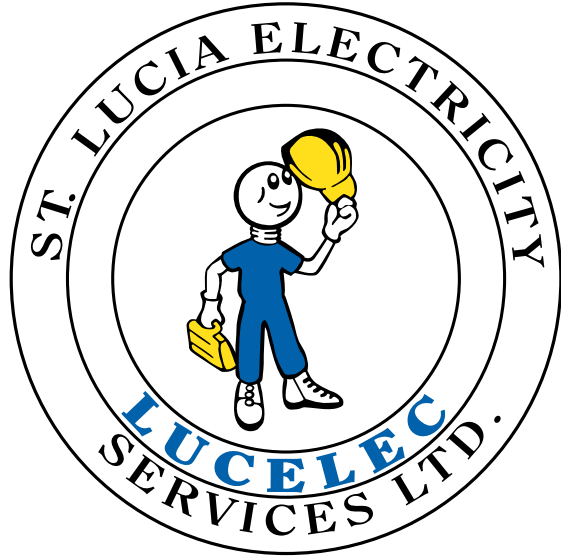




St. Lucia Electricity
Services Ltd.
Annual Report 2001

“Our Many
Faces of Service”





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 shareholders

Corporate Information

REGISTERED OFFICE

Head Office

Sans Soucis
John Compton Highway
Castries, St Lucia
Telephone: 1 (758) 457-4400
Fax: 1 (758) 457-4409
E-mail: lucelec@candw.lc
Web site: www.lucelec.com

AUDITORS

PricewaterhouseCoopers

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

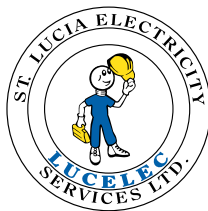
ATTORNEYS-AT-LAW

Mc Namara & Company

20 Micoud Street
Castries, St Lucia

Contents

Corporate Information	1
Financial Highlights	2
Simplified Financial Statements	3
Chairman's Message	4
Board of Directors	6
Directors' Report	7
Management Team	8
Operations Review	9
Auditors' Report	17
Balance Sheet	18
Statement of Income	19
Statement of Changes in Shareholders' Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22
Operating Statistics 1992 – 2001	37
Financial Statistics 1992 – 2001	38

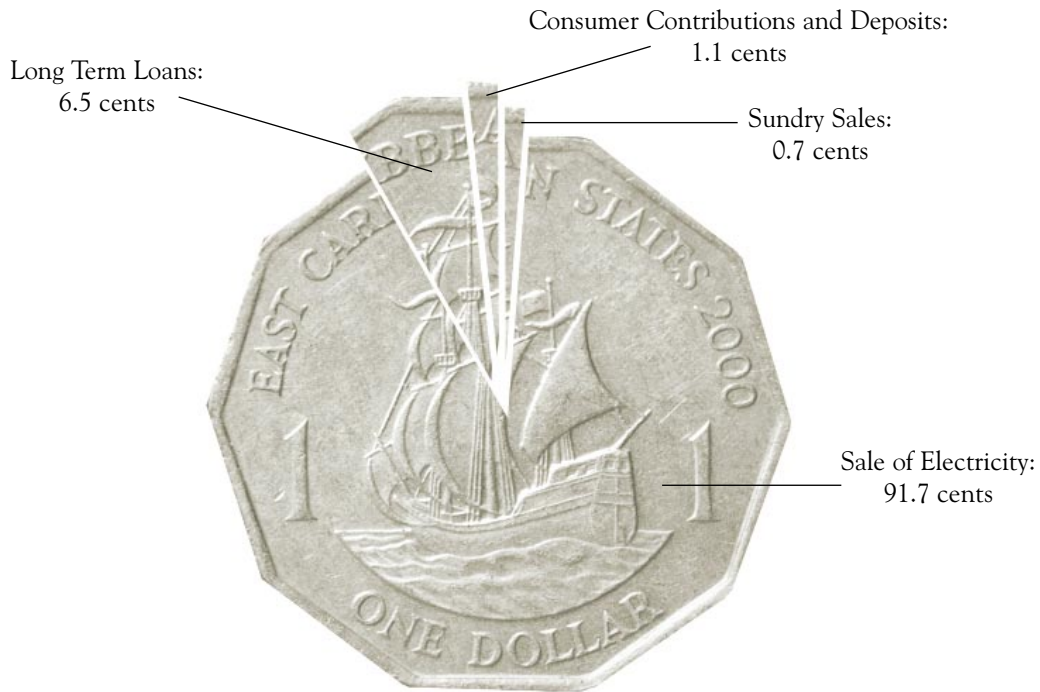


Financial Highlights

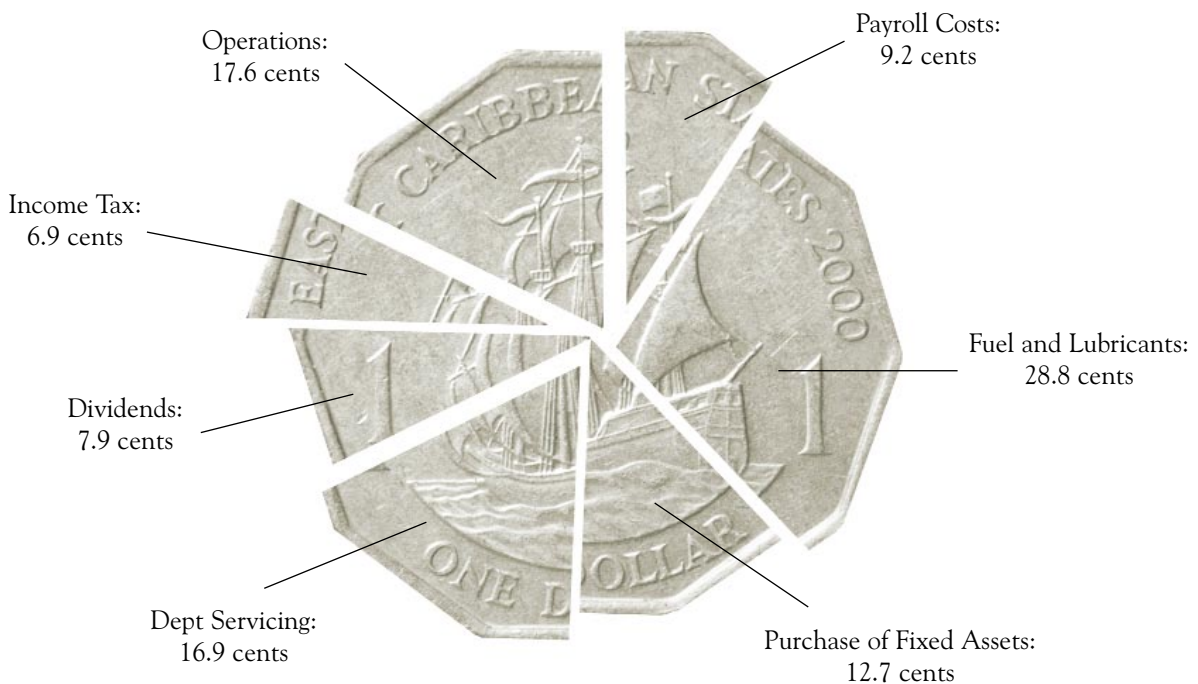
	2001 \$'000	2000 \$'000
FINANCIAL STATISTICS		
Capital Investment	20,155	41,364
Operating Revenue	141,784	141,053
Fuel Surcharge Costs	40,367	43,289
Finance Charges	9,360	7,635
Net Income for the year	19,468	21,066
Ordinary Dividend Declared	13,478	14,650
Return on Rate Base	11.08%	10.68%
Earnings per Share (\$)	1.66	1.80
Ordinary Dividend per Share	1.15	1.25
Ordinary Dividends as % of Net Income for the year	69.2%	69.5%
Debt/Equity Ratio	53/47	48/52
 OPERATING STATISTICS		
Sales (MWh)	243,417	234,080
Customers	47,760	46,332
Peak Demand (MW)	43.3	43.3
Installed Capacity (MW)	66.4	66.4

