statements.

Approved By:

Chairman

M. Edwards

Director

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Income
For the year ended December 31, 2008
With comparative figures for December 31, 2007
(Expressed in Eastern Caribbean Dollars)

	Notes	2008 $	Restated 2007 $
Revenues			
Energy sales		64,578,473	66,092,885
Fuel surcharge recovered		65,588,982	44,592,272
Other revenue		1,550,804	805,770
		131,718,259	111,490,927
Operating expenses			
Diesel generation		22,289,960	23,599,969
Hydro generation		4,572,180	4,699,140
Transmission & distribution		10,660,958	12,634,904
Fuel surcharge		66,596,253	44,421,412
Administrative expenses		15,072,072	13,266,835
	25	119,191,423	98,622,260
Operating profit		12,526,836	12,868,667
Other gains/(losses), net	20	380,011	(334,886)
Profit before finance costs and taxation		12,906,847	12,533,781
Finance costs		(5,596,210)	(4,129,539)
Profit before taxation		7,310,637	8,404,242
Taxation	21	(3,317,168)	(3,942,917)
Net profit for the year		3,993,469	4,461,325
Earnings per share	22	0.69	0.77

The notes on pages 7 to 38 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Changes in Equity
For the year ended December 31, 2008
With comparative figures for December 31, 2007
(Expressed in Eastern Caribbean Dollars)

	Share capital $	Self insurance fund $	Revaluation surplus $	Retirement benefit reserve $	Retained earnings $	Total $
Balance as of December 31, 2006	29,045,910	9,000,000	34,019,111	-	64,107,799	136,172,820
Retirement benefit reserve	-	-	-	1,575,172	-	1,575,172
Deferred tax on retirement benefit reserve	-	-	-	-	(504,055)	(504,055)
Restated balance as of December 31, 2006	29,045,910	9,000,000	34,019,111	1,575,172	63,603,744	137,243,937
Revaluation surplus realized	-	-	(3,477,668)	-	3,477,668	-
Self insurance fund appropriation	-	3,000,000	-	-	(3,000,000)	-
Dividend declared	-	-	-	-	(2,000,000)	(2,000,000)
Transfer to retirement benefit reserve	-	-	-	87,609	(87,609)	-
Profit for the year	-	-	-	-	4,461,325	4,461,325
Restated balance as of December 31, 2007	29,045,910	12,000,000	30,541,443	1,662,781	66,455,128	139,705,262
Revaluation surplus realized	-	-	(3,353,057)	-	3,353,057	-
Self insurance fund appropriation	-	3,000,000	-	-	(3,000,000)	-
Dividend declared	-	-	-	-	(2,000,000)	(2,000,000)
Transfer to retirement benefit reserve	-	-	-	140,209	(140,209)	-
Profit for the year	-	-	-	-	3,993,469	3,993,469
Balance as of December 31, 2008	29,045,910	15,000,000	27,188,386	1,802,990	68,661,445	141,698,731

The notes on pages 7 to 38 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year ended December 31, 2008
With comparative figures for December 31, 2007
(Expressed in Eastern Caribbean Dollars)

	2008 $	Restated 2007 $
Cash flows from operating activities		
Profit before taxation	7,310,637	8,404,242
Adjustments for:		
Depreciation	18,619,593	19,215,367
Amortization of consumers' contribution to line extensions	(1,195,118)	(1,089,870)
Gain on disposal of property, plant and equipment	(75,380)	(10,075)
Finance costs	5,596,210	4,129,539
Defined benefit pension expense	67,023	134,517
Foreign exchange (gain) loss	(304,631)	344,722
Amortization of deferred grant	(13,487)	(14,347)
Interest income	(1,062,489)	(292,192)
Operating profit before working capital changes	28,942,358	30,821,903
Change in inventories	150,505	(2,247,061)
Change in trade and other receivables	(4,112,156)	(5,176,333)
Change in trade and other payables	7,649,867	997,515
Cash generated from operations	32,630,574	24,396,024
Interest paid	(5,708,985)	(3,773,084)
Income tax paid	-	(2,789,154)
Interest received	991,581	427,494
Net cash generated from operating activities	27,913,170	18,261,280
Cash flows from investing activities		
Acquisition of short-term securities	(16,642,307)	(2,956,469)
Proceeds from liquidation of short-term securities	2,956,469	-
Acquisition of property, plant and equipment	(25,690,672)	(20,492,635)
Proceeds from disposal of property, plant and equipment	140,942	10,075
Contributions paid - defined benefit plan	(207,232)	(222,126)
Net cash used in investing activities	(39,442,800)	(23,661,155)
Cash flows from financing activities		
Proceeds from consumers' deposits	195,533	178,031
Proceeds from borrowings	6,935,473	12,314,975
Repayment of borrowings	(4,147,654)	(1,624,253)
Dividends paid	(498,607)	-
Net proceeds from consumers' contributions	465,871	632,046
Net cash generated from financing activities	2,950,616	11,500,799
Net (decrease) increase in cash	(8,579,014)	6,100,924
Cash - beginning of year	18,165,273	12,064,349
Cash - end of year	9,586,259	18,165,273
Represented by:-		
Cash	10,816,542	18,165,273
Bank overdraft	(1,230,283)	-
	9,586,259	18,165,273

The notes on pages 7 to 38 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2008
(Expressed in Eastern Caribbean Dollars)

1. Company status

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.

