

ST. VINCENT ELECTRICITY SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative figures for December 31, 2009)

ST. VINCENT ELECTRICITY SERVICES LIMITED

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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., 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. Roosevelt Trent

Company Secretary

Mrs. Juliette Hinds-Wilson – CMA, 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



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 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 statement of financial position as at December 31, 2010, and the statement of comprehensive 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, and for such internal control as management determines is necessary to enable 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 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, the auditors 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.



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, 2010, and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to be 'KPMG' with a stylized flourish extending from the end.

Chartered Accountants
Kingstown, St. Vincent and the Grenadines
July 20, 2011

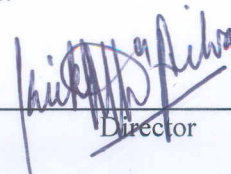
ST. VINCENT ELECTRICITY SERVICES LIMITED**Statement of Financial Position****As of December 31, 2010****With comparatives as of December 31, 2009****(Expressed in Eastern Caribbean Dollars)**

	Notes	2010 \$	2009 \$
Assets			
Long-term investments	5	200,000	200,000
Property, plant and equipment	6	250,339,467	233,492,205
Retirement benefit asset	7	1,035,894	1,300,282
Total non-current assets		251,575,361	234,992,487
Cash and cash equivalents	8	6,766,940	649,213
Short-term securities	9	17,703,150	17,178,150
Trade and other receivables	10	35,632,164	34,567,556
Income tax refundable	11	-	3,610,995
Inventories	12	9,457,165	9,509,180
Total current assets		69,559,419	65,515,094
Total assets		321,134,780	300,507,581
Equity			
Share capital	13	29,045,910	29,045,910
Revaluation surplus		22,752,114	24,970,906
Self insurance fund		21,000,000	18,000,000
Retirement benefit reserve		1,035,894	1,300,282
Retained earnings		74,428,139	68,409,768
Total equity		148,262,057	141,726,866
Liabilities			
Borrowings	14	90,084,320	76,573,001
Consumers' contributions to line extensions	15	6,262,561	6,248,145
Grant	16	186,687	198,603
Consumers' deposits	17	8,566,764	8,602,721
Deferred tax liabilities	18	33,054,236	31,948,180
Total non-current liabilities		138,154,568	123,570,650
Trade and other payables	19	25,433,794	25,890,142
Dividend payable		-	1,832,387
Income tax payable		195,375	-
Borrowings	14	9,088,986	7,487,536
Total current liabilities		34,718,155	35,210,065
Total liabilities		172,872,723	158,780,715
Total liabilities and shareholders' equity		321,134,780	300,507,581

The notes on pages 8 to 37 are an integral part of these financial statements.

Approved By:

Director



Director

ST. VINCENT ELECTRICITY SERVICES LIMITED
Statement of Comprehensive Income (single-statement approach)
For the year ended December 31, 2010
With comparative figures for December 31, 2009
(Expressed in Eastern Caribbean Dollars)

	Notes	2010 \$	2009 \$
Revenues			
Energy sales		66,417,020	64,856,844
Fuel surcharge recovered		46,128,806	35,513,606
Other revenue		2,581,899	1,992,631
		<u>115,127,725</u>	<u>102,363,081</u>
Operating expenses			
Diesel generation		23,917,482	26,936,581
Hydro generation		4,052,255	4,232,475
Transmission & distribution		10,254,173	9,716,618
Fuel surcharge		46,113,409	35,540,047
Administrative expenses		14,496,061	18,235,767
	25	<u>98,833,380</u>	<u>94,661,488</u>
Operating profit		16,294,345	7,701,593
Other (losses) gains, net	20	<u>(321,824)</u>	<u>328,654</u>
Profit before finance costs and taxation		15,972,521	8,030,247
Finance costs		<u>(4,524,903)</u>	<u>(4,498,066)</u>
Profit before taxation		11,447,618	3,532,181
Taxation	21	<u>(4,912,427)</u>	<u>(1,504,046)</u>
Net profit for the year from continuing operations		<u>6,535,191</u>	<u>2,028,135</u>
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>6,535,191</u>	<u>2,028,135</u>
Earnings per share	22	1.12	0.35

The notes on pages 8 to 37 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED**Statement of Changes in Equity****For the year ended December 31, 2009****With comparative figures for December 31, 2008****(Expressed in Eastern Caribbean Dollars)**