Simplified Financial Statements

Where the Lucelec dollar came from



How the Lucelec dollar was spent

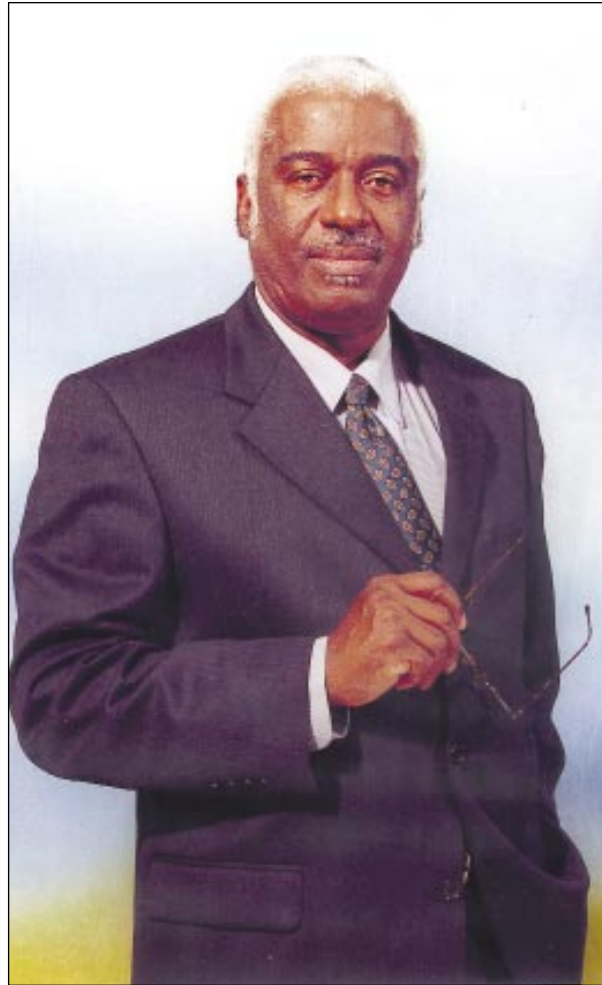


“The company’s ambitious rural electrification programme has now made electricity available to virtually every household in the country”

Chairman’s Message

The year 2001 was quite a challenging and difficult year for the company. After a decade of average annual growth in demand for electric power of over 9%, the year ended with demand growth averaging 4% as consumers adjusted to the world recession and to the events of September 11. This performance was despite a decline of 3.4% on average in the overall cost of power compared with the year before. As a consequence it was an effort to achieve profit levels of \$19.5m which represented a 7.6% decline over that of the previous year. Nonetheless, the company continued to fulfill its mandate of ensuring that all of Saint Lucia is provided with a safe, reliable source of efficiently generated power at reasonable and competitive prices while being a good corporate citizen, respecting the natural environment and generating a fair return to its shareholders.

In the aftermath of the tragic events surrounding September 11, the company received many requests for assistance and relief particularly from the hotel sector which was one of the most directly affected sectors. The company responded by promising some support for promotion and marketing to the small hotel sector, assistance with energy audits to all on a specific request basis and some assistance with payables management for badly affected hotel customers who normally were prompt with their utility payment obligations.



Marius St. Rose, Chairman

During the year the company focused on implementing many of the recommendations of the LUCELEC Review Commission Report. Among these included:

- the introduction of monthly reading of all consumers’ meters at an annualized cost of \$1.7m;

- the removal of consumer contributions in the formula for the determination of tariff levels which has the effect of reducing tariffs and profits by 1.2% and 4.3% respectively;

- paying more attention to consumer affairs and public relations with the strengthening of the Consumer Affairs Department and the appointment of an external public relations consulting firm to advise on, and implement the company’s public relations all at a cost estimated at \$0.4m;

- passing on to consumers the benefits of the gesture made by the Hess Oil suppliers to the Government of Saint Lucia of a \$1 per barrel reduction in the price of fuel and which has the effect of reducing power costs by approximately 0.9%;

- working on, and devising appropriate formulae for determining the fuel surcharge and holding discussions on fuel price hedging with financial institutions with a view to making recommendations for legislative changes that would result in reducing and stabilizing the burden of the fuel surcharge on consumers;

- considering arrangements to reasonably compensate property owners where their lands have been used to run the company’s 66KV transmission lines;

- giving notice to CDC to terminate the Management Contract with effect

from February 28, 2002 and which should save the company \$0.6m annually in management fees;

- developing the company's internal competence and that of Saint Lucians to engage in such areas as executive management, strategic planning, utility marketing, and consumer and public relations management; and
- strengthening, streamlining and rationalizing the company's audit and procurement systems.

The company's ambitious rural electrification programme has now made electricity available to virtually every household in the country and as a consequence future demand growth is not expected from this source. Demand increases will largely be from tariff reductions, demographic changes in household formation, and economic growth and development, the last two of which are outside the company's control. To achieve economies and hence tariff reductions the company's focus will therefore have to change. It will have to continue to find cost-effective ways of generating and reducing the cost of its power supply. Towards this end, it will have to continue to improve on the efficiencies of its internal procedures and systems, find cheaper fuel sources and cost-effective energy alternatives, develop networks

and synergies that could reduce its costs of operations through either greater volumes of supply or reductions in operating costs through cost sharing, sell services to its domestic, and even neighbouring, sister utilities, and adopt pricing systems that could induce demand increases.

To Saint Lucians LUCELEC is and should not only be an efficient source of power. It is an embodiment of the country's aspiration and a catalyst for its development. As such it must not only play a strategic role in propelling the country forward but its own evolution should mirror the country's progress. And much has already been achieved. The company is one of the largest companies in Saint Lucia and even the OECS. It is fully locally managed. Its ownership has evolved from being state owned to a situation today where the ownership is shared among the state and parastatals, a strategic investor and a number of small shareholders across Saint Lucia and the rest of the region with the first two groups, or four shareholders, controlling about 85% of the shareholding. That much advance has already been made in this area is not enough to rest on ones laurels. There appears to be not only scope, but a need, for the company to broaden its ownership without significantly reducing the involvement of its major shareholders. Such broader par-

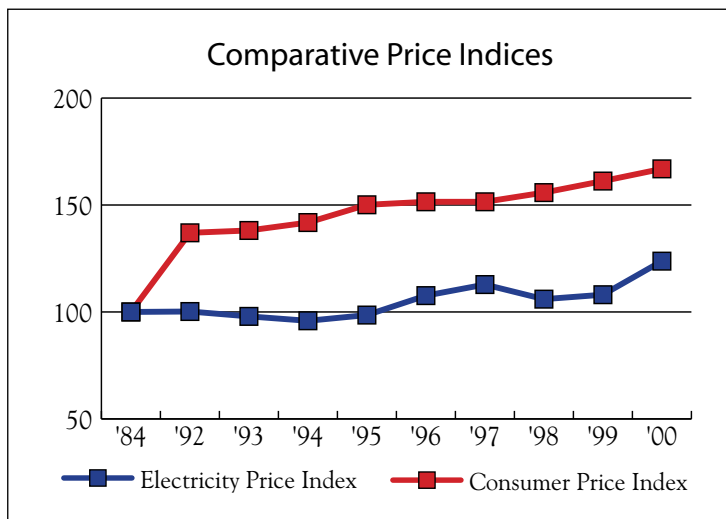
ticipation will give more Saint Lucians and other small investors an investment opportunity, help develop the sub-regions fledgling capital market, and give them a greater stake in and commitment for their country's development.

The year's work was quite taxing and tested the resourcefulness of fellow directors, management and staff. I wish to say a special thanks to my colleagues for their cooperation, forbearance and patience in having to participate in an abnormal number of meetings for the year to deal with fundamental, largely governance and strategic, issues that have much bearing on the company's outlook and future direction. I also wish to commend the management and staff for their hard work, cooperation and commitment to the company's goals, ideals and objectives and look forward to this continuing support from all concerned.

I thank you.



Marius St. Rose
Chairman



Board of Directors



LEFT TO RIGHT : (Seated) Marius St. Rose, Emma Hippolyte • (Standing) Bernard C. Theobalds, David Bishop, Reginald Darius, Irving John

(Missing from
above photo)



Zenith James



Michael Hogan



Colin Johnson



Ian Carrington



Ingrid Skerret

Marius St. Rose – Chairman
Group Managing Director, East Caribbean Holdings Ltd.

Bernard C. Theobalds OBE – Managing Director.

Irving John
Chairman, Castries City Council.

Reginald Darius (from 25th April 2001)
Director of Finance, Government of St. Lucia.

Zenith James (up to 17th April 2001)
Consultant, Government of St. Lucia.

Michael Hogan
President & CEO, Enact Power Ltd.

David Bishop
Management Consultant.

Colin Johnson
Investment Manager, CDC Group Plc.