The financial statements were approved for issue by the directors on June 25, 2009.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented and conform in all material respects to International Financial Reporting Standards unless otherwise stated.

(a) *Basis of preparation and statement of compliance*

The financial statements of St. Vincent Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and using the historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revenues and accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

2. Summary of significant accounting policies (cont'd)

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

Cash and cash equivalents are carried in the balance sheet at cost and include 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 investment grade commercial paper, bankers acceptances, and certificates of deposit.

(c) *Dividends*

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

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

(d) *Foreign currency translation*

(i) Measurement currency

Items included in these financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company.

These financial statements are presented in Eastern Caribbean dollars which is the measurement currency of the company

(ii) Transactions and balances

Foreign currency transactions are translated into Eastern Caribbean dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities demonstrated in foreign currencies at the balance sheet date are translated to Eastern Caribbean dollars at the selling rates ruling at that date. Foreign transaction gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. Foreign currency monetary items are reported using the exchange rates at the balance sheet date.

(e) *Trade receivables*

Trade receivables are carried initially at fair value and subsequently measured at amortised 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 which 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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2008
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies (cont'd)

(f) Inventories

Inventories held for maintenance and capital improvements are stated 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.

(g) Financial instruments

(i) Classification

The company classifies its investments as either fair value through profit and loss, or held-to-maturity, or available-for-sale. The classification depends on the purpose for which investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Fair value through profit and loss investments are securities which are either acquired for generating a profit from short-term fluctuations in price or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity investments are securities with fixed maturity where management has both the intent and the ability to hold to maturity.

Available-for-sale financial assets are investment securities intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(ii) Recognition

The company recognizes a financial asset or financial liability on its balance sheet using the settlement date method. Accordingly, a financial asset or a financial liability is recognized on the date of receipt or delivery to or by the company respectively. Any gains or losses arising from price, interest rate, or currency changes between the trade date, the date the company commits to the purchase or sale of an asset, and balance sheet date are recorded in current operations. All purchases and sales of investment securities are recognized at settlement date.

(iii) Measurement

a) Initial measurement

Financial instruments are measured initially at cost, including transaction costs.

b) Subsequent measurement

All fair value through profit and loss and available-for-sale assets are measured at fair value based on quoted market prices where available or amounts derived from discounted cash flow models without any deduction for transaction costs.

2. Summary of significant accounting policies (cont'd)

(g) Financial instruments (cont'd)

(iii) Measurement (cont'd)

(b) Subsequent measurement (cont'd)

When the instrument is not actively traded or quoted on recognized exchanges (and for unlisted securities), the company establishes fair value by using discounted cash flow analysis and applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for an instrument with similar terms and conditions.

Any fair value through profit and loss and available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost, including transaction costs, less any impairment losses.

Held-to-maturity investments are carried at amortized cost using the effective yield method, less any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective yield of the instrument.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset. When securities become impaired the related accumulated fair value adjustments previously recognized in equity are included in the statement of income as impairment expense on investment securities.

All related gains and losses, realized and unrealized on securities classified as fair value through profit and loss are included in the statement of income as gains and losses from investment securities.

Realised and unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

Interest earned whilst trading or holding investment securities are included in the statement of income as interest income.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2008
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies (cont'd)

(h) Property, plant and equipment

(i) Owned and constructed assets

Property, plant and equipment, except land which is carried at market value, are stated at replacement cost new as of December 31, 2004. Reproduction cost new, 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.

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 the statement of income during the financial period in which they are incurred.

(iii) Depreciation

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. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual lives 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

(iv) Disposal

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of income.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2008
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies (cont'd)

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

(v) Other

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

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly into equity, in which case it is recognised in equity.

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

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets relating to tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the losses or temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

(j) Impairment

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income, is removed from equity and recognised in the statement of income.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

In assessing impairment of assets that are subject to amortization, the company considers projected future operating results, cash flows, trends and other circumstances in making such estimates and evaluation. Generally, any impairment in the value of an asset is charged to current operations. In the case of revalued assets, impairment in the carrying value is charged to revaluation surplus to the extent that previous increases credited thereto are unutilized. Amounts in excess of previous credits for the same asset are charged to operations

An impairment loss in respect of a receivable amount carried at amortised cost is reversed if a subsequent increase in its recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss shall be reversed, with the amount of the reversal recognised in statement of income.

In respect of other assets, 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.

2. Summary of significant accounting policies (cont'd)

(k) *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.

(l) *Borrowings*

Borrowings are recognized initially as the proceeds are received and are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in 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 balance sheet date.

(m) *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.

(n) *Consumer deposits*

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

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

(o) *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.

(p) *Share capital*

Ordinary shares are classified as equity.

2. Summary of significant accounting policies (cont'd)

(q) *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. 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.

(r) *Employee benefits*

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

2. Summary of significant accounting policies (cont'd)

(r) Employee benefits (cont'd)

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

(s) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are present in Eastern Caribbean dollars, which is the company's functional and presentation currency.

(t) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

(u) 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).

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2008, and have not yet been applied in preparing these financial statements:

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the company has no reportable segments.

2. Summary of significant accounting policies (cont'd)

(v) New standards and interpretations not yet adopted (cont'd)

- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the company's 2009 financial statements. In accordance with the transitional provisions the company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the company's 2009 financial statements, is not expected to have any impact on the financial statements.

- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the company's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements. The Service plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the company's 2009 financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

3. Financial instruments and financial risk management

(a) Financial risk factors

The company's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates. Management seeks to mitigate potential adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks.

(i) Currency risk (in Eastern Caribbean Dollars)

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:

	2008		
	Financial assets $	**Financial liabilities $**	**Currency sensitivity gap $**
Kuwaiti Dinar (KWD)	-	(1,948,937)	(1,948,937)
US Dollar (USD)	5,528,614	(80,333,308)	(74,804,694)
EC Dollar (XCD)	68,178,789	(53,306,717)	14,872,072
TOTAL	73,707,403	(135,588,962)	(61,881,559)

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3. Financial instruments and financial risk management (cont'd)

(a) Financial risk factors (cont'd)

(i) Currency risk (in Eastern Caribbean Dollars) (cont'd)

	2007		
	Financial assets $	**Financial liabilities** $	**Currency sensitivity gap** $
Kuwaiti Dinar (KWD)	-	(2,534,141)	(2,534,141)
European Currency Units (ECU)	-	(1,005,565)	(1,005,565)
Danish Krone (DKK)	-	(50,637)	(50,637)
EURO (EUR)	-	(1,340,202)	(1,340,202)
US Dollar (USD)	5,878,757	(74,359,567)	(68,480,810)
Great Britain Pound (GBP)	-	(507,540)	(507,540)
EC Dollar (XCD)	57,308,497	(43,525,532)	13,782,965
TOTAL	63,187,254	(123,323,184)	(60,135,930)

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

	USD $	**GBP** $	**EUR** $	**KWD** $	**DKK** $
At December 31, 2008	2.71	3.92	3.79	0.10	0.50
At December 31, 2007	2.71	5.42	3.97	0.10	0.53

Currency risk sensitivity analysis

A 10% weakening of the EC dollar against the following currencies at December 31, would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	2008 $	**2007** $
USD	8,033,331	7,435,956
GBP	-	50,754
EUR	-	134,020
KWD	194,894	2,534,141
DKK	-	5,063

A 10% strengthening of the EC dollar against the above currencies at December 31 would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The exchange rate between the EC dollar and ECU is fixed by contract and does not fluctuate.

3. Financial instruments and financial risk management (cont'd)

(a) Financial risk factors (cont'd)

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The company has no significant exposure to such risks.

(iii) 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.

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.

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

	Carrying amount	
	2008	**2007**
	$	**$**
Available-for-sale financial assets	200,000	200,000
Held-to-maturity financial assets	23,582,468	9,896,630
Trade receivables	37,545,385	33,562,392
Other receivables	1,763,008	1,562,938
Income tax refundable	3,760,726	4,705,227
Cash	10,816,542	18,165,273
	77,668,129	68,092,460

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

	Carrying amount	
	2008	**2007**
	$	**$**
Domestic	10,962,697	11,214,040
Commercial	12,166,679	10,919,696
Industrial	2,235,280	2,199,353
Government	13,748,357	10,771,951
	39,113,013	35,105,040
Provision for impairment of trade receivables	(1,567,628)	(1,542,648)
Trade receivables, net	37,545,385	33,562,392

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3. Financial instruments and financial risk management (cont'd)

(a) Financial risk factors (cont'd)

(iv) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. 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:

2008
$

	Carrying amount	Contractual cashflows	1 year	2-5 years	More than 5 Years
Trade payables	4,427,659	(4,427,659)	4,427,659	-	-
Other payables	28,818,306	(28,818,306)	28,818,306	-	-
Dividend payable	3,501,394	(3,501,394)	3,501,394	-	-
Borrowings	83,511,123	(83,511,123)	4,502,492	36,847,140	42,161,491
Customers' contributions to line extensions	6,816,834	(6,816,834)	1,195,118	5,621,716	-
Grants	211,279	(211,279)	13,487	53,948	143,844
Customer deposits	8,302,367	(8,302,367)	354,707	1,418,828	6,528,832
	135,588,962	(135,588,962)	42,813,163	43,941,632	48,834,167

2007
$

	Carrying amount	Contractual cashflows	1 year	2-5 years	More than 5 years
Trade payables	7,939,066	(7,939,066)	7,939,066	-	-
Other payables	17,928,983	(17,928,983)	17,928,983	-	-
Dividend payable	2,000,000	(2,000,000)	2,000,000	-	-
Borrowings	79,797,652	(79,797,652)	2,938,578	25,767,075	51,091,997
Customers' contributions to line extensions	7,546,081	(7,546,081)	7,546,081	-	-
Grants	224,766	(224,766)	224,766	-	-
Customer deposits	7,947,660	(7,947,660)	7,947,660	-	-
	123,384,208	(123,384,208)	46,525,134	25,767,075	51,091,997

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3. Financial instruments and financial risk management (cont'd)

(a) Financial risk factors (cont'd)

(v) 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 summarises the company's exposure to interest rate risks:

	2008				
	Up to one year $	One to five years $	Over five years $	Non-interest bearing $	Total $
Financial assets	34,112,590	-	-	39,594,813	73,707,403
Financial liabilities	(4,857,199)	(38,265,968)	(48,690,323)	(43,775,472)	(135,588,962)
Interest sensitivity gap	29,255,391	(38,265,968)	(48,690,323)		(61,881,559)

	2007				
	Up to one year $	One to five years $	Over five years $	Non-interest bearing $	Total $
Financial assets	9,896,630	-	-	53,290,605	63,187,235
Financial liabilities	(3,194,250)	-	(84,551,062)	(35,577,872)	(123,323,184)
Interest sensitivity gap	6,702,380	-	(84,551,062)		(77,848,682)

(b) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where an active market exists market price is used as the best evidence of the fair value of a financial instrument. Where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities; and

(ii) The fair value of variable-rate financial instruments is assumed to approximate their carrying amounts.