	Share capital \$	Self insurance fund \$	Revaluation surplus \$	Retirement benefit reserve \$	Retained earnings \$	Total \$
Balance as of December 31, 2008	29,045,910	15,000,000	27,188,386	1,802,990	68,661,445	141,698,731
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,028,135	2,028,135
Other comprehensive income	-	-	-	-	-	-
Total other comprehensive loss	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,028,135	2,028,135
Transactions with owners, recorded directly in equity contributions by and distributions to owners						
Revaluation surplus realized	-	-	(2,217,480)	-	2,217,480	-
Self insurance fund appropriation	-	3,000,000	-	-	(3,000,000)	-
Dividend declared	-	-	-	-	(2,000,000)	(2,000,000)
Transfer to retirement benefit reserve	-	-	-	(502,708)	502,708	-
Balance as of December 31, 2009	29,045,910	18,000,000	24,970,906	1,300,282	68,409,768	141,726,866

The notes on pages 8 to 37 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, 2010****With comparative figures for December 31, 2009****(Expressed in Eastern Caribbean Dollars)**

	Share capital	Self insurance fund	Revaluation surplus	Retirement benefit reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
Balance as of December 31, 2009	29,045,910	18,000,000	24,970,906	1,300,282	68,409,768	141,726,866
Total comprehensive income for the year						
Profit for the year	-	-	-	-	6,535,191	6,535,191
Other comprehensive income	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,535,191	6,535,191
Transactions with owners, recorded directly in equity contributions by and distributions to owners						
Revaluation surplus realized	-	-	(2,218,792)	-	2,218,792	-
Self insurance fund appropriation	-	3,000,000	-	-	(3,000,000)	-
Dividend declared	-	-	-	-	-	-
Transfer to retirement benefit reserve	-	-	-	(264,388)	264,388	-
Balance as of December 31, 2010	29,045,910	21,000,000	22,752,114	1,035,894	74,428,139	148,262,057

The notes on pages 8 to 37 are an integral part of these financial statements.

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

	2010 \$	2009 \$
Cash flows from operating activities		
Profit before taxation	11,447,618	3,532,181
Adjustments for:		
Depreciation	17,485,594	17,533,124
Amortization of consumers' contribution to line extensions	(1,030,837)	(1,180,359)
Loss/(gain) on disposal of property, plant and equipment	160,541	(137,037)
Finance costs	4,524,903	4,498,066
Defined benefit pension expense	535,103	732,267
Foreign exchange loss/(gain)	161,283	(191,617)
Amortization of deferred grant	(11,916)	(12,676)
Interest income	(963,306)	(1,504,014)
Operating profit before working capital changes	32,308,983	23,269,935
Change in inventories	52,015	1,109,856
Change in trade and other receivables	(693,641)	4,669,930
Change in trade and other payables	(651,553)	(7,599,127)
Cash generated from operations	31,015,804	21,450,594
Interest paid	(4,326,300)	(4,093,836)
Interest received	592,339	1,574,921
Net cash generated from operating activities	27,281,843	18,931,679
Cash flows from investing activities		
Acquisition of short-term securities	(525,000)	(848,150)
Proceeds from liquidation of short-term securities	-	7,252,468
Acquisition of property, plant and equipment	(34,560,331)	(33,233,926)
Proceeds from disposal of property, plant and equipment	66,934	137,037
Contributions paid - defined benefit plan	(270,715)	(229,559)
Net cash used in investing activities	(35,289,112)	(26,922,130)
Cash flows from financing activities		
Proceeds from (net refunds from) consumers' deposits	(39,356)	139,428
Proceeds from borrowings	22,365,720	6,252,790
Repayment of borrowings	(7,414,234)	(4,281,476)
Dividends paid	(1,832,387)	(3,669,007)
Net proceeds from consumers' contributions	1,045,253	611,670
Net cash generated from (used in) financing activities	14,124,996	(946,595)
Net increase (decrease) in cash	6,117,727	(8,937,046)
Cash and cash equivalents - beginning of year	649,213	9,586,259
Cash and cash equivalents - end of year	6,766,940	649,213

The notes on pages 8 to 37 are an integral part of these financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(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 30, 2011.

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.

(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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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

(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 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 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.