Ian Carrington – Alternate Director
Director, National Insurance Scheme (Barbados)

Emma Hippolyte (from 25th January 2002)
Director/CEO, National Insurance Corporation.

Ingrid Skerret (up to 18th January 2002)
General Manager, A. F. Valmont & Company Ltd.

Directors' Report

FINANCIAL RESULTS

For the year ended 31st December 2001, St Lucia Electricity Services Limited sold 243,416,797 kWh of electricity yielding \$140,941,569 (after discounts). This resulted in net income before tax of \$28,436,321 and net income after tax of \$19,468,099. The Company's peak demand remained at 43.3MW while systems losses decreased from 11.1% in 2000 to 10.7% in 2001.

During the year, the Praslin and upgrade at the Reduit Sub-stations were commissioned; while work is continuing on the 66kV extension to the north of the Island. Capital investment for the year amounted to \$20,155,464 and the company repaid \$17,156,453 in long-term loans during the year.

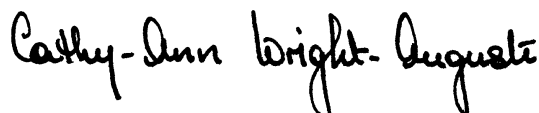
DIVIDENDS

The directors are recommending a final dividend of \$0.70 per share to shareholders of record at 12th April 2002, having agreed to and paid an interim dividend of \$0.45 per share.

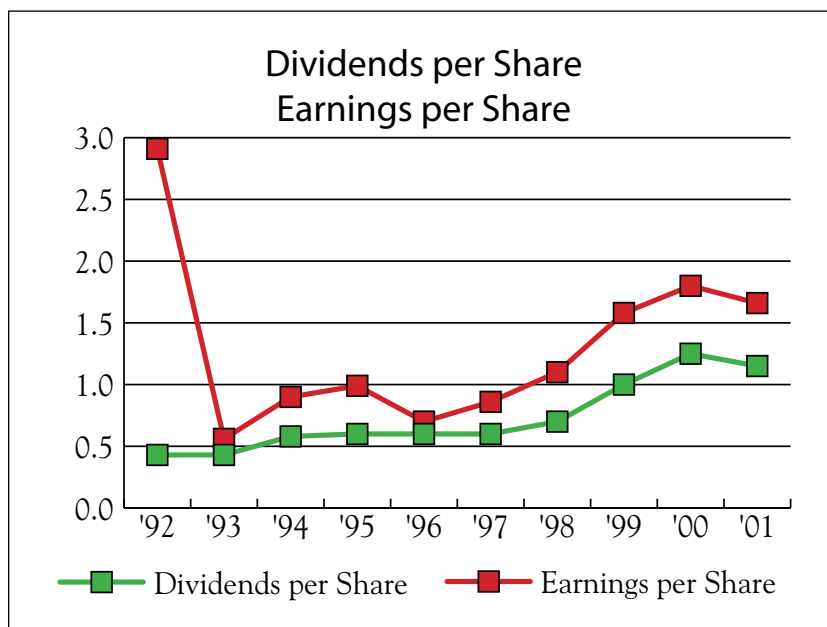
DIRECTORS

Since the last Annual Shareholders Meeting, Ms. Zenith James and Mrs. Ingrid Skerret retired from the Board of Directors. The Government of St. Lucia appointed Mr. Reginald Darius to replace Ms. James and the National Insurance Corporation appointed Ms. Emma Hippolyte to replace Mrs. Skerret. The appointments were made in accordance with article 73 of the Company's Articles of Association.

By order of the Board.



Cathy-Ann Wright-Auguste
Company Secretary



Management Team



(Inset): Bernard C. Theobalds.
(Left to right): Jennifa R. Flood, Timothy Chaderton, Gennifer Faisal, Marcellus Phillip, Gabriel James, Cathy-Ann Wright-Auguste, Dalkeith Foster



(Left to right): Victor Emmanuel, Gilroy Pultie, Frederick N. Isaac, Goodwin L. d'Auvergne, Trevor Louisy

Bernard C. Theobalds OBE
 B. Sc. (Elec. Eng.), Dip. A&F
 Managing Director

Trevor Louisy B. Sc. (Elec. Eng.)
 Chief Engineer

Marcellus Phillip B.Sc. (Acct.), F.C.C.A.
 Financial Controller

Cathy-Ann Wright-Auguste
 B.Sc. (Acct.), C.G.A., Grad ICOSA
 Company Secretary/Internal Auditor

Dalkeith Foster
 B.Sc. (Info. Sys.), M. A. (Mgmt. Sys.)
 Information Systems Manager

Timothy Chaderton B.Sc., MBA.
 Personnel and Training Officer

Jennifa R. Flood B.Sc. (Mgmt)
 Customer Service Manager

Gennifer Faisal F.C.C.A.
 Chief Accountant

Gabriel James B.Sc. (Elec. Eng.), M.B.A.
 Purchasing Manager

Frederick N. Isaac B.Sc., M.Sc., Phd.
 Planning and Projects Engineer

Victor Emmanuel B. Eng. (Elec.), M. Sc.
 Generation Engineer

Goodwin L. d'Auvergne B.Sc. (Elec. Eng.)
 System Control Engineer

Gilroy Pultie B.Sc. (Elec. Eng.), Cert. Dip. A&F
 Acting Transmission & Distribution Engineer

“Generally, operations were positive, with improvements in virtually all the significant performance indicators”

Operations Review

Summary

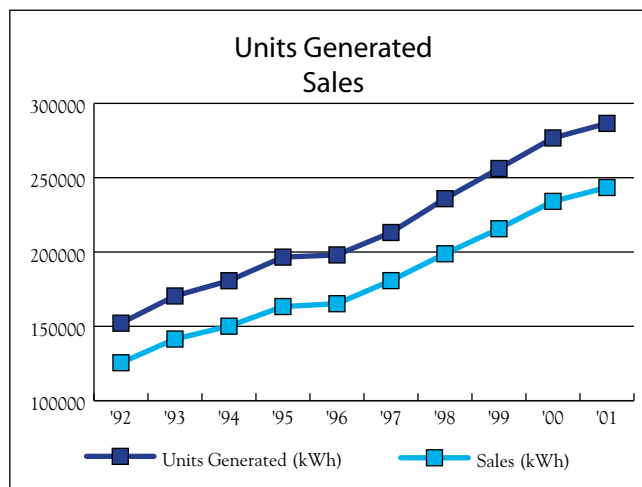
The year 2001 was a difficult one, compounded by external economic complexities and the catastrophe of the World Trade Centre bombing. Our fragile economy and the critical tourist industry, a major electricity customer, suffered setbacks that reverberated through all commercial activity.

Generally however, operations were positive, with improvements in virtually all the significant performance indicators. (A table of selected indices is included below). But this does not detract from the gravity of the current problems caused by slowing growth rates (almost 10% per annum in the decade to 2001), rising costs, ever increasing expectations, and of course, resources spread ever more thinly. Fuel prices remained stubbornly high during the early part of the year, but were indicating an un-seasonal collapse by year-end, bringing reduced electricity price benefit to customers. The New Year is not expected to bring any major relief. Worldwide, economic indicators remain negative.

In spite of the near absence of threatening hurricane activity, and a zero claims record over the past decade, catastrophic insurance premiums continue to soar, and for 2002 alone are projected to be 45% more than in 2001; and the critical tourist and banana sectors will take time to recover.

On a happier note, customers, it appears, will in 2002, pay appreciably less (as much as 12% or more) for electricity than in 2001, due mainly to a significant reduction in fuel prices, but also because of changes in the tariff calculation formula and the continuing excellent fuel performance of the Wartsila diesel units.