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4. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant use of material adjustment in the next financial year are below:

(a) Allowances for credit losses
(b) Impairment of assets
(c) Determining fair values
(d) Estimation of unbilled sales and fuel charges
(e) Financial asset and liability classification

Accounting policies 2(e), 2(i), 2(q) and 2(g) contain information about the assumptions and their factors relating to allowances for credit losses, impairment of assets, estimation of unbilled sales and fuel charges, and financial asset and liability classification respectively. Note 3 contains information about the assumptions and their factors relating to determining fair values

It is possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the assets.

5. Cash

	2008 $	**2007** $
Cash at bank and in hand	10,816,542	18,165,273

6. Short-term securities

	2008 $	**2007** $
Securities held to maturity		
National Commercial Bank (SVG) Ltd. 4.5% Certificate of deposit, due December 5, 2008	2,874,248	2,750,476
National Commercial Bank (SVG) Ltd. 4.5% Certificate of deposit, due December 5, 2008	3,083,540	2,950,757
National Commercial Bank (SVG) Ltd. 4.5% Certificate of deposit, due December 5, 2008	1,294,680	1,238,928
Government of St. Vincent and the Grenadines 90 days Treasury Bills	-	2,956,469
National Commercial Bank (SVG) Ltd. 5.0% Certificate of deposit, due October 27, 2009	5,000,000	-
National Commercial Bank (SVG) Ltd. 5.0% Certificate of deposit, due October 27, 2009	5,000,000	-
National Commercial Bank (SVG) Ltd. 5.5% Certificate of deposit, due December 31, 2008	6,330,000	-
	23,582,468	9,896,630

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7. Trade and other receivables

	2008 $	2007 $
Trade receivables	39,113,013	35,105,040
Less: provision for impairment of trade receivables	(1,567,628)	(1,542,648)
Trade receivables, net	37,545,385	33,562,392
Other receivables	1,246,996	1,272,691
Less: provision for impairment of other receivables	(7,642)	(7,642)
Other receivables, net	1,239,354	1,265,049
Prepayments	523,654	297,889
	39,308,393	35,125,330

8. Income tax refundable

	2008 $	2007 $
Beginning of year	4,705,227	4,705,227
Current tax expense	(944,501)	-
	3,760,726	4,705,227

Income tax refundable represents amounts over paid in previous financial years. These amounts are available to offset future tax liabilities.

9. Inventories

	2008 $	2007 $
Spares	10,523,893	9,269,270
Fuel and lubricants	2,254,635	3,614,714
Stationery	110,275	185,915
Good-in-transit	107,740	77,149
	12,996,543	13,147,048
Less: provision for obsolescence	(2,377,507)	(2,377,507)
	10,619,036	10,769,541

10. Long-term investments

	2008 $	2007 $
20,000 Eastern Caribbean Security Exchange Limited Class B Shares	200,000	200,000

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11. Property, plant and equipment

	Freehold property $	Generation $	Transmission & distribution $	Other $	Total $
Operational assets valuation					
As of December 31, 2007	117,439,126	189,707,648	161,100,538	18,630,760	486,878,072
Transfers	-	4,284,264	2,883,863	1,456,983	8,625,110
Disposals	-	-	-	(1,839,313)	(1,839,313)
As of December 31, 2008	117,439,126	193,991,912	163,984,401	18,248,430	493,663,869
Accumulated depreciation					
As of December 31, 2007	62,810,020	91,213,582	111,038,693	16,023,560	281,085,855
Charge for the year	2,583,076	8,265,203	6,820,655	950,659	18,619,593
Disposals and transfers	-	-	-	(1,773,751)	(1,773,751)
As of December 31, 2008	65,393,096	99,478,785	117,859,348	15,200,468	297,931,697
Net book value					
As of December 31, 2007	54,629,106	98,494,066	50,061,845	2,607,200	205,792,217
As of December 31, 2008	52,046,030	94,513,127	46,125,053	3,047,962	195,732,172
Non-operational assets					
As of December 31, 2007	-	2,490,487	1,669,476	833,706	4,993,669
Additions	-	10,703,489	13,377,762	1,609,421	25,690,672
Transfers	-	(4,284,264)	(2,883,863)	(1,456,983)	(8,625,110)
As of December 31, 2008	-	8,909,712	12,163,375	986,144	22,059,231
Net book value					
As of December 31, 2007	54,629,106	100,984,553	51,731,321	3,440,906	210,785,886
As of December 31, 2008	52,046,030	103,422,839	58,288,428	4,034,106	217,791,403

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

Revaluation surplus realized, which represents the excess of depreciation on reproduction cost over original cost, during the year amounted to $3,353,057 (2007: $3,477,668). Depreciation on the original cost basis for 2008 is $15,266,551 (2007: $15,737,699).

