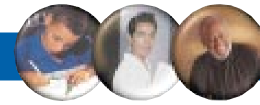


MISSION STATEMENT

To run a reliable and efficient service;
to be a good corporate citizen in the local environment and workplace
and to ensure a satisfactory dividend stream for its shareholders

CONTENTS

CORPORATE INFORMATION

REGISTERED OFFICE

Head Office
San Soucis
John Compton Highway
Castries, St Lucia
Telephone: 1 (758) 452-2324
Fax:1 (758) 452-1127
E-mail: lucelec@candw.lc
Web site:www.lucelec.com

AUDITORS

PriceWaterhouseCoopers
Pointe Seraphine
P.O. Box 195
Castries, St Lucia

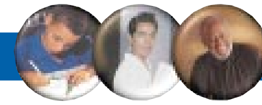
ATTORNEYS-AT-LAW

Mc Namara & Company
20 Micoud Street
Castries, St Lucia

	2000	1999
	$'000	$'000
Capital Investment	**41,364**	13,860
Operating Revenue	**141,053**	113,515
Fuel Surcharge Costs	**43,289**	24,678
Interest Expense	**7,635**	8,358
Net Profit after taxation	**21,066**	18,502
Ordinary Dividend Declared	**14,650**	11,720
Return on Rate Base	**10.68%**	10.47%
Earnings per Share ($)	**1.80**	1.58
Ordinary Dividend per Share	**1.25**	1.00
Ordinary Dividends as % of Net Profits after Tax	**69.5%**	63.3%
Debt/Equity Ratio	**48/52**	49/51

Operating Statistics

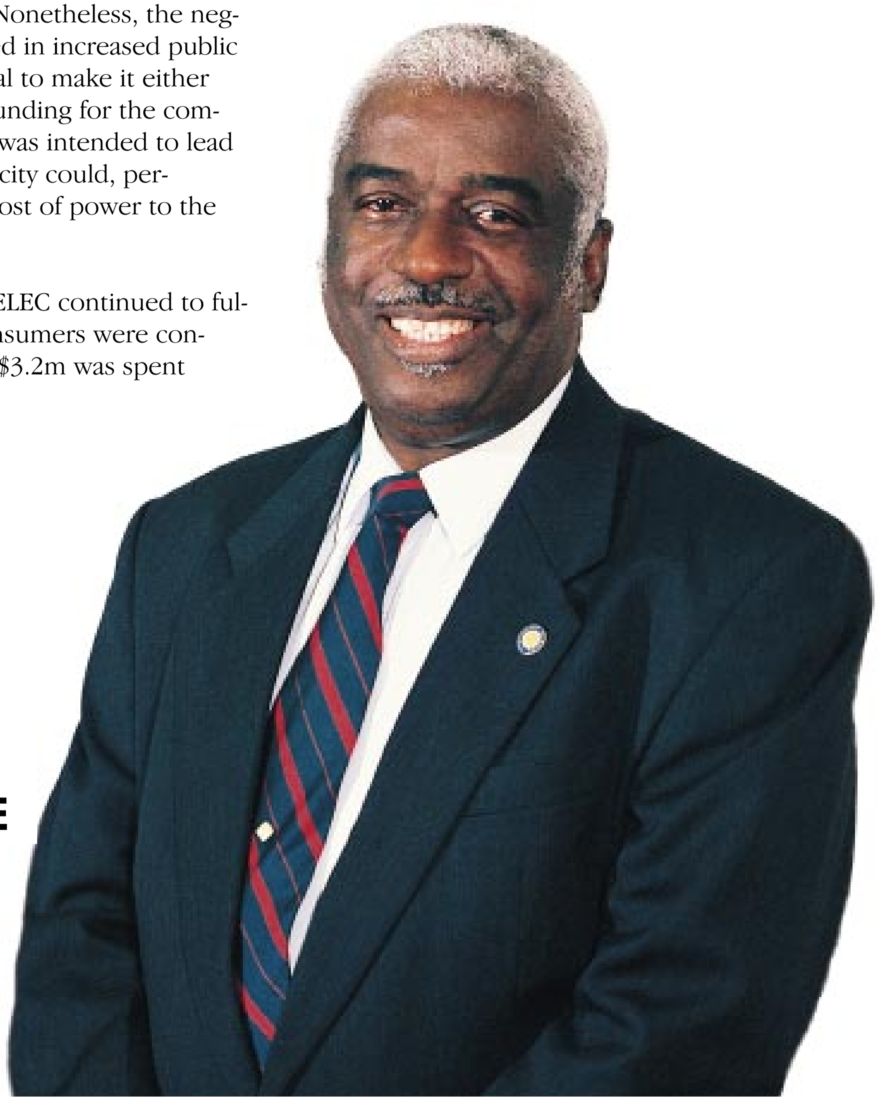
	2000	1999
Sales (MWh)	**234,080**	215,661
Customers	**46,332**	45,006
Peak Demand (MW)	**43.3**	41.0
Installed Capacity (MW)	**66.4**	59.9



The terminal year of the second millennium was quite eventful for LUCELEC. A surge in international fuel prices within a range of $94.37 and $134.99 per barrel resulted in fuel surcharges that rose from a low of $0.138 per kWh. to a high of $0.228per kWh. These dramatic increases in energy charges were a significant issue for consumers, who used the media and the opportunity of the public consultations of the LUCELEC Review Commission to be very vocally critical about the company. Major public and consumer complaints revolved around the fuel surcharge, tariff levels and the cost of electricity, bi-monthly estimation of billings, and the adequacy of compensation to customers for either equipment damage resulting from power surges or for damage done to crops and property during line maintenance.

The company responded to these difficulties by continuing to improve its efficiency, instituting cost-cutting measures, and embarking on a public relations programme to explain company policy and procedures to consumers and to provide advice on how to conserve and use electric power optimally. Nonetheless, the negative focus on the company resulted in increased public relations costs and has the potential to make it either difficult and/or costly to mobilise funding for the company's expansion. Ironically, what was intended to lead to a reduction in the cost of electricity could, perversely, lead to an increase in the cost of power to the same consumers.

Despite the many challenges, LUCELEC continued to fulfil its mandate. Over 1,300 new consumers were connected to the system. A record of $3.2m was spent on rural electrification and in the process, one of the most isolated communities in the country, Bouton, was provided with continuous power supply from the grid. Sales increased by 8.5%. Planned and unplanned outages decreased by 10%. The cost of power to the customer, excluding the fuel surcharge, that is outside the company's control, increased by approximately 1% during the year while the average cost of power, including the fuel surcharge has increased by less than 2% per annum in the last decade. LUCELEC increased its financial contributions to social programmes and continued to pay a great deal of attention and devote a fair proportion of financial resources to staff welfare and development. Also, for the first time, LUCELEC was able to provide the statutorily determined minimum return, albeit on investor funds, while at the same time complying with its own policy of retaining 30% of income after tax for internal financing of asset expansion.



MARIUS
ST. ROSE
Chairman

The LUCELEC Review Commission commenced and completed its assignment during the year. In fulfilling it's mandate which was basically to assess the company's performance and make recommendations for its improvement, the Commission reviewed the company's policies and procedures and operational and performance records. It also received memoranda from and held consultations with major stakeholders in addition to holding town meetings in major communities in the country.

The Commission concluded that, under the circumstances, LUCELEC was a well-run utility from the technical and financial standpoint and it had done a tremendous job in satisfying the country's power needs that had grown by a phenomenal 10% per annum for the decade. However, the Commission observed that the company had graduated from being a small company where technical and financial issues would predominate. It, therefore, recommended that LUCELEC should now focus a great deal more on such areas as consumer and public relations, marketing, developing a stronger internal planning capability, human resource management and development issues and improving institutional relations with its major stakeholders.

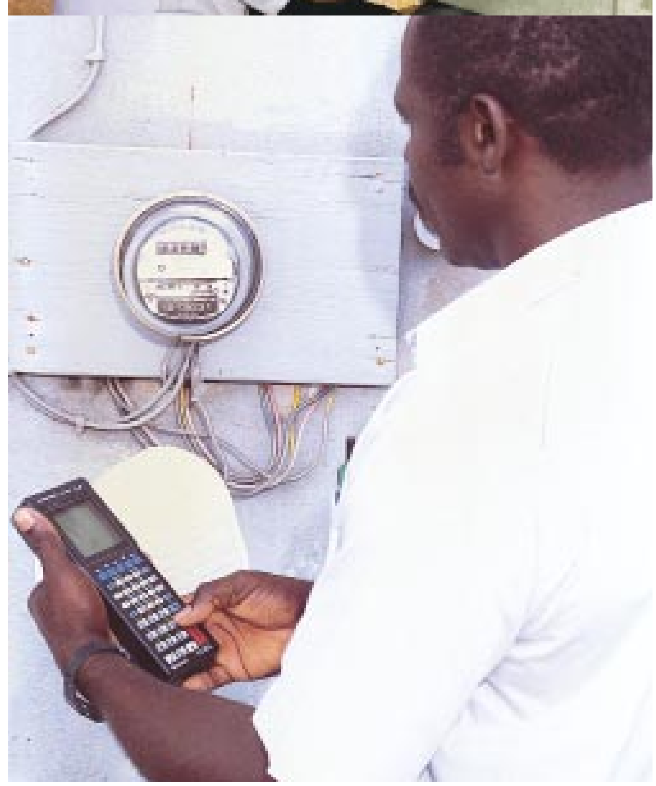
LUCELEC has many challenges ahead of it.