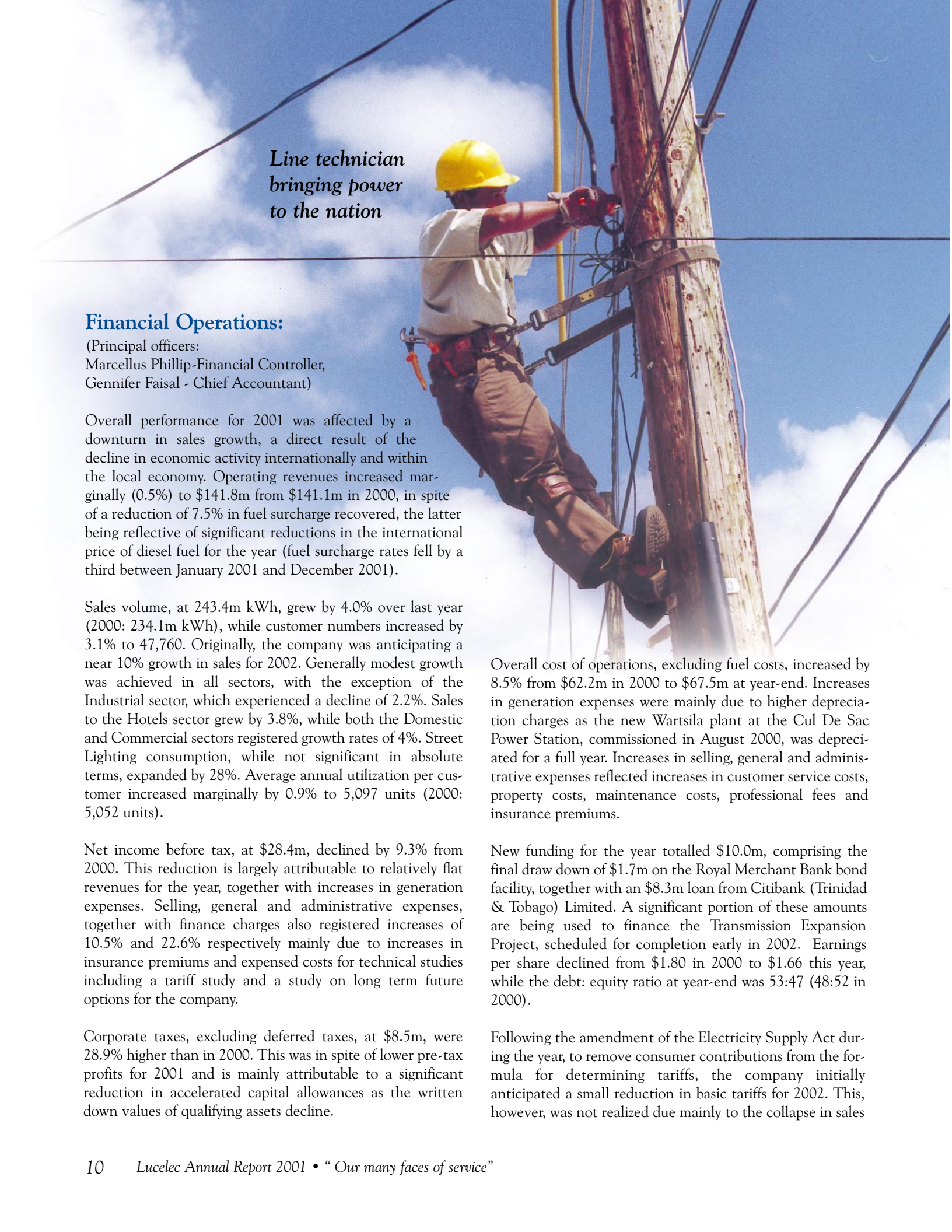
The new focus on Customer Service with an enhanced public relations effort was also indicating well. Monthly reading of all meters was restored following demands of customers and generally there was a noticeable improvement in customer relationships during the year. At year-end a professional survey was underway to more accurately gauge the views and expectations of customers, and to help define the company's future course of action.



During 2001 the company initiated a number of seminal studies that could have major influence on the future development and conduct of the business. One study looked at tariffs, particularly to see the impact of more innovative and modern structures on consumption patterns and to provide additional opportunity for off-peak utilisation, when rates could be significantly cheaper than is the case currently. Another study was concerned with the impact on the business of the great changes taking place in the utility industry world-wide, in respect of deregulation, liberalisation and competition, outsourcing, alternatives and new fuels for power generation.

The results of both initiatives are currently being reviewed.

Performance Indicator	2001	2000
Plant Forced Outages (number)	26	41
Plant Breakdown Rate (days)	5	6
Plant Reliability	98%	95%
System Losses (% of units generated)	10.7%	11.1%
Distribution Reliability (faults/month/mile)	0.035	0.076
Fault Repair Rate (minutes)	108	137
Customers per Employee	209	199



*Line technician
bringing power
to the nation*

Financial Operations:

(Principal officers:
Marcellus Phillip-Financial Controller,
Gennifer Faisal - Chief Accountant)

Overall performance for 2001 was affected by a downturn in sales growth, a direct result of the decline in economic activity internationally and within the local economy. Operating revenues increased marginally (0.5%) to \$141.8m from \$141.1m in 2000, in spite of a reduction of 7.5% in fuel surcharge recovered, the latter being reflective of significant reductions in the international price of diesel fuel for the year (fuel surcharge rates fell by a third between January 2001 and December 2001).

Sales volume, at 243.4m kWh, grew by 4.0% over last year (2000: 234.1m kWh), while customer numbers increased by 3.1% to 47,760. Originally, the company was anticipating a near 10% growth in sales for 2002. Generally modest growth was achieved in all sectors, with the exception of the Industrial sector, which experienced a decline of 2.2%. Sales to the Hotels sector grew by 3.8%, while both the Domestic and Commercial sectors registered growth rates of 4%. Street Lighting consumption, while not significant in absolute terms, expanded by 28%. Average annual utilization per customer increased marginally by 0.9% to 5,097 units (2000: 5,052 units).

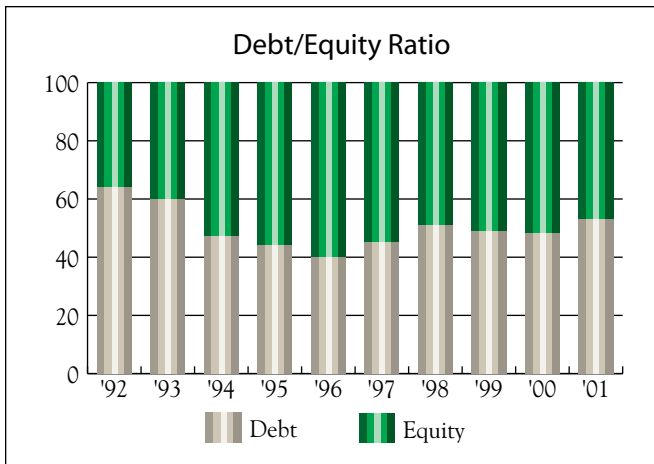
Net income before tax, at \$28.4m, declined by 9.3% from 2000. This reduction is largely attributable to relatively flat revenues for the year, together with increases in generation expenses. Selling, general and administrative expenses, together with finance charges also registered increases of 10.5% and 22.6% respectively mainly due to increases in insurance premiums and expensed costs for technical studies including a tariff study and a study on long term future options for the company.

Corporate taxes, excluding deferred taxes, at \$8.5m, were 28.9% higher than in 2000. This was in spite of lower pre-tax profits for 2001 and is mainly attributable to a significant reduction in accelerated capital allowances as the written down values of qualifying assets decline.

Overall cost of operations, excluding fuel costs, increased by 8.5% from \$62.2m in 2000 to \$67.5m at year-end. Increases in generation expenses were mainly due to higher depreciation charges as the new Wartsila plant at the Cul De Sac Power Station, commissioned in August 2000, was depreciated for a full year. Increases in selling, general and administrative expenses reflected increases in customer service costs, property costs, maintenance costs, professional fees and insurance premiums.

New funding for the year totalled \$10.0m, comprising the final draw down of \$1.7m on the Royal Merchant Bank bond facility, together with an \$8.3m loan from Citibank (Trinidad & Tobago) Limited. A significant portion of these amounts are being used to finance the Transmission Expansion Project, scheduled for completion early in 2002. Earnings per share declined from \$1.80 in 2000 to \$1.66 this year, while the debt: equity ratio at year-end was 53:47 (48:52 in 2000).

Following the amendment of the Electricity Supply Act during the year, to remove consumer contributions from the formula for determining tariffs, the company initially anticipated a small reduction in basic tariffs for 2002. This, however, was not realized due mainly to the collapse in sales



growth, coupled with some unexpected increases in operating costs. The achieved return on rate base for the year was 11.08%, marginally above the rate achieved (10.68%) for last year. However, the insignificant difference of 0.05% between the achieved rate and the allowable rate of 11.03% for 2001 led to a zero change in basic tariffs for 2002.

During the year, the company established a separate department, reporting to the Financial Controller, which is now fully responsible for the procurement of all materials and services. This department has also been given the responsibility for managing the company's materials inventory.