(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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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

(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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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

(g) *Financial instruments (cont'd)*

(iv) 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, 2010
(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	2½ - 5% per annum
• Plant & machinery	5 - 20% per annum
• Transmission & distribution	5 - 6% per annum
• Motor vehicles	25% per annum
• Furniture and equipment	12½% 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, 2010
(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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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.

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Notes to the Financial Statements
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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 as 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 presented 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*

Other than those adopted early as explained, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2010, and have an effect on the financial statements.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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:

	2010		
	Financial assets \$	Financial liabilities \$	Currency sensitivity gap \$
Kuwaiti Dinar (KWD)	-	(819,500)	(819,500)
US Dollar (USD)	416,564	(98,353,806)	(97,937,242)
EC Dollar (XCD)	59,885,690	(40,449,806)	19,435,884
TOTAL	60,302,254	(139,623,112)	(79,320,858)
	2009		
	Financial assets \$	Financial liabilities \$	Currency sensitivity gap \$
Kuwaiti Dinar (KWD)	-	(1,340,112)	(1,340,112)
US Dollar (USD)	490,749	(82,720,425)	(82,229,676)
EC Dollar (XCD)	55,729,276	(42,771,998)	12,957,278
TOTAL	56,220,025	(126,832,535)	(70,612,510)

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Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

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

(a) Financial risk factors (cont'd)

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

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

	USD	KWD
	\$	\$
At December 31, 2010	2.71	9.59
At December 31, 2009	2.71	9.41

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 2009.

	2010	2009
	\$	\$
USD	9,793,724	8,222,967
KWD	81,950	134,011

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.

(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.

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Notes to the Financial Statements
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3. Financial instruments and financial risk management (cont'd)

(a) Financial risk factors (cont'd)

(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	
	2010	2009
	\$	\$
Available-for-sale financial assets	200,000	200,000
Held-to-maturity financial assets	17,703,150	17,178,150
Trade receivables	31,160,063	32,249,849
Other receivables	4,472,101	2,317,707
Income tax refundable	-	3,610,995
Cash and cash equivalents	6,766,940	649,213
	60,302,254	56,205,914

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

	Carrying amount	
	2010	2009
	\$	\$
Domestic	11,792,439	11,502,612
Commercial	8,174,192	11,462,749
Industrial	1,085,919	1,003,074
Government	17,689,086	14,506,478
	38,741,636	38,474,913
Provision for impairment of trade receivables	(7,581,573)	(6,225,064)
Trade receivables, net	31,160,063	32,249,849

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Notes to the Financial Statements
For the year ended December 31, 2010
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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:

2010					
\$					
	Carrying amount	Contractual cashflows	1 year	2-5 years	More than 5 years
Trade payables	9,036,678	(9,036,678)	9,036,678	-	-
Other payables	16,564,724	(16,564,724)	16,564,724	-	-
Borrowings	99,173,306	(99,173,306)	9,088,986	37,283,355	52,800,965
Customers' contributions to line extensions	6,262,561	(6,262,561)	1,030,837	4,123,348	1,108,376
Grants	186,687	(186,687)	11,916	47,664	127,107
Customer deposits	8,566,764	(8,566,764)	460,101	1,840,404	6,266,259
	139,790,720	(139,790,720)	36,193,242	43,294,771	60,302,707
2009					
\$					
	Carrying amount	Contractual cashflows	1 year	2-5 years	More than 5 years
Trade payables	8,297,348	(8,297,348)	8,297,348	-	-
Other payables	17,592,794	(17,592,794)	17,592,794	-	-
Dividend payable	1,832,387	(1,832,387)	1,832,387	-	-
Borrowings	84,060,537	(84,060,537)	7,487,536	29,950,144	46,622,857
Customers' contributions to line extensions	6,248,145	(6,248,145)	1,180,359	5,067,786	-
Grants	198,603	(198,603)	12,676	50,704	135,223
Customer deposits	8,602,721	(8,602,721)	300,354	1,201,416	7,100,951
	126,832,535	(126,832,535)	36,703,454	36,270,050	53,859,031

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Notes to the Financial Statements
For the year ended December 31, 2010
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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:

	2010				
	Up to	One to	Over	Non-interest	Total
	one year	five years	five years	bearing	
	\$	\$	\$	\$	\$
Financial assets	21,858,606	-	-	38,443,648	60,302,254
Financial liabilities	(9,549,087)	(39,123,759)	(59,067,224)	(32,050,650)	(139,790,720)
Interest sensitivity gap	12,309,519	(39,123,759)	(59,067,224)		(79,488,466)