Technology is rapidly reducing, worldwide, the monopoly advantage of power utilities by increasing the efficiencies, cost-effectiveness and environmental friendliness of micro-power systems to the point where medium-size power consumers will be able to supply their own power needs and avoid the costs of transmission, distribution, marketing and administration. It is also reducing the useful life of expensive equipment as energy-efficient systems are increasingly and rapidly being developed, thus accelerating the pace of equipment obsolescence in utilities that wish to remain on the cutting edge of, and benefit from, technological improvements.

Liberalisation and globalisation are reinforcing and facilitating what technology is making possible. Today, most aspects of the production and distribution of power can be outsourced to the most competitive service provider thus reducing the monopoly influence of, and need for, the traditional monolithic power companies. While physical insularity, small size and low state of entrepreneurial development may offer LUCELEC some protection from rampant liberalisation and its attendant competition, this will not always continue and is already being eroded.

Improving standards of living, greater consumer awareness of what prevails internationally and expectations that domestic product and service delivery standards must meet the norms of more affluent societies while there is a limited capacity to pay for these standards is another challenge for the utility.

The response to these challenges must be a radical paradigm shift in the way business is done. There has to be a shift in focus from engineering, hardware and product issues to institutional, relationships, people, planning and service related issues. This will require the prepara-



tion of a Business Plan and Forecast by LUCELEC that would reflect these changes in objectives and approach, and the priority issues and strategies to address them. Areas that would need priority attention include:

• Devising and implementing medium- to long-term measures to reduce the cost of power in real, if not nominal terms, to the consumer and to provide a satisfactory service that consumers are willing to pay for;

• Determining how much the company should be dependent on self-generation as opposed to sourcing power from Independent Power Providers and treating itself as a residual power provider that provides distribution and marketing services to consumers;

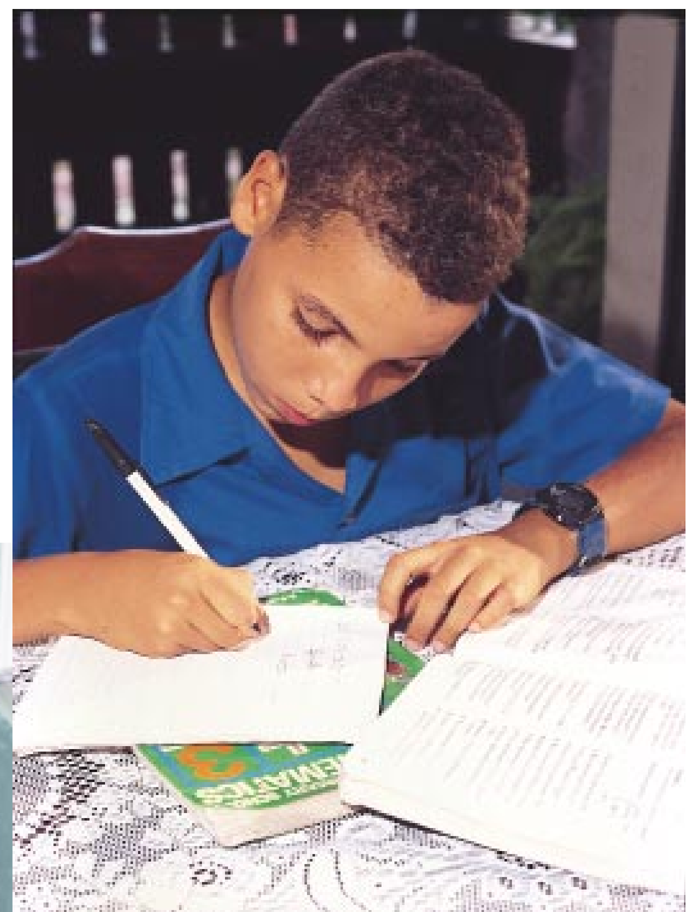
• Setting targets for consumer satisfaction, power cost reductions and developing a time-phased action programme to achieve these targets;

• Ascertaining how much the customer is willing to pay for improved services in terms of reliability, coverage, underground or overhead transmission and distribution, contributions to social causes and programmes and self-insurance.

Making the paradigm shift will require changes to the statutory framework within which the company operates. However, while recognising that change is both inevitable and necessary, given the almost natural aversion to change, it would be necessary to make and manage whatever change is necessary in as responsive a manner as possible so as not to erode or even undermine stakeholder confidence and/or to introduce costs that have no undeniable net benefits.

Finally, I wish to take this opportunity to thank the Board, Management and Staff for their effort and co-operation during the year. It is this sacrifice, commitment and dedication that have allowed the company to realise what it has despite the many setbacks, challenges and sometimes the public's misunderstanding about LUCELEC's objectives, policies and procedures. Much more forbearance, understanding and determination will be required in the years ahead. But the LUCELEC family has the capacity and resolve to maintain LUCELEC as a model medium-size power utility in our region.

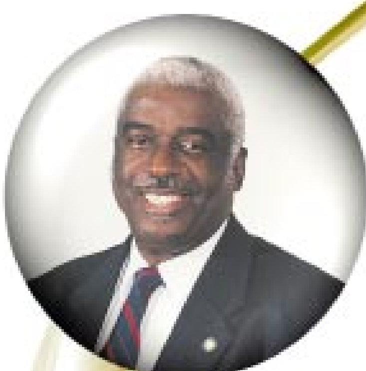
Mr. Marius St. Rose
Chairman



Mr. Joel Huggins
(up to 1st December 2000)

Mr. Bernard C. Theobalds
OBE
Managing Director

Mr. Marius St. Rose
Chairman



Mrs. Cathy-Ann Wright-Auguste
Company Secretary

Mr. Ian Carrington
Alternate Director

Mr. Irving John

Mr. Michael Hogan

Ms. Zenith James

Mrs. Ingrid Skeritt

Mr. David Bishop

Mr. Colin Johnson
(from 8th December 2000)

FINANCIAL RESULTS

For the year ended 31st December 2000, St Lucia Electricity Services Limited sold 234,079,680 kWh of electricity yielding $140,274,421 (after discounts). This resulted in net income before tax of $31,360,087 and net income after tax of $21,065,939. The Company recorded a new peak demand of 43.3 MW while systems losses decreased from 11.6% in 1999 to 11.1% in 2000.

During the year, the new generator at Cul de Sac, Unit #7 and an upgraded SCADA system were commissioned; while work on the 66kV extension to the north of the Island and the two new substations is continuing. Capital expenditure for the year amounted to $41,364,303 and the company repaid $ 12,942,663 in long-term loans during the year.

DIVIDENDS

The directors are recommending a final dividend of $0.70 per share to shareholders of record at December 31, 2000 having agreed to and paid an interim dividend of $0.55 per share.

DIRECTORS

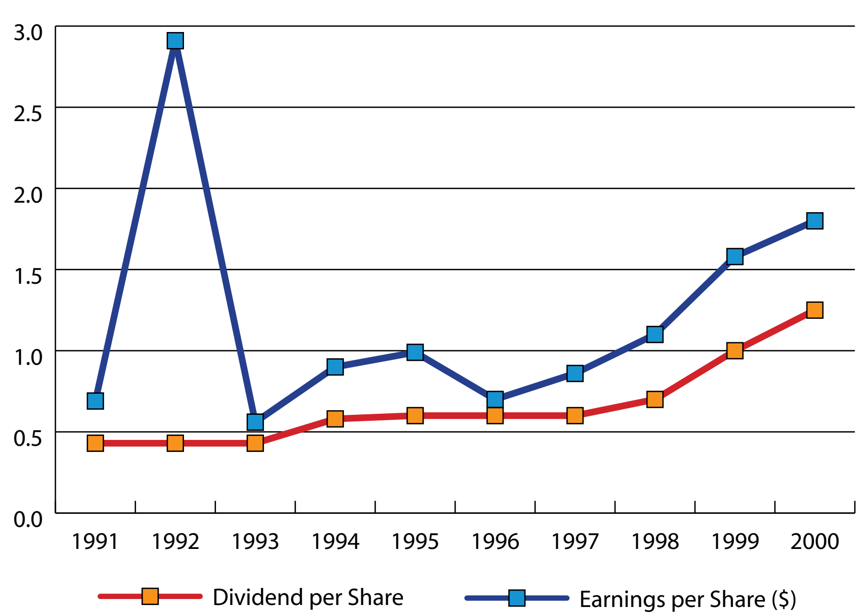
Since the last annual general meeting, Mr. Joel Huggins retired from the Board of Directors and the CDC Group plc. appointed Mr. Colin Johnson to replace Mr. Huggins. The appointment was made in accordance with By-law 73 of the Company's By-laws.

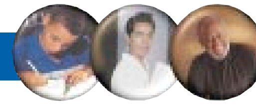
By order of the Board.