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 $59 million at December 31, 2008 (2007: $57.4 million). The value of the fund was $15 million at December 31, 2008 (2007: $12 million).

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

12. Retirement benefit asset

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 December 31, 2008. The plan was valued using the "Projected Unit Credit" method of valuation.

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

	2008 %	2007 %
Discount rate at end of year	7.50	7.00
Expected return on plan assets at end of year	8.00	7.00
Future promotional salary increases	2.00	3.50
Future inflationary salary increases	4.50	2.50
Future pension increases	3.00	3.00
Proportion of employees opting for early retirement	0.00	0.00

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12. Retirement benefit asset (cont'd)

(a) Defined benefit plan (cont'd)

The amounts recognised in the balance sheet are determined as follows:

	2008 $	2007 $
Present value of funded obligations	(5,721,071)	(5,972,184)
Fair value of plan assets	5,056,635	7,804,510
Unrecognised actuarial loss/(gain)	2,467,426	(169,545)
Defined benefit asset	1,802,990	1,662,781

The amount of $1,802,990 (2007 - $1,662,781) 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 scheme are precluded from paying out the $1,802,990 (2007: $1,662,781) to the company.

The amounts recognised in the statement of income for the year ended were as follows:

	2008 $	2007 $
Current service costs	(220,979)	(236,031)
Interest costs	(429,583)	(411,559)
Expected return on plan assets	549,629	513,073
Acturial gain recognised during the year	33,910	-
Defined obligation benefit as at December 31	(67,023)	(134,517)

The credit has been included as part of Staff Costs (Note 27) within Administrative Expenses on the income statement.

Movement in asset recognised in the balance sheet was as follows:

	2008 $	2007 $
Defined benefit asset as at January 1	1,662,781	1,575,172
Net expenses recognised in the income statement	(67,023)	(134,517)
Contributions	207,232	222,126
At end of year	1,802,990	1,662,781

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12. Retirement benefit asset (cont'd)

(a) Defined benefit plan (cont'd)

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

	2008 $	2007 $
Defined benefit obligation as at January 1	(5,972,184)	(5,698,007)
Interest costs	(429,583)	(411,559)
Current service costs	(220,979)	(236,031)
Benefits paid	112,556	109,276
Actuarial gain	789,119	264,137
Defined obligation benefit as at December 31	(5,721,071)	(5,972,184)

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

	2008 $	2007 $
Fair value of plan assets as at January 1	7,804,510	7,273,179
Expected return on plan assets	549,629	513,073
Contributions	207,232	222,126
Benefits paid	(112,556)	(109,276)
Actuarial loss	(3,392,180)	(94,592)
Fair value of plan assets as at December 31	5,056,635	7,804,510

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

	2008 $	2007 $
Cumulative unrecognized gain as at January 1	(169,545)	-
Actuarial gain for the year – plan obligation	(789,119)	(264,137)
Acturial loss for the year – plan assets	3,392,180	94,592
	2,433,516	(169,545)
Acturial gain recognised during the year	33,910	-
Cumulative unrecognised loss (gain) as at December 31	2,467,426	(169,545)

Plan assets consists of the following:

	2008 %	2007 %
Bonds	0.0	0.0
Equities	93.0	98.0
Property	0.0	0.0
Other	7.0	2.0
	100.0	100.0

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12. Retirement benefit asset (cont'd)

(a) Defined benefit plan (cont'd)

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

	2008 $	2007 $
Return on plan assets	(2,842,548)	418,481

Amounts for current and previous periods are as follows:

	2008 $	2007 $
Present value of defined benefit obligation	(5,721,071)	(5,972,184)
Fair value of plan assets	5,056,635	7,804,510
(Deficit) / surplus	(664,436)	1,832,326
Experience adjustments on plan obligations	431,379	264,137
Experience adjustments on plan assets	(3,392,180)	(94,592)
Current year cost - Senior Executives	44,603	44,435

(b) Defined contribution plan

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. During the year ended December 31, 2008, the company's contribution to the plan amounted to $593,093 (2007: $381,993).

13. Trade and other payables

	2008 $	2007 $
Trade payables	4,427,659	7,952,939
Accrued expenses	7,346,159	7,374,878
Other payables	2,542,186	3,169,005
Government of St Vincent and the Grenadines	18,929,961	7,371,227
	33,245,965	25,868,049

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14. Borrowings

	Notes	2008 $	2007 $
Caribbean Development Bank Loans			
First Power Project:-			
International Development Association	14(a)(i)	1,548,784	1,885,189
International Development Association	14(a)(ii)	1,146,143	1,200,721
Third Power Project:-			
Lowmans Bay Project	14(b)	37,671,637	30,736,164
Government of St. Vincent and the Grenadines			
United States Agency for International Development	14(c)(i)	12,386,035	13,472,700
European Investment Bank Loan II	14(c)(ii)	-	1,005,565
European Investment Bank Loan III	14(c)(iii)	4,333,846	5,513,066
Agence Française de Développement Group (Formerly Caisse Française de Développement)	14(d)	511,509	716,155
Kuwait Fund for Arab Economic Development	14(e)	1,948,937	2,534,143
European Investment Bank Lowmans Bay	14(f)	22,733,949	22,733,949
Total long-term debts		82,280,840	79,797,652
Less: Current portion		(3,272,209)	(3,194,250)
		79,008,631	76,603,402

	2008 $	2007 $
Current		
Bank borrowings	3,272,209	3,194,250
Bank overdraft (unsecured)	1,230,283	-
	4,502,492	3,194,250
Non-current		
Bank borrowings	63,624,443	58,703,855
Government of St Vincent and the Grenadines	15,384,188	17,899,547
	79,008,631	76,603,402
Total borrowings	83,511,123	79,797,652

14. Borrowings (cont'd)

(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 2008, 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.