	2009				
	Up to	One to	Over	Non-interest	Total
	one year	five years	five years	bearing	
	\$	\$	\$	\$	\$
Financial assets	17,715,323	-	-	38,504,702	56,220,025
Financial liabilities	(7,787,890)	(31,151,560)	(53,723,808)	(34,169,277)	(126,832,535)
Interest sensitivity gap	9,927,433	(31,151,560)	(53,723,808)		(70,612,510)

(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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Notes to the Financial Statements
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4. Critical accounting estimates and judgments

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(f), 2(j), 2(r) and 2(h) 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. Long-term investments

	2010 \$	2009 \$
20,000 Eastern Caribbean Security Exchange Limited Class B Shares	200,000	200,000

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6. Property, plant and equipment

	Freehold property \$	Generation \$	Transmission & distribution \$	Other \$	Total \$
Operational assets valuation					
As of December 31, 2009	118,267,447	195,597,228	169,150,568	18,968,826	501,984,069
Transfers	78,843	1,709,068	4,282,275	362,780	6,432,966
Disposals	(267,618)	-	-	(216,353)	(483,971)
As of December 31, 2010	118,078,672	197,306,296	173,432,843	19,115,253	507,933,064
Accumulated depreciation					
As of December 31, 2009	67,949,311	107,321,945	124,112,593	15,743,219	315,127,068
Charge for the year	2,551,496	7,754,581	6,383,740	795,777	17,485,594
Disposals and transfers	(40,143)	-	-	(216,353)	(256,496)
As of December 31, 2010	70,460,664	115,076,526	130,496,333	16,322,643	332,356,166
Net book value					
As of December 31, 2009	50,318,136	88,275,283	45,037,975	3,225,607	186,857,001
As of December 31, 2010	47,618,008	82,229,770	42,936,510	2,792,610	175,576,898
Non-operational assets					
As of December 31, 2009	-	25,632,735	20,922,279	80,190	46,635,204
Additions	78,843	26,611,633	7,491,155	378,700	34,560,331
Transfers	(78,843)	(1,709,068)	(4,282,275)	(362,780)	(6,432,966)
As of December 31, 2010	-	50,535,300	24,131,159	96,110	74,762,569
Net book value					
As of December 31, 2009	50,318,136	113,908,018	65,960,254	3,305,797	233,492,205
As of December 31, 2010	47,618,008	132,765,070	67,067,669	2,888,720	250,339,467

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Notes to the Financial Statements
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6. 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 \$2,218,792 (2009: \$2,217,480). Depreciation on the original cost basis for 2010 is \$15,266,802 (2009: \$18,552,042).

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 \$67 million at December 31, 2010 (2009: \$65 million). The value of the fund was \$21 million at December 31, 2010 (2009: \$18 million).

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

7. 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 Sagikor Life Inc.

The most recent actuarial valuation of the plan is dated December 31, 2010. 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:

	2010	2009
	%	%
Discount rate at end of year	7.00	7.50
Expected return on plan assets at end of year	7.50	8.00
Future promotional salary increases	2.00	2.00
Future inflationary salary increases	4.00	4.50
Future pension increases	3.00	3.00
Proportion of employees opting for early retirement	0.00	0.00

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7. Retirement benefit asset (cont'd)

(a) Defined benefit plan (cont'd)

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

	2010	2009
	\$	\$
Present value of funded obligations	(7,308,048)	(6,344,834)
Fair value of plan assets	6,616,368	6,093,696
Unrecognised actuarial loss	1,727,574	1,551,420
Defined benefit asset	<u>1,035,894</u>	<u>1,300,282</u>

The amount of \$1,035,894 (2009 - \$1,300,282) 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 \$1,035,894 (2009: \$1,300,282) to the company.