Cathy-Ann Wright-Auguste

Cathy-Ann Wright-Auguste
Company Secretary

Dividend per Share – Earning per Share





A Generation of Energies

(Left to right)

Mr. Bernard C. Theobalds
OBE BSc. (Elec. Eng.) Dip. A&F
Managing Director

Mrs. Cathy-Ann Wright-Auguste
BSc. (Acct.) CGA
Company Secretary/Internal Auditor

Ms. Gennifer Faisal
FCCA
Chief Accountant

Mr. Timothy Chaderton
BSc. MBA.
Personnel and Training Officer

Ms. Jennifa R. Flood
BSc. (Mgmt)
Customer Service Manager

Mr. Dalkeith Foster
BSc. (Info. Sys.) MA. (Mgmt. Sys.)
Information Systems Manager

Mrs. Nicole Du Boulay
B.A. (Psych.) MBA
Training Manager

Mr. Marcellus Phillip
BSc. (Acct.) FCCA
Financial Controller

Mr. Trevor Louisy
BSc (Elec. Eng.)
Chief Engineer

Mr. Victor Emmanuel
BEng. (Elec.) MSc
Generation Engineer

Mr. Goodwin L. d'Auvergne
BSc (Elec. Eng.)
System Control Engineer

Dr. Frederick N. Isaac
BSc MSc Phd.
Planning and Projects Engineer

(Missing from photo)
Mr. Francis Daniel
BSc (Elec. Eng.)
Transmission and Distribution Engineer

Financial

Operating revenues increased by 24.3% to $141.1m from $113.5m last year. This reflected a 9.76% increase in energy sales (2000: $96.5m versus 1999: $87.9m) and a 75.9% increase in fuel surcharge revenue mirrored by an equivalent increase in fuel costs. The significant increase in the fuel surcharge recovered reflects the recent volatility in the worldwide oil market, leading to a trebling in fuel prices. Under the Electricity Supply Act No.10 of 1994, provision is made via a fuel surcharge cost adjustment mechanism for the company to recover on a monthly basis, the cost of fuel used in generation. Thus, variations in the cost of diesel fuel are passed on immediately to customers.

Sales volume for the year, at 234.1m kWh, grew by a robust 8.5% over last year (1999: 215.7m kWh), while total customers increased by 2.9% to 46,332. The Hotels sector was the most active with a 13.0% growth in sales, but the Commercial and Domestic sectors also maintained a healthy 7.4% and 7.0% growth rates respectively. Sales in the small Industrial sector expanded by 8.0%, while Street Lighting sales increased by 19.0%. The average annual utilisation per customer, at 5052 units, increased by 5.4% (1999: 3.6%).

Net income before tax increased by 17.2% over 1999, registering a new high of $31.4m. This increase is largely attributable to the 8.5% expansion in unit sales, together with lower interest costs. A current tax liability of $6.6m was incurred for the year. This amount is 9.0% lower than for 1999, primarily due to the availability of greater capital allowances resulting from the Generation and T&D expansion works undertaken during the year.

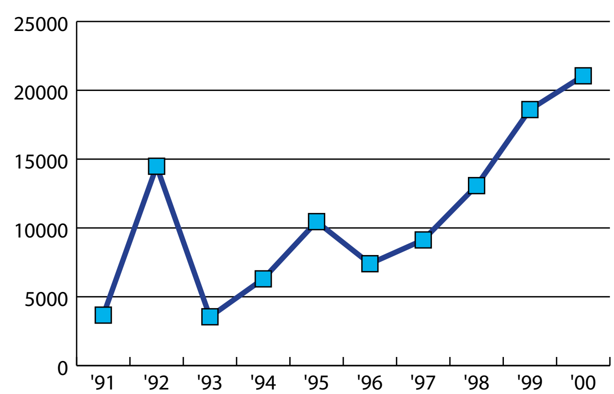
Earnings per share grew from $1.58 in 1999 to $1.80 in 2000, while the debt: equity ratio at the end of the year was 48:52.

The achieved return on rate base was 10.68%, marginally above the rate achieved (10.47%) for last year. The difference of 0.21% between the achieved rate and the allowable rate of 10.89% for 2000 resulted in a tariff increase of 0.086 cents per kWh for 2001.

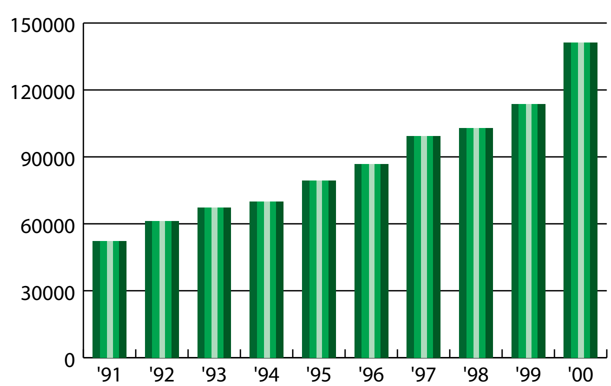
Overall cost of operations, excluding fuel costs, increased by 7.1% from $58.1m in 1999 to $62.2m at year-end. Administration expenses increased by 15.2%, reflecting increases in customer services costs, property costs, professional fees and insurance premiums.

Fuel costs have increased by 66.2%, reflecting the expansion in units generated together with a significant increase in the international price of fuel.

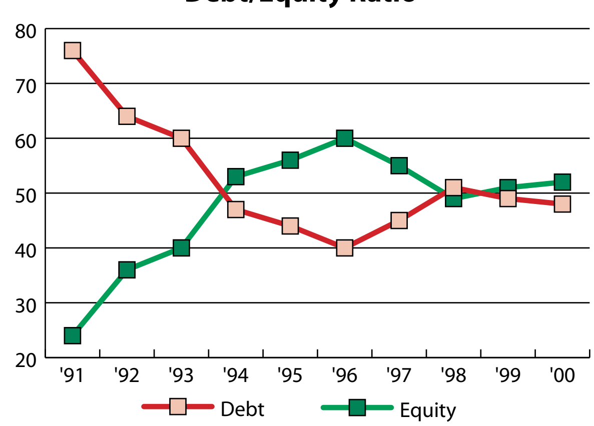
Net Income after tax

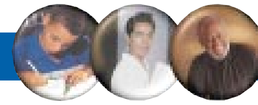


Total Revenue ('000)



Debt/Equity Ratio





Technical

In general, technical operations have improved steadily through the decade of the 1990s. Line losses have declined by 10%, already high plant efficiencies have improved by almost 15%, operating costs are falling, and reliability and readiness have improved markedly, even as demand has surged and the customer base has swollen to include virtually every household in St. Lucia.

Planning and Projects

The Planning and Projects Department continued to provide the impetus for all major development plans. A fourth Wartsila diesel generating unit was commissioned at Cul de Sac Power Station, bringing total installed capacity there to 56 MW, and a new upgraded SCADA System was also successfully commissioned during the year.

A load forecast for the period 2000-2015 was updated indicating a requirement for approximately 30 MW in additional capacity over the next 10 years. Demand has grown by an average of 9% over the last ten years. The load forecast is updated yearly and is a critical tool used in determining the Company's capital investment programme. The company is in process of preparing a comprehensive business plan to address the needs and challenges of the next decade. The power sector worldwide is changing and significant new challenges are anticipated in the period, including possible deregulation and competition, impact of alternatives, and changes in the very business model we have become accustomed to.

The full impact of a pilot project on Distribution Automation, commenced in 2000, will be available by mid 2001, and could lead to a significant enhancement in capability to determine and isolate system faults, as well as improve the supply restoration efforts in the Transmission and Distribution Department. This is just the first phase of a comprehensive study of the system, to improve reliability and operational efficiency, which will be continued in 2001.

The two main areas of concern for 2001 are delays and additional costs associated with the ongoing Transmission Expansion project and the under-grounding of four 11kV circuits. The substations component of the Transmission Expansion project is proceeding well with work at Reduit and Praslin expected to be completed by end March 2001. The 66 kV line component between Castries and Reduit Substations is proving to be very difficult, with complications over 'Right Of Way' accesses. Government have been supportive but landowners are raising health and safety concerns as well as demanding compensation for loss of use of their property. This is likely to lead to an additional E.C.$5.0 million in costs, and delay completion by 5 months to August 2001.

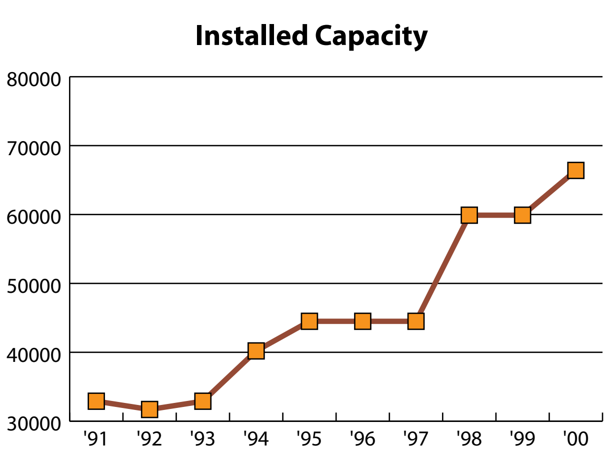
On completion of the Transmission project, a big improvement in the reliability of the transmission supply from Castries to Cap Estate in the north, and along the entire east coast from Dennery to Micoud, is anticipated.

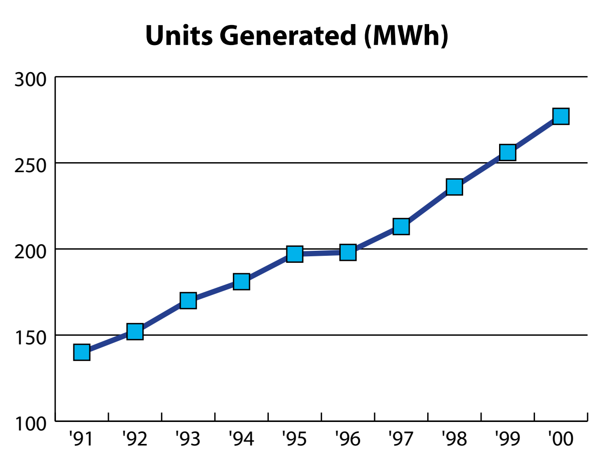
Although new underground standards had been prepared, work on four new underground circuits in the city of Castries and along the Millennium Highway did not get off the ground as expected. Discussions are continuing with the Ministry of Communications, Works, Transport and Public Utilities to resolve differences and it is anticipated that if all goes well, the project will be started and completed during 2001.