Information Systems:

(Principal officer: Dalkeith Foster – Information Systems Manager)

The Information Systems Department adopted a set of performance indicators in 2001 to help guide and measure achievements. The emphasis was on the delivery of a reliable service and sustaining expected performance levels. These relate to network reliability, average response time for maintenance requests, average repair time and duration set-up time for new services, all critical in an almost totally computerized environment.

In an effort to achieve this, the communication service was enhanced with the deployment of Microsoft Exchange 2000. This new product provided the flexibility for both internal and external communications. It also provided the platform for the development of an Employee Information Centre (EIC). The EIC is intended to serve as a medium for easy access and distribution of information and a knowledge centre within the Company. It will also assist with the initiative taken within the Company to reduce the use of paper by 50%.

New file servers were installed at all sites to create a more stable environment and to expand system services within the Company. This included the deployment of a Proxy Server

and a Firewall to enforce security policy. System Management Services were also deployed to provide quick and efficient support to users.

The Company's Time and Attendance and Payroll Systems were integrated to increase efficiencies within departments and reduce the time and effort required to process payroll.

The Company also undertook a major initiative by launching its own Web site, www.lucelec.com, which was the subject of critical acclaim. Statistics indicate that the site receives many international visitors from around the globe. The Web site is assisting with the dissemination of information to customers, shareholders and the public.

Customer Service:

(Principal officer: Jennifa Flood – Customer Service Manager)

The year ended on a positive note. In response to the numerous complaints from customers with respect to the estimated billing system, the Company re-introduced monthly meter reading in July 2001, albeit on a phased basis. By December 2001, just over 75% of the total number of customers on the island were being billed monthly on the basis of actual meter readings. It is expected that all meters will be read monthly by mid 2002.



Our outside crews are a common sight especially in our yards for meter reading

Further enhancements to customer service were accomplished through the renovation of the Vieux Fort Administration office to facilitate the introduction of payment processing. That office was equipped with two cashiers booths, comfortable seating for customers and appropriate security systems. The opening of at least two other satellite offices in other locations is planned for 2002.

The year also saw remarkable and positive strides made in the area of customer communications and public relations. With the assistance of employees and a public relations firm, the Company was able to expand its reach to customers through the electronic, print and other media. Useful and

factual information was made available to customers through live radio programmes in addition to the televised broadcast of a series of programmes on topics of particular interest and concern to customers. The feedback received from customers on these initiatives was extremely positive. Such initiatives will be pursued further in 2002 and will be guided in part by the results of a customer satisfaction survey that was commenced in the last quarter of 2001.

Human Resources and Public Relations:

(Principal officers: Timothy Chaderton – Personnel & Training Officer, Nicole Du Boulay – Assistant Personnel & Training Officer)

The company continued to pay attention to human resources by promoting a positive work environment and ensuring that all persons were given the opportunity for further development and training. Various initiatives were underway to improve productivity and performance and as always, much attention was paid to staff welfare concerns. At the end of the year, the permanent staff complement was 244.

A major exercise was commenced to collate and formalise all policies throughout the company. This was done through the collaboration of senior staff from various departments and external consultants, and designed to improve decision-making and communication, and to ensure consistent and clear management expectations. In due course a policy document will be submitted for Board approval and made available through the company.

2001 was “a high media profile” year, as efforts continued to improve the company’s public image and communication with customers. Perhaps the most popular of the many initiatives undertaken were the “Switched On” radio and tele-



*(Above)
Putting our all “on
the line” for you*

*(Right)
Our customer service
representatives are well
informed to take care of
your requests*



vision programmes, which aimed to explain various topics of interest to customers.

Contributions were made to various causes including charitable organisations, sports and cultural events, the environment, education and community groups. To date the company has donated almost 100 computers to schools and other educational institutions.

The vacation employment scheme continued with over forty students gaining employment during the Easter and summer breaks. This remains a continuing initiative to develop younger persons in the community and provide them with an opportunity to enter the world of work.

The computerized timekeeping system was vastly improved and with a new link to the existing payroll system, enabled greater efficiency to be achieved.

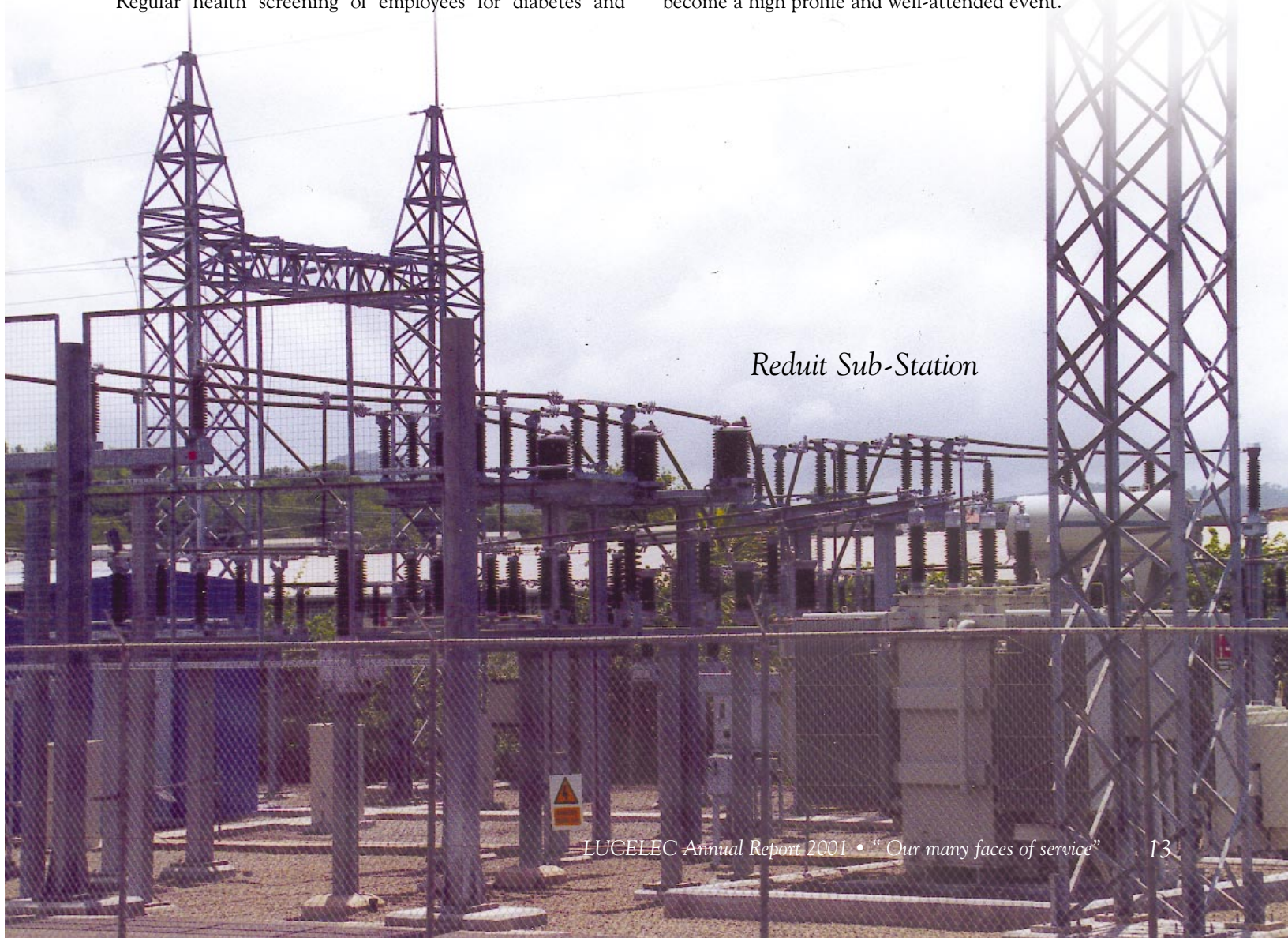
The annual safety audit reported noticeable improvements in health and safety throughout the company, in spite of two tragic deaths reported later in this report. Quarterly inspections were conducted to identify hazardous conditions and recommend corrective measures for accident prevention. Regular health screening of employees for diabetes and

hypertension continued on a quarterly basis, in an effort to maintain health awareness.

2001 proved to be an interesting year for the company's pension schemes, as improvements were sought to the schemes' administration and investment performance. Useful workshops were organized for trustees of pension schemes to clarify their roles and provide critical information.