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 receivables 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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
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14. Borrowings (cont'd)

(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.

(ii) European Investment Bank Loan II

Loan for the EC dollar equivalent of 3,000,000 ECU's repayable in 30 semi-annual installments of 100,000 ECU's plus interest of 7.5% due on November 30, 2008.

(iii) European Investment Bank Loan III

Loan for the EC dollar equivalent of US$3,485,620 of which US$2,685,805 is charged at 5.81% and US$799,814 at 4.14% (fixed). The loan is due on August 31, 2013.

(d) Agence Française de Développement Group

4% loan of US$680,000 repayable in eighteen semi-annual installments of US$37,780 due on April 30, 2011. This loan is secured by a guarantee of the Government of St Vincent and the Grenadines.

(e) Kuwait Fund for Arab Economic Development

4% loan for 1,000,000 Kuwait Dinars repayable in thirty semi-annual installments of 28,470 Kuwait Dinars, plus interest, due on February 15, 2012. The loan has been secured by a guarantee of the Government of St Vincent and the Grenadines.

(f) European Investment Bank Loan IV

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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
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15. Consumers' contributions to line extensions

	Government $	Other consumers $	Total $
Contributions			
Beginning of year	4,260,035	15,434,993	19,695,028
Received during the year	-	474,217	474,217
Refunds	-	(8,346)	(8,346)
End of year	4,260,035	15,900,864	20,160,899
Amortization			
Beginning of the year	3,794,985	8,353,962	12,148,947
For the year	255,602	939,516	1,195,118
End of year	4,050,587	9,293,478	13,344,065
Balance - 2007	465,050	7,081,031	7,546,081
Balance - 2008	209,448	6,607,386	6,816,834

16. Grant

	2008 $	2007 $
Agence Française de Développement Group Grant	224,766	239,112
Amortisation	(13,487)	(14,346)
	211,279	224,766

17. Consumers' deposits

	2008 $	2007 $
Deposits		
Beginning of year	5,369,010	5,190,979
Received during the year	379,470	363,308
Refunds	(183,937)	(185,277)
End of year	5,564,543	5,369,010
Interest		
Beginning of the year	2,578,650	2,348,137
For the year	218,726	230,513
Paid during the year	(59,552)	-
	2,737,824	2,578,650
	8,302,367	7,947,660

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
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18. Deferred tax liabilities

Deferred tax liability comprises:-

	2008 $	Restated 2007 $
Temporary difference on property, plant and equipment	30,016,909	27,689,108
Defined benefit asset	576,956	532,090
	30,593,865	28,221,198

19. Share capital

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

	2008 $	Restated 2007 $
Issued and fully paid – 5,809,182 ordinary shares without nominal or par value	29,045,910	29,045,910

20. Other gains/(losses), net

	2008 $	2007 $
Gain on disposal of property, plant and equipment	75,380	10,075
Foreign exchange gain (loss)	304,631	(344,961)
	380,011	(334,886)

21. Taxation

Income tax expense comprises:-

	2008 $	Restated 2007 $
Current	944,501	-
Deferred	2,372,667	3,942,917
	3,317,168	3,942,917

ST. VINCENT ELECTRICITY SERVICES LIMITED
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21. Taxation (cont'd)

Reconciliation of effective tax rate

	2008 %	2008 $	Restated 2007 %	Restated 2007 $
Profit before tax		7,310,637		8,404,242
Income tax using applicable corporation tax rate	32.0	2,339,405	32.0	2,689,357
Non-deductible expenses	89.8	6,564,179	75.2	6,322,484
Other	(76.4)	(5,586,416)	(60.3)	(5,068,924)
	45.4	3,317,168	46.9	3,942,917

22. Earnings per share

Earnings per share is calculated upon net earnings for the year of $3,993,469 (2007: $4,461,325) and on the average issued share capital of 5,809,182 (2007: 5,809,182) ordinary shares.

23. Capital commitments

As of December 31, 2008, the directors approved capital expenditures totaling $38.5 million (2007: $56.3 million), of which $12 million have been contracted for.

24. Contingent liabilities

The company has also been assessed for PAYE of $845,652 including interest of $560,389 on gratuity payments to staff. The company has objected the assessment and management is of the view that the company is not liable for the amounts assessed. If final determination should go against the company, any additional taxes would be accounted for as a charge in current operations.

25. Expenses by nature

	2008 $	Restated 2007 $
Fuel cost over base	66,596,253	44,421,412
Fuel at base price	3,374,351	3,474,057
Depreciation on property, plant and equipment	18,619,593	19,215,367
Repairs and maintenance	7,671,753	10,231,388
Employee benefit expense	13,181,235	13,454,139
Other operating expenses	10,943,356	8,915,767
Amortisation of consumer contributions	(1,195,118)	(1,089,870)
	119,191,423	98,622,260

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
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(Expressed in Eastern Caribbean Dollars)

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.