Generation

During the year the Generation Department performed very well. A total of 276.8 million units of electricity were produced and peak demand surged to 43.3 MW (41 MW in 1999). There were 44 relatively minor forced engine outages, a big decline from 85 in 1999. Overall plant fuel efficiency was maintained within manufacturers' recommendations, planned maintenance programmes were on target, and controllable expenditures were well within budget. Total operating costs rose this year only because of increasing fuel prices, approximately $48.0m being spent on fuel compared with $29.0m in 1999. The new Cul de Sac power station maintained its status as one of the most fuel-efficient diesel stations in the region. The annual safety review gave the department good marks and an audit of operations and maintenance procedures noted the very high standards of performance at the station. This year the department participated in a benchmarking exercise of diesel power stations organised by Electricite de France. The results showed the company out-performing the other eight participants in a number of key categories.

A fourth Wartsila diesel-generator was commissioned at Cul de Sac Power Station and was put into commercial operation on 18th August 2000. The plant at Cul de Sac power station have to date performed excellently, and the first 20,000-hour overhaul of No. 5 unit indicated very little wear of major engine components. This reflects the impact of an excellent maintenance programme and a cadre of well-trained and highly motivated staff. The earlier problems with the MaK units have now been completely resolved. The aging Union





Power Station was put on cold standby and is no longer manned but remains available for emergency duty.

The company continues to place high emphasis on training and the development of staff. Between May and August one engineer, seven mechanics and three electrical technicians attended specialised Wartsila training in Finland and Sweden. In September two mechanics attended a four-week welding course at the National Energy Skill Centre in Trinidad.

System Control

During 2000, the System Control department, the nerve centre of operations, continued its focus on improving the management of technical operations including:

- Maintaining system voltages and frequency within approved limits
- Utilising available plant efficiently so as to minimise fuel consumption
- Minimising the impact of outages on customers

A new SCADA (Supervisory Control and Data Acquisition) system was installed and commissioned in mid 2000 and its enhanced capabilities in data acquisition, trending and flexibility in programming were being used to assist the department to meet its operating goals.

Further enhancements to the SCADA system are planned for 2001, including the installation of electronic displays and a console to allow easier access to system data.

Transmission and Distribution

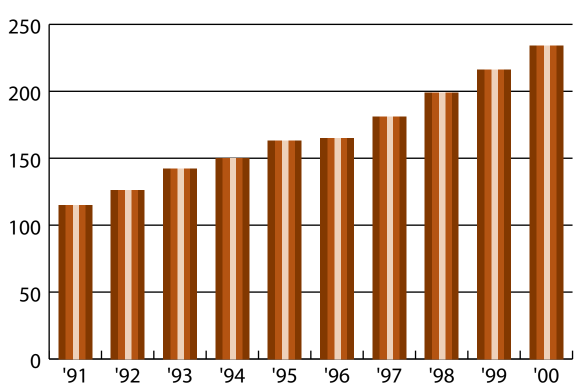
The backbone 66kV transmission system and the 11kV distribution system both provided improved levels of reliability in 2000. Customer hours lost were reduced by 5% and system interruptions reduced by 10% over the previous year.

Major efforts at improving system reliability were undertaken including extensive tree trimming, particularly on the transmission network, along with reinforcements and upgrades of the distribution network. A pilot Distribution Automation project was commenced with the installation of a number of motorised and remotely operated Load Break Switches (LBS) at strategic locations around the island. The impact of these on overall system performance is being closely monitored with the assistance of the Planning Department, and will guide future plans.

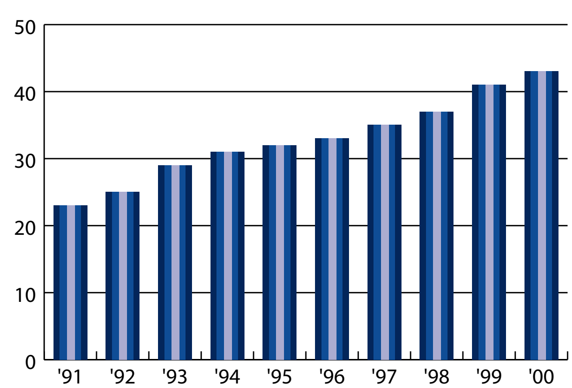
Systems losses fell to 11.1% for the first time ever. Continued improvements and upgrades and the construction/installation of new feeders are expected to bring this figure down to an optimum single digit level in the near future.

Work continued on both the Rural Electrification and Street Lighting programmes. Approximately EC$3.0 million was spent on the two programmes with the highlight being the electrification of the small community of Bouton in the south. This was the last sizeable community without a supply and it is estimated that 99% of all households have now been connected to the system. The street lighting programme remains highly regarded by the public and is contributing greatly to the development of a positive image of the company.

Sales (MW)



Demand (MWh)



During the course of the year more than 450 poles were replaced, a further 1300 installed to facilitate various extensions and over 40 miles of new lines constructed. In an effort to further reduce the impact of planned outages on customers the department is developing plans to introduce live line working techniques in 2001/2002. This is very specialised work and will require a significant investment in training and changes to the work culture.

Information Systems

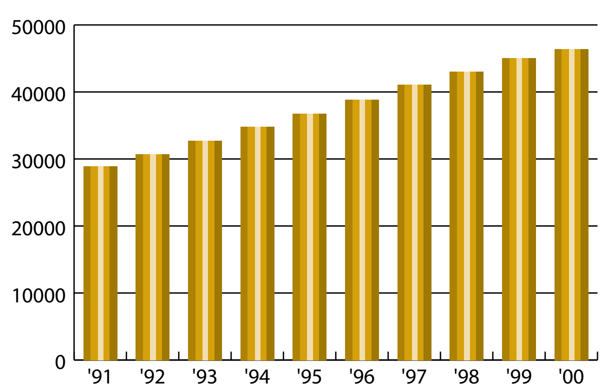
The computer system was expanded and improved significantly to continue to provide a stable environment for the collection, storage, analysis and distribution of relevant information throughout the company. These systems, together with the network infrastructure, provided the means to manage the company's database of over 46,000 customers.

A network audit was carried out to identify any weaknesses in the current infrastructure and to ensure that its design and management are in compliance with international standards. An enhanced integrated voice and data network was implemented and currently extends to all company locations island-wide.

A web site was developed during the latter part of the year, and following testing and further development will be officially launched early in the new year. This will be used to provide ready access to customers, shareholders and the public to information about the company and to post queries.

The company can now boast the almost total computerisation of its operations and facilities to allow communication and data transfer island-wide. This, with the virtual total computer literacy among employees, has the company well placed to take advantage of the information revolution that is sweeping the world. A number of

Customers at Year-end



initiatives are under consideration, including leveraging the company's advantages in IT to expand into e-commerce activities.

Customer Service

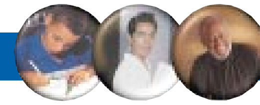
The year 2000 was a very challenging one for the Customer Service Department and the company as a whole. The system of alternate month reading of meters remained a significant concern for customers. Sharply rising fuel prices only served to exacerbate strained relations and by year-end the company was engaged in a major effort to improve its public image and provide positive information on its achievements. These included overall operating efficiency levels among the highest in the region, controllable costs declining steadily since 1997, and new initiatives to provide better access and information island-wide to customers. A local PR firm was engaged to assist with this. The company was also reviewing the earlier decision to move to alternate month meter reading.

In an effort to further improve efficiency and reduce costs the company commenced trials of a computerised hand-held meter reading system, and on the basis of successful tests will be expanding the programme in 2001. Benefits include more accurate and quicker readings, a readily accessible database, in the field, of the needs of special customers, automated less error-prone billing, and a host of other useful features for later implementation.

The internal monthly newsletter was now available for free subscription, and hundreds of customers were availing themselves of the opportunity to read more about the company and its operations.

The company commenced a very well received programme to meet with all its major customers on a regular basis, to discuss opportunities for improving service, forestalling problems before they became serious issues and, in general, to indicate the company's appreciation. Not ignoring the thousands of smaller customers, the company issued a number of advisories on how to save and use electricity wisely, how to read a meter, safety, an updated customer service code, and on other matters of topical interest.

There was a significant enhancement to the customer service area at the main office in Castries, to create a more friendly customer environment, allowing a one to one contact with a company representative, better facilities for payments, and additional seating arrangements.



Security at the office was also improved. Similar renovations are planned to be in place at the Vieux Fort Office by the end of April 2001. Proposals were also being developed for additional satellite offices in convenient locations around the island, with the aim of providing a company access location in easy reach of every significantly sized community. These will enhance the services provided by the existing collection agents in the rural communities.

Human Resources

At the end of December 2000, the company had 245 permanent employees. In line with stated policy, the highest priority was given to ensuring the welfare of staff through various human resource initiatives. Education and training remained the cornerstone of the company's human resource development. During the year more than half of all employees were engaged in some form of development through self-study, and as a policy, every employee must attend at least one training programme every year.

There were continued improvements in Health and Safety, with the company devoting the entire month of March to employee education in that area. This has become a routine and well-organised annual event. The newly appointed Health, Safety & Environment Officer attended an extensive training programme in the United Kingdom and returned to implement several new initiatives. Medical benefits were improved, at reduced cost, to the majority of employees.