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

	2010	2009
	\$	\$
Current service costs	(229,730)	(207,558)
Interest costs	(488,270)	(440,300)
Expected return on plan assets	493,180	409,075
Actuarial loss recognised during the year	(310,283)	(493,484)
Defined obligation benefit as at December 31	<u>(535,103)</u>	<u>(732,267)</u>

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

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

	2010	2009
	\$	\$
Defined benefit asset as at January 1	1,300,282	1,802,990
Net expenses recognised in profit and loss	(535,103)	(732,267)
Contributions	270,715	229,559
At end of year	<u>1,035,894</u>	<u>1,300,282</u>

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Notes to the Financial Statements
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7. 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:

	2010	2009
	\$	\$
Defined benefit obligation as at January 1	(6,344,834)	(5,721,071)
Interest costs	(488,270)	(440,300)
Current service costs	(229,730)	(207,558)
Benefits paid	128,596	115,930
Actuarial loss	(373,810)	(91,835)
Defined obligation benefit as at December 31	(7,308,048)	(6,344,834)

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

	2010	2009
	\$	\$
Fair value of plan assets as at January 1	6,093,696	5,056,635
Expected return on plan assets	493,180	409,075
Contributions	270,715	229,559
Benefits paid	(128,596)	(115,930)
Actuarial (loss) gain	(112,627)	514,357
Fair value of plan assets as at December 31	6,616,368	6,093,696

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

	2010	2009
	\$	\$
Cumulative unrecognized loss as at January 1	1,551,420	2,467,426
Actuarial loss for the year – plan obligation	373,810	91,835
Actuarial loss (gain) for the year – plan assets	112,627	(514,357)
	2,037,857	2,044,904
Actuarial loss recognised during the year	(310,283)	(493,484)
Cumulative unrecognised loss as at December 31	1,727,574	1,551,420

Plan asset consists of the following:

	2010	2009
	%	%
Equities	98.0	98.0
Other	2.0	2.0
	100.0	100.0

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Notes to the Financial Statements
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7. Retirement benefit asset (cont'd)

(a) Defined benefit plan (cont'd)

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

	2010	2009
	\$	\$
Return on plan assets	380,553	923,431

Amounts for current and previous periods are as follows:

	2010	2009
	\$	\$
Present value of defined benefit obligation	(7,308,048)	(6,344,834)
Fair value of plan assets	6,616,368	6,093,696
Deficit	(691,680)	(251,138)
Experience adjustments on plan obligations	41,017	(91,835)
Experience adjustments on plan assets	(112,627)	514,357
Current year cost - Senior Executives	46,407	41,881

(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.

8. Cash

	2010	2009
	\$	\$
Cash and cash equivalents in the statement of cash flows	6,766,940	649,213

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Notes to the Financial Statements
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9. Short-term securities

	2010	2009
	\$	\$
Securities held to maturity		
National Commercial Bank (SVG) Ltd. 4.5% Certificate of deposit, due October 27, 2011	5,512,500	-
National Commercial Bank (SVG) Ltd. 4.5% Certificate of deposit, due October 27, 2011	5,512,500	-
National Commercial Bank (SVG) Ltd. 4.5% Certificate of deposit, due December 31, 2011	6,678,150	-
National Commercial Bank (SVG) Ltd. 5.0% Certificate of deposit, due October 27, 2010	-	5,250,000
National Commercial Bank (SVG) Ltd. 5.0% Certificate of deposit, due October 27, 2010	-	5,250,000
National Commercial Bank (SVG) Ltd. 5.5% Certificate of deposit, due December 31, 2010	-	6,678,150
	<u>17,703,150</u>	<u>17,178,150</u>

10. Trade and other receivables

	2010	2009
	\$	\$
Trade receivables	38,741,636	38,474,913
Less: provision for impairment of trade receivables	(7,581,573)	(6,225,064)
Trade receivables, net	<u>31,160,063</u>	<u>32,249,849</u>
Other receivables	4,254,586	2,050,482
Less: provision for impairment of other receivables	(7,642)	(7,642)
Other receivables, net	<u>4,246,944</u>	<u>2,042,840</u>
Prepayments	225,157	274,867
	<u>35,632,164</u>	<u>34,567,556</u>

11. Income tax refundable

	2010	2009
	\$	\$
Beginning of year	3,610,995	3,760,726
Offset Current tax expense	(3,610,995)	(149,731)
	<u>-</u>	<u>3,610,995</u>

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

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12. Inventories

	2010	2009
	\$	\$
Spares	8,213,103	9,053,816
Fuel and lubricants	3,266,162	2,476,196
Stationery	162,999	169,868
Good-in-transit	192,408	186,807
	11,834,672	11,886,687
Less: provision for obsolescence	(2,377,507)	(2,377,507)
	9,457,165	9,509,180