(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.

Transactions with the Government during the year were as follows:

	2008 $	2007 $
Revenue		
Government of St. Vincent and the Grenadines and its corporations	15,254,381	12,833,121

26. Related parties (cont'd)

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:

	2008 $	2007 $
Government of St. Vincent and the Grenadines	13,748,356	10,771,951

27. Employee benefit expense

	2008 $	2007 $
Staff costs	13,181,235	13,454,139
Number of employees at balance sheet date	305	305

28. Restatement of comparative information

During the year ended December 31, 2008, the Company undertook an actuarial valuation of its defined benefit pension plan. The Company decided to reflect the results of the actuarial valuation in its financial statements for the year ended December 31, 2008 in accordance with *IAS 19 – Employee Benefits*.

In previous periods, the plan was accounted for as a defined contribution plan under IAS 19 as sufficient information was not available to account for it as a defined benefit plan in accordance with IAS 19. Choosing to record the plan as a defined benefit plan in the current financial year constitutes a change in accounting policy, which under *IAS 8 – Accounting policies, Changes in accounting estimates and Errors* requires retrospective application up to the earliest comparative period shown.

As a result of the restatement, the profit after tax for the year ended December 31, 2007 has increased by $59,572 and retained earnings for the year then ended was $67,539,587. There was no impact on current tax payable for the financial year ended December 31, 2007, however there was an increase in the deferred tax liability as at December 31, 2007 of $2,059,854.

29. Subsequent events

At a media conference made on January 30, 2009, the Governor of the Central Bank of Trinidad and Tobago affirmed the current financial problems encountered by CL Financial Limited (CL), Colonial Life (Trinidad) Ltd. (CLlCO), CLICO Investment Bank (CIB), British American Insurance Company (Trinidad) Limited and Caribbean Money Market Brokers (CMMB), all members of the CL Financial Group (The Group).

As a result, the Central Bank, the Government of Trinidad and Tobago and The Group have reached an agreement on a strategy to deal with the underlying financial challenges. The main elements or the strategy are as follows:

- The Central Bank of Trinidad and Tobago takes control of CIB under Section 44D of the Central Bank Act;
- CIB's banking license will be revoked;
- All the third party assets and liabilities on the books of CIB and CMMB will be transferred to First Citizens Bank. Third party liabilities will be matched by resources from the sale of CIB holdings of certain high quality assets. Moreover, the Central Bank will provide short term liquidity as needed to ensure that these liabilities are serviced; and
- CL will divest 55% holdings in Republic Bank Limited and shares in Methanol Holdings Trinidad Limited to help fund CLlCO's sizeable Statutory Fund deficit. The Government has committed to provide any additional funding that is needed by CLICO in exchange for collateral and an equity interest in CLlCO.

As at December 31, 2008, the company has a defined contribution plan with CLICO for a substantial number of its employees.

The Government and Central Bank of Trinidad and Tobago, where CL is incorporated, the Government of Barbados, where CLICO is incorporated, and other regional Governments including the Government of St Vincent and the Grenadines have undertaken by way of public pronouncements, to protect the interests of The Group's respective depositors, and insurance and pension fund clients. The outcome of these undertakings cannot be guaranteed. These financial statements do not include any allowance for impairment since it cannot accurately be determined at this time, whether any adjustment will be necessary.

ST. VINCENT ELECTRICITY SERVICES LIMITED

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008
(With comparative figures)

ADDITIONAL INFORMATION

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

Telephone (784) 456-2669
(784) 456-1644
Fax (784) 456-1576
e-Mail kpmg@kpmg.vc

ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS

To the Shareholders of:
St. Vincent Electricity Services Limited
Kingstown

The accompanying schedules I and II are presented as supplementary information only. In this respect, they do not form part of the financial statements of St. Vincent Electricity Services Limited for the year ended December 31, 2008 and hence are excluded from the opinion expressed in our report dated June 25, 2009 to the shareholders on such financial statements.

kpmg

Chartered Accountants

Kingstown, St. Vincent and the Grenadines

June 25, 2009

Schedule I

ST. VINCENT ELECTRICITY SERVICES LIMITED
Financial Statistics
For the year ended December 31, 2008
(Expressed in Eastern Caribbean Dollars)