The company continued its highly successful and much sought after vacation employment scheme, placing over fifty vacation and work experience students during school breaks. Relations with the union remained very cordial and businesslike and a revised collective agreement for 2000 - 2001 was agreed in record time.
A new telephone system was installed, facilitating better communication throughout the entire company.
Arrangements were being made for a comprehensive salary study, to ensure that the company remained competitive and continued to attract and keep the best persons available to meet the very challenging times ahead.

The company continued to uphold its pledge to maintain its image as a good corporate citizen. Contributions were made towards charitable causes, sports, and education initiatives for young persons. A partnership was formed with the newly opened Soucis Day Care Centre, in proximity to the Cul de Sac Power Station. The company agreed to provide financial support to this institution for the years to come. Other institutions receiving support included the Marian Home for the Aged, the Francis and Adelaide Home, and the Centre for Adolescent Rehabilitation and Education (a training facility for wayward youth). The company commenced a very well received programme to provide computer facilities to schools island-wide in 1999, and at year-end 2000, over 50 schools had benefited from this initiative.

Training and development remained a vital part of operations. There was a continued focus on career development. In T&D, a small group of selected employees participated in a specialised certificate programme to learn the fundamentals of designing and staking overhead distribution lines. Lineman training continued, and a new group of craft apprentices received an extensive eight (8) week training programme, part of their progressive development with the company.

In Generation, a comprehensive needs analysis study was undertaken, and a complete career progression plan was laid out for the Control Room staff. This pattern is being extended through the company.
Meanwhile, a cross-section of employees was provided with company support and special time towards the attainment of Diplomas in Business Management. The company continued to provide full support to employees wishing to pursue approved courses part time, or by distance learning. Two employees participated in long-term training attachments overseas. Three persons remained on study leave pursuing higher degrees and two additional applications were supported. One senior employee returned from company-sponsored studies, to fill the position of Information Systems Manager. Ms. Gennifer Faisal was recruited to fill the position of Chief Accountant, and Mr. Marcellus Phillip was appointed Financial Controller to replace Mr. John Joseph who resigned at the end of 1999.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Pointe Seraphine
P.O. Box 195
Castries
St. Lucia, W.I.
Telephone (758) 452-2511
Facimile (758) 452-1061

January 31, 2001

Auditors' Report

To the Shareholders of
St. Lucia Electricity Services Limited

We have audited the accompanying balance sheet of St. Lucia Electricity Services Limited as of December 31, 2000 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2000 and the results of its operations, changes in shareholders' equity and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers

Chartered Accountants

As of December 31, 2000
(expressed in Eastern Caribbean dollars)

	2000 $	1999 $
Assets		
Current assets		
Cash and fixed deposits (note 3)	2,800	4,105,290
Accounts receivable and prepaid expenses (note 4)	29,997,771	32,706,609
Inventory	15,195,294	14,918,708
	45,195,865	51,730,607
Retirement benefit asset (note 14)	843,000	–
Fixed assets (note 5)	261,728,100	238,027,980
	307,766,965	289,758,587
Liabilities		
Current liabilities		
Bank overdraft (note 3)	3,316,953	6,615,419
Accounts payable and accrued expenses (note 6)	8,095,876	8,822,861
Income tax payable	4,148,449	4,655,707
Current portion of long-term debt (note 7)	17,946,928	13,714,482
Dividends payable	8,242,720	12,265,543
	41,750,926	46,074,012
Long-term debt (note 7)	99,215,983	88,806,211
Consumer deposits (note 8)	7,952,661	7,488,034
Deferred tax liability (note 9)	30,394,088	26,700,079
	179,313,658	169,068,336
Shareholders' Equity	128,453,307	120,690,251
	307,766,965	289,758,587

Approved by the Board of Directors

________________ Director

________________ Director

For the year ended December 31, 2000
(expressed in Eastern Caribbean dollars)

	2000 $	1999 $
Revenue		
Energy sales	96,501,301	87,922,576
Fuel surcharge recovered	43,773,120	24,878,356
Other revenue	778,896	713,685
	141,053,317	113,514,617
Operating expenses		
Diesel generation	20,126,446	19,948,951
Transmission and distribution	21,527,506	18,865,466
Fuel surcharge	43,289,037	24,677,849
	84,942,989	63,492,266
Gross income	56,110,328	50,022,351
Administrative expenses (note 12)	17,173,149	14,906,242
Net operating income (note 13)	38,937,179	35,116,109
Other expenses/(income)		
Interest expenses	7,635,365	8,358,363
Realised foreign exchange gain	–	(4,970)
Gain on disposal of fixed assets	(58,273)	(93,724)
Loss on disposal of investment	–	92,700
	7,577,092	8,352,369
Net income before tax	31,360,087	26,763,740
Income tax		
Current	6,600,139	7,255,707
Deferred	3,694,009	1,005,579
	10,294,148	8,261,286
Net income for the year	21,065,939	18,502,454
Earnings per share (note 18)	1.80	1.58

For the year ended December 31, 2000
(expressed in Eastern Caribbean dollars)

	2000 $	1999 $
Share capital		
Share capital end of year (note 11)	80,162,792	80,162,792
Consumer contributions		
Balance, beginning of year	22,340,384	21,447,637
Contributions received	2,248,665	2,419,034
Amortisation	(1,670,548)	(1,526,287)
Balance, end of year	22,918,501	22,340,384
Retirement benefit reserve		
Overfunded position of retirement benefit plans (note 14)	769,000	–
Transfer from retained earnings	74,000	–
Retirement benefit reserve, end of year	843,000	–
Retained earnings		
Balance, beginning of year	18,187,075	11,404,621
Net income for the year	21,065,939	18,502,454
Transfer to retirement benefit reserve	(74,000)	–
Ordinary dividends declared		
Interim	(6,446,000)	(4,688,000)
Final	(8,204,000)	(7,032,000)
Retained earnings, end of year	24,529,014	18,187,075
Shareholders' equity, end of year	128,453,307	120,690,251

For the year ended December 31, 2000
(expressed in Eastern Caribbean dollars)

	2000 $	1999 $
Cash flows from operating activities		
Net income before tax	31,360,087	26,763,740
Adjustments for		
Depreciation	17,639,467	16,974,193
Interest expenses	7,304,774	8,055,749
Interest on consumer deposits	330,591	302,614
Gain on disposal of fixed assets	(58,273)	(93,724)
Loss on disposal of investment	–	92,700
Amortization	(1,670,548)	(1,526,287)
Pension benefits	(74,000)	–
Operating income before working capital changes	54,832,098	50,568,985
Decrease/(increase) in accounts receivable and prepaid expenses	2,708,838	(9,207,867)
Increase in inventory	(276,586)	(2,101,991)
Decrease in accounts payable and accrued expenses	(984,174)	(2,076,411)
Cash generated from operations	56,280,176	37,182,716
Interest paid	(7,105,396)	(8,253,935)
Income tax paid	(7,107,397)	(3,551,787)
Net cash from operating activities	42,067,383	25,376,994
Cash flows from investing activities		
Purchase of fixed assets	(41,364,303)	(13,859,833)
Proceeds on disposal of investments	–	2,907,300
Proceeds on disposal of fixed assets	83,000	100,094
Net cash used in investing activities	(41,281,303)	(10,852,439)
Cash flows from financing activities		
Repayment of long-term debt	(12,942,663)	(11,087,399)
Proceeds from long-term debt	28,343,711	5,885,758
Dividends paid	(18,733,882)	(8,761,813)
Preference shares redeemed	(758,830)	(758,830)
Consumer contributions received	2,248,665	2,419,034
Consumer deposits received	252,895	362,370
Net cash used in financing activities	(1,590,104)	(11,940,880)
Net decrease in cash and cash equivalents	(804,024)	2,583,675
Cash and cash equivalents, beginning of year	(2,510,129)	(5,093,804)
Cash and cash equivalents, end of year	(3,314,153)	(2,510,129)

December 31, 2000
(expressed in Eastern Caribbean dollars)

1 Status of company, principal activity and operations

The company was incorporated under the Commercial Code of St. Lucia on November 9, 1964 and re-registered as a public company on August 11, 1994. The company was also re-registered under the Companies Act of St. Lucia on October 22, 1997. The company operates under the Electricity Supply Act No. 10 of 1994 (which repealed the Electricity Supply Ordinance 1964, as amended), and has an exclusive licence for the exercise and performance of functions relating to the supply of electricity in St. Lucia.

The registered office is situated at John Compton Highway, Castries, St. Lucia.

2 Summary of significant accounting policies

Basis of preparation
The financial statements have been prepared in accordance with International Accounting Standards. These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below:

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short-term highly liquid investments, and bank overdrafts.

Accounts receivable
Accounts receivable are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Accounts receivable are carried at original invoice amounts less any discounts or credits given to suppliers.

Provision for bad debts
The provision for bad debts is based on the specific identification of disconnected accounts and other accounts in arrears. Accounts are written off against the provision when they are considered to be uncollectible.

Inventory
Inventory is valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

December 31, 2000
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Fixed assets
Fixed assets are stated at historical cost.

Depreciation is provided over the estimated useful lives of depreciable assets on the straight-line basis using the following annual rates:

Buildings	2.5 - 12.5%
Plant and machinery	5 - 14%
Motor vehicles	20 - 33.3%
Furniture and fittings	12.5 - 25%

No depreciation is provided on work-in-progress until the assets involved have been completed and are put into use.

Long term debt
Long term debt is recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, long term debt is stated at amortised cost using the effective yield method.

Preferred shares
Preferred shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as long term liabilities. The dividends on these preferred shares are recognised in the income statement as interest expense.