As ever, training remained a vital part of HR operations. Over 160 employees attended company sponsored training courses, representing almost 70% of the total employee base, an achievement that was well in line with industry practices in North America. Workshops on Tree Trimming techniques and safety procedures were offered to contracted staff towards year-end. Over one-third of employees were enrolled in part time/correspondence programmes, made possible with company financial assistance. Five persons were on study leave overseas and two persons participated in extended training attachments, geared at improving Customer Service and Distribution Planning Techniques.

The now annual Lineman's Rodeo was held in May, with participation from as many as five overseas teams. This has become a high profile and well-attended event.



Redit Sub-Station

The company continued to have very positive relations with unions representing employees and there were no significant differences. By year-end, proposals had been received from the Union for the revision of the Memorandum of Agreement for the two-year period 2002 to end 2003.

Technical Operations:

(Principal officer: Trevor Louisy – Chief Engineer)

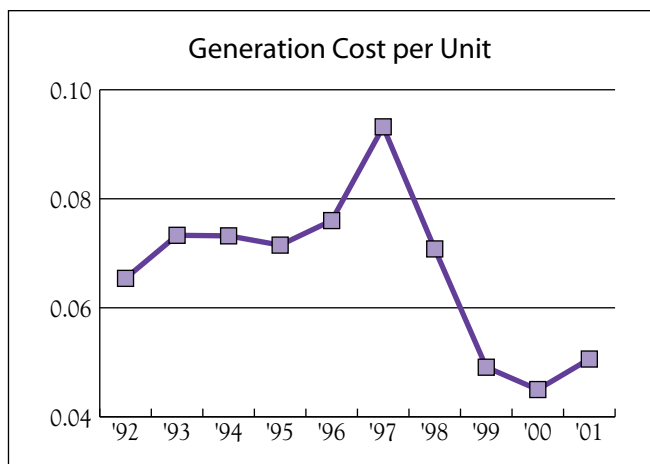
System Control:

(Principal officer: Goodwin L. d’Auvergne-System Control Engineer)

The new SCADA system, commissioned in early 2001, was proving to be an invaluable tool in managing the system. System time deviation was being routinely held to less than +/- three quarters of a second over 24 hours, and substation bus voltages were also being maintained to within +/- 2 % of nominal values. The department was also able to fulfil its core responsibilities of managing the system to ensure the most economical use of generation plant while maximizing quality of supply to customers. This, with other initiatives, resulted in a reduction of more than 4.4% in the average duration of outages when compared with 2000.

During the year, the department played a pivotal role in the compilation of a comprehensive range of performance indicators, which are being used as the basis for a thrust to further improve company performance. Efforts were also in progress to benchmark performance indicators with utilities in Dominica and St. Vincent.

This comparative assessment will be further expanded in the New Year.



Generation:

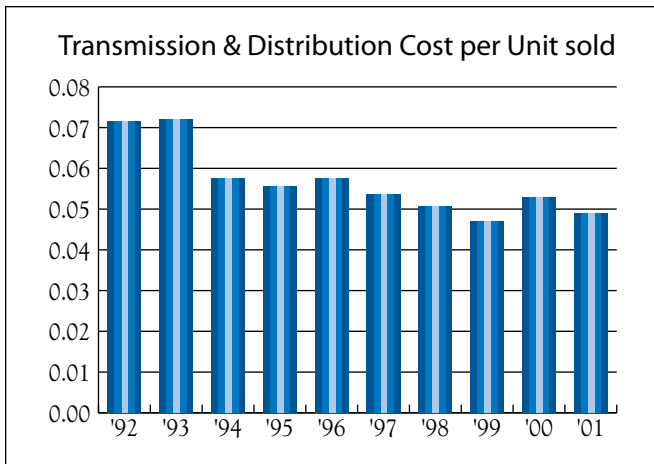
(Principal officers: Victor Emmanuel – Generation Engineer, Elford Felix – Assistant Generation Engineer)

The Generation Department generally performed well in 2001. Production of electricity increased by 3.5% from the previous year to a total of 286.5 million units, although peak demand remained static at 43.3 MW (43.3 MW in 2000). The number of forced engine outages decreased considerably: 26 in 2001 compared to 44 in 2000 and 85 in 1999. Overall plant fuel efficiency at 38.4 % was within manufacturers’ recommendations, planned maintenance programmes were completed according to schedule, and every effort was made to keep controllable expenditures within the budget. The department also continues to receive high praises in the annual safety audits conducted by international consultants.

Cul de Sac Power Station continued to perform excellently, boasting some of the best fuel efficiencies in the region. During the year, major overhauls were performed on Wartsila engines CDSPS #4 and CDSPS #6 and generally, the results were impressive. The engine components were generally in pristine condition, the result of an excellent maintenance programme and a cadre of well-trained and highly motivated operations and maintenance staff. CDSPS #2, a 6.3 MW MaK engine, also underwent a major overhaul during the year. Although the pistons had only been in service for 60 000 hours, the engine manufacturer advised that they be replaced at the overhaul. This unexpected requirement, based on information gathered from similar engines in the field, caused a significant increase in expenditure, which had not been budgeted for. Fuel



A technician dispatches power in the engine room at Cul-de-Sac



expenditure, however, was approximately 6% lower than for last year, due primarily to falling fuel prices, but also in part to the excellent fuel performance of the Wartsila engines. Union Power Station with its aging generators remained on cold standby, but was available, with 10.8 MW of capacity, for emergency duty.

The Department continued to provide excellent training for the staff. All the operators took part in a five-day advanced training programme on the operations of the Wartsila plant. In May, two supervisors, four mechanics and an electrical technician travelled to Sweden and Finland for specialized Wartsila training. In June, two mechanics travelled to Trinidad for a four-week welding course at the National Energy Skill Center. The company can now boast of having



All in a day's work: One of our welders on the job

two ASME certified welders on staff. In July, five persons participated in a two-week Diesel Mechanics III programme at the Sir Arthur Lewis Community College.

Transmission and Distribution:

(Principal officers: Gilroy Pultie – Acting Transmission and Distribution Engineer, Michael Thomas – Assistant Transmission and Distribution Engineer)

In 2001 there were significant improvements in the reliability of the system following the setting of clear targets as an aid to seeking improved performances all round. The number of unplanned interruptions on the distribution system was reduced by approximately 54% and customer-hours lost fell by 4.4%. Un-served energy was also reduced by 17.2%.

There was also a remarkable improvement in vegetation management, tree contact in the past being one of the primary causes of interruptions. The greater use of remote controlled switches at strategic locations along with other initiatives planned for 2002 will further enhance reliability.

System losses were reduced from 11.1% in 2000 to 10.7% in 2001 and work was continuing to reduce losses even further. However an economically acceptable and maintainable level may be about 9%.

The Rural Electrification (RE) programme was extending electricity to the remaining small pockets of unserved potential customers, estimated to be no more than about 1% of existing households, and in making communities and highways safer by greater illumination. A total of \$3,172,892 was spent in RE and Street lighting in 2001.

The year was not without incident that had the potential to mar performance. There was a fatality when a member of the public came into contact with a live structure at Morne du Don. In another incident, a contractor's employee was struck off a pole and killed by a passing truck. Following upon these incidents the Company reviewed its safety practices and came to the conclusion that whilst these were working satisfactorily there was a case for more frequent review of the functioning

of the entire distribution system and steps were taken to ensure that this will be done in the future.

Planning and Projects:

(Principal officers: Dr. Frederick N. Isaac – Planning and Projects Engineer, Francis Daniel – Distribution Planning Engineer)

The department saw the successful completion of a number of projects that will directly and positively impact the company and the customer. Notable among those are:

The completion of a Distribution Automation Pilot project aimed at reducing the duration of and number of customers affected by a power outage.

The completion of a 15-year development plan that is to provide strategic initiatives for the corporate business plan.

A technical loss reduction exercise and a power factor improvement project were also started.

However, the highlights of the year were the construction and commissioning of Praslin Substation on the east coast, and the upgrade of Redit Substation in the north to provide an improved and more reliable supply to customers in these areas. Construction work on the new 66kV link between Castries and Redit is continuing and is slated for completion by end March 2002. The completion of this line will create a northern loop and provide for greater flexibility in operations, in addition to the main objective of improving the supply reliability from Castries to the extreme north.

The department also commenced, during the year, an ambitious data capture exercise jointly with Cable & Wireless. This exercise entails the geo-referencing of all the company's external line and plant facilities. The data gathered will be used to automatically generate unique numbers for a pole numbering system and identification of other facilities. The immediate benefits of this exercise are to meet operational safety requirements with a pole numbering system, reduce time to locate customers for provision of service, meter reading, etc. The long-term objective is to migrate to a fully automated mapping and facilities management system, to provide flexibility and efficiency in managing the company's assets.