13. Share capital

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

	2010	2009
	\$	\$
Issued and fully paid – 5,809,182 ordinary shares without nominal or par value	29,045,910	29,045,910

14. Borrowings

	Notes	2010	2009
		\$	\$
Caribbean Development Bank Loans			
First Power Project:-			
International Development Association	14(a)(i)	-	-
International Development Association	14(a)(ii)	1,036,986	1,091,565
Third Power Project:-			
Lowmans Bay Project	14(b)	43,917,480	43,252,204
Government of St. Vincent and the Grenadines			
United States Agency for International Development	14(c)(i)	11,527,498	11,817,949
European Investment Bank Loan III	14(c)(ii)	2,677,479	3,517,897
Agence Française de Développement Group			
(Formerly Caisse Française de Développement)	14(d)	102,215	306,862
Kuwait Fund for Arab Economic Development	14(e)	819,500	1,340,111
European Investment Bank Lowmans Bay	14(f)	21,618,848	22,733,949
Alba Bank	14(g)	17,473,300	-
Total long-term debts		99,173,306	84,060,537
Less: Current portion		(9,088,986)	(7,487,536)
		90,084,320	76,573,001

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Notes to the Financial Statements
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14. Borrowings (cont'd)

	2010	2009
	\$	\$
Current		
Bank borrowings	9,088,986	7,487,536
	9,088,986	7,487,536
Non-current		
Bank borrowings	77,680,662	62,662,834
Government of St Vincent and the Grenadines	12,403,658	13,910,167
	90,084,320	76,573,001
Total borrowings	99,173,306	84,060,537

(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 2009, 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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

14. Borrowings (cont'd)

(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.

(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 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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

14. Borrowings (cont'd)

(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.

(g) Alba Bank

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	4,260,035	16,512,534	20,772,569
Received during the year	-	1,096,376	1,096,376
Refunds	-	(51,123)	(51,123)
End of year	4,260,035	17,557,787	21,817,822
Amortization			
Beginning of the year	4,260,035	10,264,389	14,524,424
For the year	-	1,030,837	1,030,837
End of year	4,260,035	11,295,226	15,555,261
Balance - 2009	-	6,248,145	6,248,145
Balance - 2010	-	6,262,561	6,262,561

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
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16. Grant

	2010	2009
	\$	\$
Agence Française de Développement Group Grant	198,603	211,279
Amortisation	(11,916)	(12,676)
	<u>186,687</u>	<u>198,603</u>

17. Consumers' deposits

	2010	2009
	\$	\$
Deposits		
Beginning of year	5,703,971	5,564,543
Received during the year	420,745	406,220
Refunds	(460,101)	(266,792)
End of year	<u>5,664,615</u>	<u>5,703,971</u>
Interest		
Beginning of the year	2,898,750	2,737,824
For the year	227,707	225,268
Paid during the year	(224,308)	(64,342)
	<u>2,902,149</u>	<u>2,898,750</u>
	<u>8,566,764</u>	<u>8,602,721</u>

18. Deferred tax liabilities

Deferred tax liability comprises:-

	2010	2009
	\$	\$
Temporary difference on property, plant and equipment	32,722,750	31,532,090
Defined benefit asset	331,486	416,090
	<u>33,054,236</u>	<u>31,948,180</u>

19. Trade and other payables

	2010	2009
	\$	\$
Trade payables	9,036,678	8,297,348
Accrued expenses	8,557,895	8,055,064
Other payables	2,998,504	2,760,540
Government of St Vincent and the Grenadines	4,840,717	6,777,190
	<u>25,433,794</u>	<u>25,890,142</u>

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

20. Other (losses)/gains, net

	2010	2009
	\$	\$
(Loss)/Gain on disposal of property, plant and equipment	(160,541)	137,037
Foreign exchange (loss)/gain	(161,283)	191,617
	<u>(321,824)</u>	<u>328,654</u>

21. Taxation

Income tax expense comprises:-

	2010	2009
	\$	\$
Current	3,806,371	149,731
Deferred	1,106,056	1,354,315
	<u>4,912,427</u>	<u>1,504,046</u>

Reconciliation of effective tax rate

	2010	2010	2009	2009
	%	\$	%	\$
Profit before tax		<u>11,447,618</u>		<u>3,532,181</u>
Income tax using applicable corporation tax rate	32.0	3,663,238	32.0	1,130,298
Non-deductible expenses	56.6	6,487,315	208.7	7,371,373
Other	(45.5)	(5,238,126)	(198.1)	(6,997,625)
	<u>43.1</u>	<u>4,912,427</u>	<u>42.6</u>	<u>1,504,046</u>

22. Earnings per share

Earnings per share is calculated upon net earnings for the year of \$6,535,191 (2009: \$2,028,135) and on the average issued share capital of 5,809,182 (2009: 5,809,182) ordinary shares.