Deferred income tax
Deferred income tax is accounted for using the liability method whereby the future tax liability resulting from timing differences is provided for at the current income tax rate.

Consumer contributions
In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are recorded in shareholders' equity and are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 5%. The annual amortization of consumer contributions is deducted from the depreciation charge provided in respect of the capital cost of these line extensions. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. The capital costs of consumer line extensions are included in fixed assets.

Share capital
Ordinary shares are classified as equity. Other shares including mandatorily redeemable preferred shares are classified as liabilities.

Dividends on ordinary shares are recognised in shareholders' equity in the period in which they are declared.

December 31, 2000
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Revenue recognition
Revenue from energy sales is based on meter readings which are carried out on a rotational basis throughout each month. A provision equal to 50% of the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. The provision for unbilled sales is included in accrued income.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the actual cost of fuel per unit used to generate energy sales in the current month and the established base price of fuel per unit as at July 1, 1973. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge is included in accrued income.

Translation of foreign currencies
Current assets and all liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at exchange rates prevailing at the balance sheet date or forward contract rates where applicable. Revenues and expenses denominated in foreign currencies are translated at exchange rates prevailing on the dates the transactions occurred. Realised and unrealised exchange gains and losses arising on translation of assets and liabilities are included in current operations.

Pension scheme obligations
The company operates defined benefit pension schemes, the assets of which are held and administered as follows:

(i) Grade 1 employees	-	by the Barbados Mutual Life Assurance Society
(ii) Grade 2 employees	-	by the Colonial Life Insurance Company
(iii) Grade 3 employees	-	by the CDC Pension Scheme

The pension plan is funded by payments from employees and the company, taking account of the recommendations of independent qualified actuaries.

The valuation method used is the ***projected unit credit method.*** Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan periodically (note 14).
The ***pension obligation is measured*** as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximatiing the terms of the related liability.

Actuarial gains and losses are recognised using the ***"corridor" approach.*** Any actuarial gains and losses (arising from both defined benefit obligations and any related plan assets) which fall outside of the higher of 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets, is amortised over a 10 year period.

In 2000 St. Lucia Electricity Services Limited implemented IAS 19 (revised) Employee Benefits, and accounted for the transitional asset by adjusting retained earnings by $769,000 (see note 14).

December 31, 2000
(expressed in Eastern Caribbean dollars)

3 Cash and cash equivalents

Bond proceeds of US$6,386,720 were drawn down from the Royal Merchant Bank and Finance Company Limited (Note 7). These funds were disbursed to meet commitments in respect of the purchase of a generation set at the Cul de Sac Power Station, which was commissioned in August 2000.

The company has an overdraft facility of $5,000,000 with Barclays Bank PLC which bears interest at 11% per annum. The overdraft is secured along with the long-term loans (Note 7).

4 Accounts receivable and prepaid expenses

	2000 **$**	**1999** **$**
Trade receivables	20,289,627	24,690,001
Less: provision for doubtful receivables	(1,563,275)	(722,370)
	18,726,352	23,967,631
Accrued income	7,949,742	6,513,345
Staff loans	119,985	248,569
Other receivables	2,890,150	1,649,716
Prepaid expenses	311,542	327,348
	29,997,771	32,706,609

Trade receivables include amounts due from Castries City Council of $38,919 (1999 - $54,883) and from the Government of St Lucia and its agencies of $10,797,289 (1999 - $5,574,908).

Accrued income represents $4,120,607 (1999 - $3,445,281) provision for unbilled sales, and $3,829,135 (1999 - $2,867,406) provision for unbilled fuel surcharge.

Other receivables include amounts due from the Government of St. Lucia of $333,864 (1999 - $482,928).

December 31, 2000
(expressed in Eastern Caribbean dollars)

5 Fixed assets

	Land & Buildings $	Plant & Machinery $	Motor Vehicles $	Furniture & Fittings $	Work in Progress $	Total $
Cost						
As at January 1, 2000	59,400,727	280,869,663	3,483,727	6,361,862	3,869,182	353,985,161
Additions in the year	870,184	28,486,355	868,540	1,015,737	10,123,487	41,364,303
Disposals in the year	–	–	(373,673)	–	–	(373,673)
Transfers in the year	–	507,192	–	–	(507,192)	–
As at December 31, 2000	60,270,911	309,863,210	3,978,594	7,377,599	13,485,477	394,975,791
Accumulated depreciation						
As at January 1, 2000	11,644,941	97,675,333	2,660,226	3,976,670	–	11,595,170
Charge for the year	1,408,250	15,006,436	421,598	803,183	–	17,639,467
Disposals for the year	–	–	(348,946)	–		(348,946)
As at December 31, 2000	13,053,191	112,681,769	2,732,878	4,779,853	–	133,247,691
Net book value						
As at December 31, 2000	**47,217,720**	**197,181,441**	**1,245,716**	**2,597,746**	**13,485,477**	**261,728,100**
As at December 31, 1999	47,755,786	183,194,330	823,501	2,385,192	3,869,171	238,027,980

The company carries insurance coverage on its main assets and transmission and distribution system on a group basis with two neighbouring islands electricity utility companies. Combined liability is limited to $250,000,000 for each and every event and in aggregate for all three utilities. Liability on the external transmission and distribution system which is included in fixed assets at an historical cost of $148,928,258 at December 31, 2000 is limited to an annual aggregate of $45,000,000 for all three utilities.

The company also carried breakdown insurance coverage of $30,000,000 per occurrence for certain of its generating sets which are included in fixed assets at an historical cost of $119,394,033.

Fixed assets additions in the year include capitalised interest charges totalling $1,671,893 for plant and machinery.

December 31, 2000
(expressed in Eastern Caribbean dollars)

6 Accounts payable and accrued expenses

	2000 $	1999 $
Trade creditors	5,239,323	5,272,179
Debenture interest	1,086,082	828,893
Commonwealth Development Corporation	357,392	303,139
Other	1,413,079	2,418,650
	8,095,876	8,822,861

7 Long-term debt

	2000 $	1999 $
CDC Group plc		
Loan repayable by September 2002 in 24 semi-annual instalments in Pounds Sterling and bears interest at 8.5% per annum	7,245,972	10,868,956
National Insurance Board (NIB)		
Loan repayable by 60 quarterly instalments and bears interest at 8% per annum	11,773,233	12,678,866
Loan repayable by June 2002 in 20 semi-annual instalments and bears interest at 9% per annum.	750,000	1,250,000
Loan repayable by December 2002 in 24 semi-annual instalments and bears interest at 7.5% per annum	933,336	1,400,002
European Investment Bank (EIB)		
Loan repayable by December 2001 in 22 semi-annual instalments in Pounds Sterling, Swiss Francs and Japanese Yen and bears interest at 5% per annum	1,028,889	2,008,529
Loan repayable by December 2007 in 22 semi-annual instalments in Pounds Sterling, US Dollars and Japanese Yen and bears interest at 5.15% per annum	5,276,346	5,996,145
Loan repayable by 24 semi-annual instalments in US dollars commencing in April 2000 and bears interest at the greater of 3% per annum and the Bank's average borrowing rate reduced by an annual subsidy of 3.63% per annum	22,490,604	24,191,268
	49,498,380	58,393,766

7 Long-term debt ...continued

	2000 $	1999 $
Amount c/f	49,498,380	58,393,766
The Royal Bank of Canada, Barclays Bank PLC, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia and National Commercial Bank of St. Lucia Limited (Bank Consortium) Five loans of $2,000,000 ranking pari-passu repayable in 40 quarterly instalments commencing in 1996 and bearing interest at 1% above base rate per annum.	5,250,000	6,250,000
Royal Merchant Bank and Finance Company Limited Floating rate non-callable bond issued at 98.5% in December 1999. Principal repayable over ten years with a one-year moratorium followed by thirty-six equal quarterly payments. Interest is payable quarterly at the average of the Eastern Caribbean Dollar Prime rates of Caribbean Banking Corporation, Barclays Bank PLC, Canadian Imperial Bank of Commerce and Bank of Nova Scotia minus a margin to give a current rate of 7.95%	34,229,469	5,885,758
CIBC Caribbean Limited Loan repayable in 40 quarterly instalments commencing July 1998 and bears interest at 8.7% per annum	11,124,832	12,134,473
Barclays Bank PLC Loan repayable by August 2008 in 40 quarterly instalments in US Dollars and bears interest at 7.41% per annum	16,301,400	18,339,036
Redeemable preference shares (note 10)	758,830	1,517,660
	117,162,911	102,520,693
Less: current portion	(17,946,928)	(13,714,482)
	99,215,983	88,806,211

On December 10, 1995 the company entered into a currency swap transaction with Barclays Bank PLC which provides for those loans denominated in foreign currencies (except for the US Dollar portion of the European Investment Bank loan) to be repaid at a fixed rate in United States Dollars until December 10, 2001. The contract bears interest at 10.92% per annum.

The CDC Group plc, NIB, CIBC, Barclays Bank, Consortium loans, Royal Merchant Bank and Finance Company Limited and the bank overdraft facility (Note 3) all rank pari passu and are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable property and floating charges over all other assets, pursuant to a security sharing agreement. In addition, the Consortium loans have been assigned a comprehensive insurance policy over the company's assets. The EIB loans are guaranteed by the Government of St. Lucia.