A Distribution Planning section with the primary objective of "value based" distribution planning, targeting reliability, power quality, loss reduction and optimal capacity planning was formed within the department, and is already at work.

During 2002 the department will continue to emphasize its policy of "Value-based Engineering Planning." Projects will be judged on their Economic Value Added (EVA) and/or Cash Value Added (CVA) components in order to be approved. The opposing forces of increasing pressure from key drivers (regulatory & corporate scrutiny, customers demand for reliability and service quality, and technological changes) reduced budgets and increased corporate controls are changing the utility business. Future plans and programs will address general improvements in network reliability, power factor improvement and system technical loss reduction.



*Praslin
Sub-Station*



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

March 8, 2002

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, 2001 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, 2001 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Chartered Accountants

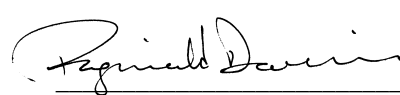
BALANCE SHEET

As of December 31, 2001
(expressed in Eastern Caribbean dollars)

	2001 \$	2000 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	4,458	2,800
Accounts receivable and prepayments (note 4)	33,806,429	29,997,771
Inventories (note 5)	14,068,338	15,195,294
	47,879,225	45,195,865
Retirement benefit asset (note 15)	1,083,000	843,000
Property, plant and equipment (note 6)	262,957,269	261,728,100
	311,919,494	307,766,965
Liabilities		
Current liabilities		
Borrowings (note 8)	26,313,354	21,263,881
Accounts payable and accrued expenses (note 7)	9,267,969	8,095,876
Income tax payable	1,688,042	4,148,449
Dividends payable	9,181,731	8,242,720
	46,451,096	41,750,926
Borrowings (note 8)	91,982,796	99,215,983
Consumer deposits (note 9)	8,478,813	7,952,661
Deferred tax liability (note 10)	30,857,224	30,394,088
Consumer contributions (note 11)	22,624,660	22,918,501
	200,394,589	202,232,159
Shareholders' Equity		
Share capital (note 13)	80,162,792	80,162,792
Retirement benefit reserve	1,083,000	843,000
Retained earnings	30,279,113	24,529,014
	111,524,905	105,534,806
	311,919,494	307,766,965

Approved by the Board of Directors


 _____ Director


 _____ Director

STATEMENT OF INCOME

For the year ended December 31, 2001
(expressed in Eastern Caribbean dollars)

	2001 \$	2000 \$
Revenue		
Energy sales	100,450,047	96,501,301
Fuel surcharge recovered	40,491,522	43,773,120
Other revenue	842,333	778,896
	<hr/> 141,783,902	<hr/> 141,053,317
Operating expenses		
Diesel generation	23,000,863	20,126,446
Transmission and distribution	21,723,147	21,527,506
Fuel surcharge	40,366,514	43,289,037
	<hr/> 85,090,524	<hr/> 84,942,989
Gross income	56,693,378	56,110,328
Administrative expenses	<hr/> 18,967,659	<hr/> 17,173,149
Net operating income (note 14)	37,725,719	38,937,179
Other income	<hr/> 70,676	<hr/> 58,273
Net income before finance charges and tax	37,796,395	38,995,452
Finance charges	<hr/> 9,360,074	<hr/> 7,635,365
Net income before tax	28,436,321	31,360,087
Income tax (note 10)	<hr/> 8,968,222	<hr/> 10,294,148
Net income for the year	<hr/> 19,468,099	<hr/> 21,065,939
Earnings per share (note 19)	<hr/> 1.66	<hr/> 1.80

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2001
(expressed in Eastern Caribbean dollars)

	2001 \$	2000 \$
Share capital		
Share capital, beginning and end of year (note 13)	80,162,792	80,162,792
Retirement benefit reserve		
At beginning of year	843,000	–
Overfunded position of retirement benefit plans (note 15)	–	769,000
Transfer from retained earnings	240,000	74,000
At end of year	1,083,000	843,000
Retained earnings		
At beginning of year	24,529,014	18,187,075
Net income for the year	19,468,099	21,065,939
Transfer to retirement benefit reserve	(240,000)	(74,000)
Ordinary dividends (note 21)	(13,478,000)	(14,650,000)
At end of year	30,279,113	24,529,014
Shareholders' equity, end of year	111,524,905	105,534,806

STATEMENT OF CASH FLOWS

For the year ended December 31, 2001
(expressed in Eastern Caribbean dollars)

	2001 \$	2000 \$
Cash flows from operating activities		
Net income before tax	28,436,321	31,360,087
Adjustments for		
Depreciation	18,893,367	17,639,467
Finance charges	9,360,074	7,635,365
Gain on disposal of property, plant and equipment	(67,885)	(58,273)
Amortization of consumer contributions	(1,705,848)	(1,670,548)
Pension benefits	(240,000)	(74,000)
Operating income before working capital changes	54,676,029	54,832,098
(Increase)/decrease in accounts receivable and prepayments	(3,808,658)	2,708,838
Decrease/(increase) in inventories	1,126,956	(276,586)
Increase/(decrease) in accounts payable and accrued expenses	1,681,226	(984,174)
Cash generated from operations	53,675,553	56,280,176
Finance charges paid	(9,624,352)	(7,105,396)
Income tax paid	(10,965,493)	(7,107,397)
Net cash from operating activities	33,085,708	42,067,383
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,155,464)	(41,364,303)
Proceeds on disposal of property, plant and equipment	100,813	83,000
Net cash used in investing activities	(20,054,651)	(41,281,303)
Cash flows from financing activities		
Proceeds from borrowings	10,054,252	28,343,711
Repayment of borrowings	(17,156,453)	(12,942,663)
Dividends paid	(12,538,989)	(18,733,882)
Preference shares redeemed	(758,830)	(758,830)
Consumer contributions received	1,412,007	2,248,665
Consumer deposits received	281,297	252,895
Net cash used in financing activities	(18,706,716)	(1,590,104)
Decrease in cash and cash equivalents	(5,675,659)	(804,024)
Cash and cash equivalents, beginning of year	(3,314,153)	(2,510,129)
Cash and cash equivalents, end of year (note 3)	(8,989,812)	(3,314,153)

Notes to the Financial Statements

December 31, 2001
(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, (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 are prepared in accordance with International Accounting Standards and under the historical cost convention.

The preparation of financial statements in conformity with International Accounting Standards requires management to make 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 reporting period. Actual results could differ from those estimates.

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 and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

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. Net realisable value is the estimated selling price in the ordinary course of business less the cost of selling expenses.

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Property, plant and equipment

Property, plant and equipment 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	10 – 25%

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

Borrowings

Borrowings are recognised initially at the proceeds received net of transaction costs incurred. Interest expense is recorded on an accrual basis over the period it becomes due. No borrowing costs have been capitalised in the current financial period.

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 provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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

Consumer contributions

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions 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 property, plant and equipment.

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Share capital

Ordinary shares are classified as equity. Other shares including mandatorily redeemable preferred shares are classified as borrowings.

Dividends on ordinary shares are recognised in shareholders' equity in the period in which they become a constructive obligation.

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.

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 8). 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, 2001.

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.

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Financial instruments...continued

Interest rate risk

The interest rates on the company's loans are presented in Note 8.

Fair values

At December 31, 2001, 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.

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 15). 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 approximating 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 15).

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

3 Cash and cash equivalents

	2001 \$	2000 \$
Cash at bank and in hand	4,458	2,800
Bank overdraft (note 8)	(8,994,270)	(3,316,953)
	(8,989,812)	(3,314,153)

The company has overdraft facilities which bear interest at rates of 10% per annum. The overdrafts are secured along with the long-term loans (Note 8).

4 Accounts receivable and prepayments

	2001 \$	2000 \$
Trade receivables	24,616,821	20,289,627
Less: provision for doubtful receivables	(1,681,368)	(1,563,275)
	22,935,453	18,726,352
Accrued income	6,903,941	7,949,742
Other receivables	3,711,205	3,010,135
Prepayments	255,830	311,542
	33,806,429	29,997,771

Trade receivables include amounts due from related parties of \$4,453,451 (2000 - \$10,836,208).

Accrued income represents \$4,396,477 (2000 - \$4,120,607) provision for unbilled sales, and \$2,507,464 (2000 - \$3,829,135) provision for unbilled fuel surcharge.