23. Capital commitments

As of December 31, 2010, the directors approved capital expenditure totaling \$51.5 million (2009: \$49.3 million), of which \$40.2 million has 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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

25. Expenses by nature

	2010 \$	2009 \$
Fuel cost over base	46,113,409	35,540,047
Fuel at base price	3,397,830	3,412,520
Depreciation on property, plant and equipment	17,485,594	17,533,124
Repairs and maintenance	8,676,293	11,602,045
Employee benefit expense	14,016,908	13,643,324
Other operating expenses	10,174,183	14,110,747
Amortisation of consumer contributions	(1,030,837)	(1,180,359)
	98,833,380	94,661,488

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.

ST. VINCENT ELECTRICITY SERVICES LIMITED
Notes to the Financial Statements
For the year ended December 31, 2010
(Expressed in Eastern Caribbean Dollars)

26. Related parties (cont'd)

Transactions with the Government during the year were as follows:

	2010	2009
	\$	\$
Revenue		
Government of St. Vincent and the Grenadines and its corporations	14,492,157	11,384,251

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:

	2010	2009
	\$	\$
Government of St. Vincent and the Grenadines	17,689,086	14,506,479

27. Employee benefit expense

	2010	2009
	\$	\$
Staff costs	14,016,908	13,643,324
Number of employees at balance sheet date	311	309

ST. VINCENT ELECTRICITY SERVICES LIMITED

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative figures)

ADDITIONAL INFORMATION

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Financial Statistics

Schedule I & II



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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, 2010 and hence are excluded from the opinion expressed in our report dated July 20, 2011 to the shareholders on such financial statements.

Chartered Accountants

Kingstown, St. Vincent and the Grenadines

July 20, 2011

ST. VINCENT ELECTRICITY SERVICES LIMITED

Financial Statistics

For the year ended December 31, 2010

(Expressed in Eastern Caribbean Dollars)

	2010 EC\$ 000's	2009 EC\$ 000's	2008 EC\$ 000's	2007 EC\$ 000's	2006 EC\$ 000's	2005 EC\$ 000's	2004 EC\$ 000's
SUMMARISED BALANCE SHEET							
Shares issued	29,046	29,046	29,046	29,046	29,046	29,046	29,046
Retained earnings	74,428	68,410	68,661	66,455	64,107	60,747	54,521
Other reserves	92,671	91,069	89,704	87,920	82,338	79,819	81,763
Non –current liabilities	90,084	76,573	79,008	76,603	64,936	50,756	30,045
Deferred income	187	199	211	224	239	254	271
	286,416	265,297	266,630	260,248	240,666	220,622	195,646
Fixed assets (Net)	250,339	233,492	217,791	210,697	209,508	198,020	171,357
Long-term investments	200	200	200	200	200	200	200
Retirement benefit asset	1,036	1,300	1,802	1,663	0	0	0
Current assets	69,559	65,515	88,087	78,662	59,009	53,417	54,153
Current liabilities	(34,718)	(35,210)	(41,250)	(31,001)	(28,051)	(31,015)	(30,064)
	286,416	265,297	266,630	260,248	240,666	220,622	195,646
SUMMARISED RESULTS							
Operating Revenues							
Electricity sales	66,417	64,857	64,578	66,093	62,871	60,924	56,936
Fuel surcharge	46,129	35,513	65,589	44,592	40,957	33,504	20,693
Other	2,582	1,993	1,551	806	750	831	1,230
Total	115,128	102,363	131,718	111,491	104,578	95,259	78,859
Operating Expenses							
Fuel cost covered by surcharge	46,113	35,540	66,596	44,421	40,642	32,836	20,603
Operating and maintenance							
- Hydro	2,074	2,033	1,851	1,883	2,258	2,434	1,833
- Diesel	15,487	18,606	14,360	16,217	16,309	14,850	12,307
Transmission & distribution	3,766	3,351	3,254	4,417	3,681	5,458	4,285
Administration & other	14,230	17,270	14,131	12,804	16,528	11,873	13,195
Depreciation	17,486	17,533	18,620	19,215	17,258	17,798	18,589
Total	99,156	94,333	118,812	98,957	96,676	85,249	70,812
Operating income	15,972	8,030	12,906	12,534	7,902	10,010	8,047
Interest	(4,524)	(4,498)	(5,596)	(4,130)	(1,944)	(2,257)	(2,311)
Net profit before tax	11,448	3,532	7,310	8,404	5,958	7,753	5,736
Income tax expense	(4,913)	(1,504)	(3,317)	(3,943)	(4,957)	(4,338)	(3,709)
Net profit after tax	6,535	2,028	3,993	4,461	1,001	3,415	2,027
Appraisal element in depreciation	2,219	2,218	3,353	3,478	5,359	5,811	5,344
Retained earnings brought forward	68,410	68,661	66,455	63,604	60,747	54,521	48,650
Deferred tax on retirement benefit reserve	264	503	(140)	(88)	(503)	0	0
Final/Interim dividend	-	(2,000)	(2,000)	(2,000)	0	0	(500)
Self insurance fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(1,000)
Retained earnings carried forward	74,428	68,410	68,661	66,455	63,604	60,747	54,521