7 Long-term debt ...continued

Principal repayments on long-term loans and preference shares over the next five years and beyond are as follows:

2001	$ 17,946,927
2002	$ 16,351,721
2003	$ 12,935,900
2004	$ 13,151,555
2005	$ 13,380,439
Thereafter	$ 43,396,369

8 Consumer deposits

Consumers requesting energy connections are required to pay a deposit which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 6% per annum. Accrued interest of $2,339,563 (1999 - $2,132,831) is included in consumer deposits.

9 Taxation

	2000 **$**	**1999** **$**
Current tax	6,600,139	7,255,707
Deferred tax	3,694,009	1,005,579
	10,294,148	8,261,286

Tax on the company's net income before tax differs from the theoretical amount that would arise using the statutory tax rate of 33.33% as follows:

	2000 **$**	**1999** **$**
Net income before tax	31,360,087	26,763,740
Tax calculated at the statutory rate of 33.33% (1999 - 33.33%)	10,453,362	8,921,247
Tax effect of income not subject to tax	(581,515)	(723,847)
Tax effect of expenses not deductible for tax	422,301	63,886
Tax charge	10,294,148	8,261,286

9 Taxation ...continued

Deferred tax liability

Deferred tax liability is calculated in full on temporary differences under the liability method using a principal tax rate of 33% (1999 - 33%). The movement on the deferred tax liability account is as follows:

	2000 $	1999 $
Deferred income tax liability, beginning of year	26,700,079	25,694,500
Expensed during the year	3,694,009	1,005,579
Deferred income tax liability, end of year	30,394,088	26,700,079

10 Redeemable preference shares

	2000 $	1999 $
Authorised		
1,214,128 (1999 - 1,214,128) 5% redeemable preference shares		
Issued		
151,766 (1999 - 303,532) 5% redeemable preference shares	758,830	1,517,660

On August 10, 2000, 151,766 shares were redeemed for $758,830, the seventh of eight equal annual instalments.

Preference dividends are payable on a cumulative basis at an annual rate of 5% on the outstanding nominal value of the shares.

11 Ordinary share capital

	2000 $	1999 $
Authorised		
Voting ordinary shares	15,000,000	15,000,000
Non-voting ordinary shares	800,000	800,000
Issued		
11,200,000 (1999 - 11,200,000) voting ordinary shares	77,562,792	77,562,792
520,000 (1999 - 520,000) non-voting ordinary shares	2,600,000	2,600,000
	80,162,792	80,162,792

12 Administrative expenses

	2000 $	**1999** $
Consumer services	3,121,834	2,203,027
Administrative staff costs	2,602,400	2,756,921
Training	976,581	1,078,847
Property costs	1,332,644	1,092,997
Professional fees	1,430,830	1,095,420
Insurance	4,012,864	3,790,738
Other costs	3,695,996	2,888,292
	17,173,149	14,906,242

13 Net operating income

Net operating income is stated after charging:

	2000 $	**1999** $
Depreciation	17,639,467	16,974,193
Repairs and maintenance	24,334,200	19,793,651
Pension costs	644,152	801,494
Directors fees	65,650	66,000
Audit fee	60,000	60,000

14 Pension plan

Grade 1 Employees
The company contributes to a defined benefit pension scheme with Barbados Mutual Life Assurance Society for grade 1 employees.

Grade 2 Employees
The company contributes to a defined benefit pension scheme with Colonial Life Insurance Company for grade 2 employees.

The most recent actuarial valuation of the above two schemes is dated December 31, 2000. The plans were valued using the "Projected Unit Credit" method of valuation. The principal actuarial assumptions used were as follows:

Discount rate	7%
Expected return on plan assets	7 1/2%
Future salary increases	5 1/2%
Future pension increases	2%

14 Pension plan...continued

The amounts recognised in the transition to IAS 19 at January 1, 2000 are determined as follows:

	Grade 1 Scheme $	Grade 2 Scheme $	Total $
Present value of funded obligations	(3,924,000)	(5,037,000)	(8,961,000)
Fair value of plan assets	4,594,000	5,136,000	9,730,000
Overfunded position under IAS 19 charged to retained earnings at January 1, 2000	670,000	99,000	769,000

The amounts recognised in the balance sheet at December 31, 2000 are determined as follows:

	Grade 1 Scheme $	Grade 2 Scheme $	Total $
Present value of funded obligations	(4,521,000)	(5,745,000)	(10,266,000)
Fair value of plan assets	5,362,000	5,831,000	11,193,000
Unrecognised actuarial gains	(20,000)	(64,000)	(84,000)
Defined benefit asset	821,000	22,000	843,000

The amount of $843,000 is recognised as a defined benefit asset as it will be available to the company to fund a contribution reduction in the future. The Trustees of the Grade 1 and Grade 2 pension schemes are precluded from paying out the $843,000 to the company.

The amounts recognised in the income statement are as follows:

	Grade 1 Scheme $	Grade 2 Scheme $	Total $
Current service cost	188,000	384,000	572,000
Interest on defined benefit obligations	287,000	352,000	639,000
Expected return on plan assets	(360,000)	(395,000)	(755,000)
Net pension costs	115,000	341,000	456,000

14 Pension plan...continued

The actual return in plan assets for the year ended December 31, 2000 was as follows:

	Grade 1 Scheme $	Grade 2 Scheme $	Total $
	343,000	380,000	723,000

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

	2000 $
Transition balance at January 1, 2000	769,000
Total expenses as shown above	(456,000)
Contributions paid	530,000
Balance at December 31, 2000	843,000

Grade 3 Employees

For its senior employees, the company contributes to the regional CDC Caribbean Pension Scheme administered by the Barbados Mutual Life Assurance Society. This scheme is a multi employer scheme and, for the purposes of IAS 19, contributions to this scheme are treated in the same manner as a defined contribution scheme and have not been included in the tables set out above.

The assets supporting the plan are invested by Deutsche Bank Ag.

The most recent actuarial valuation of the plan dated January 1, 1999 showed assets valued at $21,148,572 and pension benefit liabilities valued at $11,483,633. The plan was valued using the "Projected Unit Credit" method of valuation. The financial assumptions made included a rate of return on assets of 7%, a rate of salary increases of 6% and a rate of pension increases during retirement of 3%.

Pension plans registered in St. Lucia are regulated under the Insurance Act of St. Lucia which was enacted in 1995. The CDC Caribbean Pension Scheme has not yet been registered under this Act. It is, however, expected that within the next twelve months, the fund will meet the requirements for registration in St. Lucia as provided for in Section 153 (1) of the Act which regulates the type and location of assets in which the Trustees of a pension plan may invest.

15 Related party transactions

Revenue earned from shareholders represents 8.45% (1999 - 12.3%) of energy revenue. The Government of St. Lucia receives a 10% discount on energy costs.

Transactions with shareholders, the CDC Group plc and the National Insurance Board, during the year were as follows:

	2000 **$**	**1999** **$**
Interest expense	2,167,633	4,000,440
Management fee	596,542	620,820

16 Commitments

The company had capital commitments at December 31, 2000 of $5,619,787 in respect of Phase 3 of the System Expansion and $1,432,894 in respect of a generation set for Cul de Sac Power Station. These commitments will be financed by the floating rate non-callable bond of $36,000,000 with the Royal Merchant Bank and Finance Company Limited (Note 7) of which a balance of funds of $1,770,531 was not drawn down at December 31, 2000.

17 Contingent liability

The company is defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the results of such actions will not have a material effect on the company's financial position.

18 Earnings per share

Earnings per share have been calculated by dividing the net income for the year of $21,065,939 (1999 - $18,502,454) by the weighted average number of issued ordinary shares of 11,720,000 (1999 - 11,720,000).

19 Staff costs

	2000 **$**	**1999** **$**
Wages and salaries	13,163,162	12,653,973
Pension costs - defined benefit plans	644,152	801,494
	13,807,314	13,455,467
Average number of employees	251	250

20 Financial instruments

Derivative instruments
The company has entered into a currency swap transaction to manage its exposure to fluctuations in foreign currency exchange rates on certain loans denominated in foreign currencies (Note 7). The company does not use derivative financial instruments for speculative purposes.

Credit risk
Financial assets which potentially subject the company to concentrations of credit risk consist principally of cash, term deposits and trade receivables. The company's cash and term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the provision for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the company's customer base and their dispersion across different economic sectors. Accordingly, the company has no significant concentration of credit risk at December 31, 2000.

With respect to the currency swap transaction, the company has contracted with a major international bank as the counterparty. The company's exposure in respect of the transaction is to the extent that the company incurs losses as a result of non-performance by this counterparty. The company has no expectation of any losses in respect of this transaction.

Interest rate risk
The interest rates on the company's loans are presented in Note 7.

Fair values
At December 31, 2000, the carrying amounts of cash and term deposits, accounts receivable, accounts payable and accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from the carrying amounts.

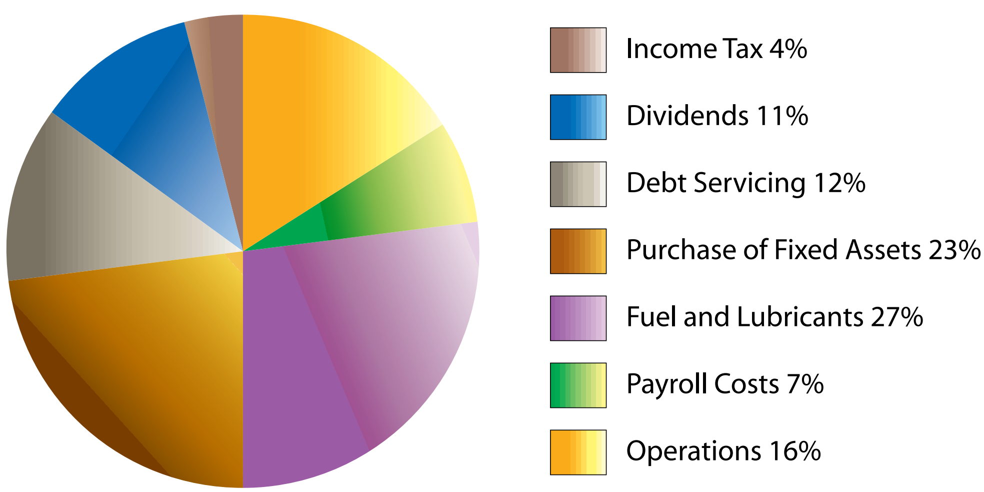
21 Comparative figures

The comparative figures have been reclassified to conform with the presentation used in the current year.