	2008 EC$ 000's	2007 EC$ 000's	2006 EC$ 000's	2005 EC$ 000's	2004 EC$ 000's	2003 EC$ 000's	2002 EC$ 000's
SUMMARISED BALANCE SHEET							
Shares issued	29,046	29,046	29,046	29,046	29,046	29,046	29,046
Retained earnings	68,661	66,455	64,107	60,747	54,521	48,650	45,301
Other reserves	89,704	87,920	82,338	79,819	81,763	69,199	66,843
Non –current liabilities	79,008	76,603	64,936	50,756	30,045	33,528	39,913
Deferred income	211	224	239	254	271	288	306
	266,630	260,248	240,666	220,622	195,646	180,711	181,409
Fixed assets (Net)	217,791	210,697	209,508	198,020	171,357	154,576	155,029
Long-term investments	200	200	200	200	200	200	200
Retirement benefit asset	1,802	1,663	0	0	0	0	0
Current assets	88,087	78,662	59,009	53,417	54,153	51,306	55,838
Current liabilities	(41,250)	(31,001)	(28,051)	(31,015)	(30,064)	(25,371)	(29,658)
	266,630	260,248	240,666	220,622	195,646	180,711	181,409
SUMMARISED RESULTS							
Operating Revenues							
Electricity sales	64,578	66,093	62,871	60,924	56,936	50,822	48,061
Fuel surcharge	65,589	44,592	40,957	33,504	20,693	16,023	12,938
Other	1,551	806	750	831	1,230	1,779	2,381
Total	131,718	111,491	104,578	95,259	78,859	68,624	63,380
Operating Expenses							
Fuel cost covered by surcharge	66,596	44,421	40,642	32,836	20,603	15,958	12,850
Operating and maintenance							
- Hydro	1,851	1,883	2,258	2,434	1,833	2,261	1,914
- Diesel	14,360	16,217	16,309	14,850	12,307	10,183	9,343
Transmission & distribution	3,254	4,417	3,681	5,458	4,285	4,254	3,212
Administration & other	14,131	12,804	16,528	11,873	13,195	12,321	11,892
Depreciation	18,620	19,215	17,258	17,798	18,589	17,102	15,490
Total	118,812	98,957	96,676	85,249	70,812	62,079	54,701
Operating income	12,906	12,534	7,902	10,010	8,047	6,545	8,679
Interest	(5,596)	(4,130)	(1,944)	(2,257)	(2,311)	(2,850)	(2,914)
Net profit before tax	7,310	8,404	5,958	7,753	5,736	3,695	5,765
Income tax expense	(3,317)	(3,943)	(4,957)	(4,338)	(3,709)	(2,665)	(3,319)
Net profit after tax	3,993	4,461	1,001	3,415	2,027	1,030	2,446
Appraisal element in depreciation	3,353	3,478	5,359	5,811	5,344	4,719	4,175
Retained earnings brought forward	66,455	63,604	60,747	54,521	48,650	45,301	40,680
Deferred tax on retirement benefit reserve	(140)	(88)	(503)	0	0	0	0
Final/Interim dividend	(2,000)	(2,000)	0	0	(500)	(1,400)	(1,000)
Self insurance fund	(3,000)	(3,000)	(3,000)	(3,000)	(1,000)	(1,000)	(1,000)
Retained earnings carried forward	68,661	66,455	63,604	60,747	54,521	48,650	45,301

Schedule II

ST. VINCENT ELECTRICITY SERVICES LIMITED
Financial Statistics
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(Expressed in Eastern Caribbean Dollars)

	2008	2007	2006	2005	2004	2003
GENERATING PLANT (KW)						
Site Rated Capacity (KW)						
St. Vincent	33,195	33,195	33,195	33,195	33,195	30,635
Bequia	2,931	2,931	2,931	2,931	2,156	2,156
Union Island	1,270	1,270	1,270	1,270	1,270	1,270
Canouan	3,120	3,120	3,120	3,120	3,120	3,120
Mayreau	180	180	180	180	180	180
Firm Capacity (KW)						
St. Vincent	26,065	26,065	26,065	26,065	26,485	20,120
Bequia	1,900	1,900	1,900	1,900	1,860	1,080
Union Island	1,110	1,110	1,110	1,110	1,121	695
Canouan	2,700	2,700	2,700	2,700	2,600	1,300
Mayreau	180	180	180	180	180	60
Peak Demand (KW)						
St. Vincent	19,980	19,160	19,160	18,640	17,120	16,270
Bequia	1,500	1,325	1,325	1,325	1,200	1,140
Union Island	517	517	517	487	487	434
Canouan	2,447	2,154	2,154	2,021	1,821	734
Mayreau	43	40	40	39	38	26
PRODUCTION AND SALES						
Gross Generation (kWhs)						
Hydro	23,673,460	22,713,780	23,193,142	25,539,830	27,146,531	20,712,180
Diesel	115,455,782	118,378,885	111,109,123	106,211,315	93,595,252	87,528,028
	139,129,242	141,092,665	134,302,265	131,751,145	120,741,783	108,240,208
Own Use	5,003,096	3,624,125	3,929,090	4,225,112	3,803,796	2,980,268
Net Generation	134,126,146	137,468,540	130,373,175	127,526,033	116,937,987	105,259,940
Sales (kWhs)						
Domestic	55,532,302	56,747,530	54,867,257	53,687,894	50,493,950	47,194,734
Commercial	58,280,375	58,941,289	54,134,549	53,541,364	47,087,122	39,004,275
Industrial	6,183,035	6,832,412	6,586,653	6,308,552	6,146,615	6,520,330
Street lighting	2,929,342	2,930,481	2,936,597	2,880,824	2,796,146	2,711,316
Total Sales	122,925,054	125,451,712	118,525,056	116,418,634	106,523,833	95,430,655
Loss (% of Net Generation)	8.35%	8.74%	9.08%	8.17%	8.9%	9.3%
Number of Consumers at Year-End						
Domestic	34,495	33,705	32,710	31,681	30,304	29,535
Commercial	4,208	4,147	4,055	3,947	3,825	3,667
Industrial	27	28	28	29	32	34
Street lighting	48	47	47	47	47	46
	38,778	37,927	36,840	35,704	34,208	33,282