ST. VINCENT ELECTRICITY SERVICES LIMITED**Financial Statistics****For the year ended December 31, 2010****(Expressed in Eastern Caribbean Dollars)**

	2010	2009	2008	2007	2006	2005
GENERATING PLANT (KW)						
Site Rated Capacity (KW)						
St. Vincent	40,357	37,989	40,615	40,615	33,195	33,195
Bequia	2,865	2,865	2,865	2,865	2,865	2,865
Union Island	1,300	1,300	1,300	1,300	1,300	1,300
Canouan	3,120	4,400	4,400	4,400	3,120	3,120
Mayreau	180	180	180	180	180	180
Firm Capacity (KW)						
St. Vincent	31,657	29,289	31,915	31,915	25,215	25,215
Bequia	1,881	1,881	1,881	1,881	1,881	1,881
Union Island	810	810	810	810	810	1,110
Canouan	1,782	2,808	2,808	2,808	1,728	1,728
Mayreau	108	108	108	108	108	108
Peak Demand (KW)- (All Time)						
St. Vincent	21,120	20,590	19,980	19,160	19,160	18,640
Bequia	1500	1,500	1,500	1,325	1,325	1,325
Union Island	517	517	517	517	517	487
Canouan	2447	2,447	2,310	2,154	2,154	2,021
Mayreau	43	43	43	40	40	39
PRODUCTION AND SALES						
Gross Generation (kWhs)						
Hydro	24,505,990	26,107,890	23,673,460	22,713,780	23,193,142	25,539,830
Diesel	115,481,698	116,104,891	115,455,782	118,378,885	111,109,123	106,211,315
	139,987,688	142,212,781	139,129,242	141,092,665	134,302,265	131,751,145
Own Use	4,706,254	4,957,704	5,003,096	3,624,125	3,929,090	4,225,112
Net Generation	135,281,434	137,255,077	134,126,146	137,468,540	130,373,175	127,526,033
Sales (kWhs)						
Domestic	61,379,473	58,080,762	55,532,302	56,747,530	54,867,257	53,687,894
Commercial	54,230,403	58,751,973	58,280,375	58,941,289	54,134,549	53,541,364
Industrial	6,893,921	6,735,673	6,183,035	6,832,412	6,586,653	6,308,552
Street lighting	2,979,159	2,934,957	2,929,342	2,930,481	2,936,597	2,880,824
Total Sales	125,482,956	126,503,365	122,925,054	125,451,712	118,525,056	116,418,634
Loss (% of Net Generation)	7.24%	7.83%	8.35%	8.74%	9.08%	8.17%
Number of Consumers at Year-End						
Domestic	35,571	35,218	34,495	33,705	32,710	31,681
Commercial	4,264	4,239	4,208	4,147	4,055	3,947
Industrial	24	26	27	28	28	29
Street lighting	48	48	48	47	47	47
	39,907	39,531	38,778	37,927	36,840	35,704