EC$000's

	2000	1999
Where the Lucelec dollar came from		
Sale of Electricity	140,274	112,801
Long term loans	28,344	5,886
Proceeds from disposal of investments and assets	83	3,007
Consumer contributions and deposits	2,502	2,781
Sundry sales	779	714
	171,982	125,189
How the Lucelec dollar was spent		
Payroll costs	13,428	13,059
Fuel and lubricants	48,703	29,591
Purchase of fixed assets	41,364	13,860
Debt servicing	20,868	19,696
Dividends	18,734	8,762
Income tax	7,107	3,552
Operations	22,582	34,085
	172,786	122,605
Increase (Decrease) in cash at bank	-804	2,584
	171,982	125,189

How every dollar collected was spent



	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Generating Plant (kW)										
Installed Capacity	66,400	59,900	59,900	44,500	44,500	44,500	40,200	32,900	31,700	32,900
Firm Capacity	47,800	46,700	46,700	32,600	32,600	31,300	28,700	21,800	23,000	23,100
Peak Demand	43,300	41,000	37,200	34,650	32,500	31,850	30,750	28,900	25,200	22,900
Percentage growth in peak demand	5.6%	10.2%	7.4%	6.6%	2.0%	3.6%	6.4%	14.7%	10.0%	10.1%
Sales (kWh x 1000)										
Domestic	85,075	79,491	75,639	69,617	65,653	62,668	56,025	52,442	47,449	42,113
Commercial (including Hotels)	131,863	120,628	108,618	97,248	86,518	85,683	78,802	74,576	64,975	58,797
Industrial	13,249	12,271	11,640	11,287	10,860	12,697	13,160	12,541	11,412	12,243
Street Lighting	3,893	3,271	2,931	2,605	2,185	2,282	2,121	1,906	1,674	1,449
Total Sales	234,080	215,661	198,828	180,757	165,216	163,330	150,108	141,465	125,510	114,602
Percentage Growth in sales	8.5%	8.5%	10.0%	9.4%	1.2%	8.8%	6.1%	12.7%	9.5%	7.9%
Power Station and Office Use (kWh x 1000)	12,069	10,800	8,817	8,455	8,189	8,073	6,691	6,285	5,549	5,552
Losses (kWh x 1000)	30,595	29,734	28,236	23,935	24,628	25,171	23,880	22,682	21,073	19,525
Percentage Losses	11.1%	11.6%	12.0%	11.2%	12.4%	12.8%	13.2%	13.3%	13.9%	14.0%
Units Generated (kWh x 1000)	276,845	256,196	235,881	213,147	198,033	196,574	180,679	170,432	152,132	139,679
Percentage growth in units generated	8.1%	8.6%	10.7%	7.6%	0.7%	8.8%	6.0%	12.0%	8.9%	10.1%
Number of Consumers at Year End										
Domestic	41,097	39,825	37,956	36,071	33,725	31,858	30,166	28,333	26,593	24,931
Commercial (Including Hotels)	5,102	5,049	4,896	4,843	4,888	4,697	4,444	4,183	3,957	3,778
Industrial	116	115	119	121	180	141	134	131	133	131
Street Lighting	17	17	17	19	20	17	16	20	17	21
	46,332	45,006	42,988	41,054	38,813	36,713	34,760	32,667	30,700	28,861
Percentage growth in customers	2.9%	4.7%	4.7%	5.8%	5.7%	5.6%	6.4%	6.4%	6.4%	5.8%
Average Annual Consumption Per Customer (kWh)										
Domestic	2,070	1,996	1,993	1,930	1,947	1,967	1,857	1,851	1,784	1,689
Commercial (including Hotels)	25,845	23,892	22,185	20,080	17,700	18,242	17,732	17,828	16,420	15,563
Industrial	114,216	106,709	97,815	93,281	60,333	90,050	98,209	95,733	85,805	93,458
Street Lighting	229,000	192,394	172,412	137,105	109,250	134,235	132,563	95,300	98,471	69,000
Diesel fuel consumed (Imp. Gall.)	14,388,680	13,276,298	12,599,190	11,826,009	10,890,044	10,776,772	9,901,546	9,413,399	8,549,954	7,915,415

A Generation of Energies

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Units Sold (kWh x 1000)	234,080	215,661	198,828	180,757	165,216	163,330	150,108	141,465	125,510	114,602
Revenue (cents per kWh)	59.9	52.3	51.3	54.6	52.1	47.7	46.4	47.4	48.5	45.6
										Summarised
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	248,243	234,159	240,642	166,982	168,736	169,735	133,186	130,442	128,529	125,746
Capital work in progress	13,485	3,869	507	54,344	638	–	28,050	6,019	922	913
Current Assets	46,039	51,731	39,325	48,983	29,529	44,074	41,279	35,866	19,748	18,865
Current Liabilities	(41,751)	(45,315)	(37,496)	(28,464)	(27,075)	(37,651)	(23,613)	(18,602)	(21,543)	(25,892)
Total	266,016	244,443	242,978	241,845	171,828	176,158	178,902	153,725	127,656	119,632
Share Capital	80,163	80,163	80,163	80,163	51,600	51,600	51,600	24,070	6,894	6,894
Share Premium	–	–	–	–	14,563	14,563	14,563	–	–	–
Retained Earnings	24,529	18,187	11,405	6,671	20,796	19,799	15,781	24,207	28,576	14,983
Other Reserves	23,761	22,340	21,448	20,007	19,108	16,865	14,359	13,244	10,662	7,132
Long Term Debt	99,216	88,047	95,117	105,597	55,723	62,786	71,707	78,103	68,072	78,114
Other long term liabilities	38,347	35,706	34,845	29,407	10,038	10,545	10,892	14,101	13,452	12,509
Total	266,016	244,443	242,978	241,845	171,828	176,158	178,902	153,725	127,656	119,632
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	96,501	87,923	79,203	70,623	60,478	57,658	51,702	48,630	43,086	34,711
Fuel Surcharge	43,773	24,878	22,859	28,008	25,651	20,161	17,618	18,293	17,482	17,115
Other	837	715	701	629	659	1,444	561	347	492	337
Total	141,111	113,516	102,763	99,260	86,788	79,263	69,881	67,270	61,060	52,163
Operating Costs										
Fuel (cost over base)	43,289	24,678	22,695	27,357	25,809	19,999	17,278	18,096	17,208	17,134
Generation O & M	12,459	12,564	16,690	19,861	15,056	14,164	13,227	12,496	9,954	8,185
Transmission & Distribution	12,373	10,130	10,072	9,665	9,523	9,080	8,628	10,170	8,975	7,353
Administrative & Selling	16,356	14,054	12,393	10,879	10,314	10,249	7,409	5,127	4,680	5,016
Depreciation	17,639	16,974	13,857	12,025	11,649	10,222	8,513	7,988	7,732	6,943
Total	102,116	78,400	75,707	79,787	72,351	63,714	55,055	53,877	48,549	44,631
Operating Income	38,995	35,116	27,056	19,473	14,437	15,549	14,826	13,393	12,511	7,532
Interest expense	7,574	8,259	7,055	6,644	6,987	7,640	6,614	6,538.00	7,440	6,809
Taxation	10,294	8,261	6,926	3,673	–	–	–	–	–	–
Foreign exchange (gain) loss	–	(5)	–	27	48	(2,551)	1,912	3,309.00	(9,412)	(2,944)
Net Income	21,127	18,601	13,075	9,129	7,402	10,460	6,300	3,546	14,483	3,667
Dividend declared	14,711	11,819	8,341	7,207	6,405	6,442	3,696	1,474	890	890
Retained Earnings for year	6,416	6,782	4,734	1,922	997	4,018	2,604	2,072	13,593	2,777
Retained Earnings beginning of year	18,187	11,405	6,671	20,796	19,799	15,781	24,207	28,576	14,983	12,206
Scrip Share Issue	–	–	–	–	–	–	(11,030)	(6,441)		
Transfer to Retirement benefit reserve	(74)	–	–	–	–	–	–	–	–	–
Prior year adjustment				(16,047)						
Retained Earnings end of year	24,529	18,187	11,405	6,671	20,796	19,799	15,781	24,207	28,576	14,983
Return on Rate Base	10.68%	10.47%	8.15%	8.28%	8.01%	8.25%	9.24%	9.18%	9.73%	6.19%
Earnings per share (EC$)	$1.80	$1.58	$1.10	$0.86	$0.70	$0.99	$0.90	$0.56	$2.91	$0.69
Dividend per share (EC$)	$1.25	$1.00	$0.70	$0.60	$0.60	$0.60	$0.58	$0.43	$0.43	$0.43
Debt/Equity Ratio	48/52	49/51	51/49	45/55	40/60	44/56	47/53	60/40	64/36	76/24