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

5 Inventories

	2001 \$	2000 \$
Consumable stores	15,237,836	16,287,378
Less: obsolescence reserve	(1,169,498)	(1,092,084)
	14,068,338	15,195,294

6 Property, plant and equipment

	Land & Buildings \$	Plant & Machinery \$	Motor Vehicles \$	Furniture & Fittings \$	Work in Progress \$	Total \$
Cost						
As at January 1, 2001	60,270,911	309,863,210	3,978,594	7,377,599	13,485,477	394,975,791
Additions in the year	547,914	2,908,827	3,800	913,937	15,780,986	20,155,464
Disposals in the year	–	–	(612,955)	–	–	(612,955)
Transfers in the year	–	9,309,914	–	–	(9,309,914)	–
As at December 31, 2001	60,818,825	322,081,951	3,369,439	8,291,536	19,956,549	414,518,300
Accumulated depreciation						
As at January 1, 2001	13,053,191	112,681,769	2,732,878	4,779,853	–	133,247,691
Charge for the year	1,437,773	16,330,221	512,542	612,831	–	18,893,367
Disposals for the year	–	–	(580,027)	–	–	(580,027)
As at December 31, 2001	14,490,964	129,011,990	2,665,393	5,392,684	–	151,561,031
Net book value						
As at December 31, 2001	46,327,861	193,069,961	704,046	2,898,852	19,956,549	262,957,269
As at December 31, 2000	47,217,720	197,181,441	1,245,716	2,597,746	13,485,477	261,728,100

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

6 Property, plant and equipment...continued

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 property, plant and equipment at an historical cost of \$172,804,633 at December 31, 2001 is limited to an annual aggregate of \$45,000,000 for all three utilities.

The company also carries breakdown insurance coverage of \$30,000,000 per occurrence for certain of its generating sets which are included in property, plant and equipment at an historical cost of \$135,642,451.

7 Accounts payable and accrued expenses

	2001 \$	2000 \$
Trade creditors	3,010,018	2,205,020
Accrued expenses	1,132,936	1,086,082
Related party	1,015,268	357,392
Other	4,109,747	4,447,382
	9,267,969	8,095,876

8 Borrowings

	2001 \$	2000 \$
Current		
Bank overdraft (note 3)	8,994,270	3,316,953
Bank borrowings	12,073,795	11,693,643
Related parties	5,245,289	5,495,285
Redeemable preference shares	–	758,000
	26,313,354	21,263,881
Non-current		
Bank borrowings	82,020,829	87,631,713
Related parties	9,961,967	11,584,270
	91,982,796	99,215,983
Total borrowings	118,296,150	120,479,864

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

8 Borrowings...continued

Borrowings include liabilities amounting to \$93,054,382 (2000 - \$90,925,195) that are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable property and floating charges over all other assets, all ranking pari passu, pursuant to a security sharing agreement. Also included are loans guaranteed by the Government of St. Lucia amounting to \$25,241,768 (2000 - \$28,795,839).

On December 10, 1995 the company entered into a currency swap transaction with a financial institution 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 amount of such loans at the year end totalled US\$6,007,717 (2000 - US\$11,067,406). The contract bears interest at 10.92% per annum.

The weighted average effective rates at the balance sheet date were as follows:

	2001	2000
Bank overdraft	10%	10%
Bank borrowings	6.39%	6.32%
Related parties	8.12%	8.19%
Redeemable preference shares	5%	5%

Maturity of non-current borrowings:

	2001 \$	2000 \$
Between 1 and 2 years	14,133,471	16,351,720
Between 2 and 3 years	14,349,126	12,935,900
Over 3 years	63,238,346	69,928,363
	91,720,943	99,215,983

9 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 \$2,584,783 (2000 - \$2,339,563) is included in consumer deposits.

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

10 Taxation

	2001 \$	2000 \$
Current tax	8,505,086	6,600,139
Deferred tax	463,136	3,694,009
	8,968,222	10,294,148

Tax on the company's net income before tax differs from the theoretical amount that would arise using the statutory tax rate of 33 1/3% as follows:

	2001 \$	2000 \$
Net income before tax	28,436,321	31,360,087
Tax calculated at the statutory rate of 33 1/3% (2000 - 33 1/3%)	9,477,826	10,453,362
Tax effect of income not subject to tax	(648,551)	(581,516)
Tax effect of expenses not deductible for tax	119,524	422,302
Prior year under provision - current tax	19,423	-
	8,968,222	10,294,148

Deferred tax liability

Deferred tax liability is calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3% (2000 - 33 1/3%). The movement on the deferred tax liability account is as follows:

	2001 \$	2000 \$
Deferred income tax liability, beginning of year	30,394,088	26,700,079
Expensed during the year	463,136	3,694,009
	30,857,224	30,394,088

11 Consumer contributions

	2001 \$	2000 \$
At beginning of year	22,918,501	22,340,384
Contributions received	1,412,007	2,248,665
Amortisation	(1,705,848)	(1,670,548)
	22,624,660	22,918,501

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

12 Redeemable preference shares

	2001 \$	2000 \$
<u>Authorised</u>		
1,214,128 (2000 - 1,214,128) 5% redeemable preference shares		
<u>Issued</u>		
151,766 (2000 - 151,766) 5% redeemable preference shares	–	758,830

On August 10, 2001, 151,766 shares were redeemed for \$758,830, the last 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.

13 Share capital

	2001 \$	2000 \$
<u>Authorised</u>		
Voting ordinary shares	15,000,000	15,000,000
Non-voting ordinary shares	800,000	800,000
<u>Issued</u>		
11,200,000 (2000 - 11,200,000) voting ordinary shares	77,562,792	77,562,792
520,000 (2000 - 520,000) non-voting ordinary shares	2,600,000	2,600,000
	80,162,792	80,162,792

14 Net operating income

Net operating income is stated after charging:

	2001 \$	2000 \$
Depreciation	18,893,367	17,639,467
Repairs and maintenance	20,096,884	24,334,200
Pension costs	541,915	644,152
Directors fees	65,867	65,650
Audit fee	65,000	60,000

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

15 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%

The amounts recognised in the balance sheet at December 31, 2001 are determined as follows:

	Grade 1 Scheme	Grade 2 Scheme	Total
	\$	\$	\$
Present value of funded obligations	(5,238,000)	(5,234,000)	(10,472,000)
Fair value of plan assets	6,150,000	6,805,000	12,955,000
Unrecognised actuarial (loss)/gain	101,000	(1,501,000)	(1,400,000)
Defined benefit asset	<u>1,013,000</u>	<u>70,000</u>	<u>1,083,000</u>

The amount of \$1,083,000 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 \$1,083,000 to the company.

The actual return on plan assets for the year ended December 31, 2001 was as follows:

	Grade 1 Scheme	Grade 2 Scheme	Total
	\$	\$	\$
	<u>359,000</u>	<u>519,000</u>	<u>878,000</u>

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

15 Pension plan...continued

The amounts recognised in the income statement are as follows:

	Grade 1 Scheme \$	Grade 2 Scheme \$	Total \$
Current service cost	168,000	280,000	448,000
Interest on defined benefit obligations	330,000	400,000	730,000
Expected return on plan assets	(418,000)	(448,000)	(866,000)
Net pension costs	<u>80,000</u>	<u>232,000</u>	<u>312,000</u>

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

	2001 \$	2000 \$
At beginning of year	843,000	769,000
Total expenses as shown above	(312,000)	(456,000)
Contributions paid	<u>552,000</u>	<u>530,000</u>
At end of year	<u>1,083,000</u>	<u>843,000</u>

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 for all members, 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.

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

16 Related parties

The largest single shareholder of the company is CDC Group plc (incorporated in the United Kingdom) which owns 44.87% of the company's voting shares. The Government of St. Lucia along with its statutory corporations, National Insurance Corporation and Castries City Council, hold 41.27% of the company's voting shares.

Revenue earned from shareholders represents 8.87% (2000 - 8.45%) of energy revenue. The Government of St. Lucia receives a 10% discount on energy costs.

Transactions with shareholders during the year were as follows:

	2001 \$	2000 \$
National Insurance Corporation		
Interest expense	1,028,485	1,178,395
CDC Group plc		
Management fee	572,484	596,542
Interest expense	704,364	1,070,598
Government of St. Lucia		
Lease payments	100,000	100,000
Loans from shareholders:		
	2001 \$	2000 \$
CDC Group plc		
At beginning of year	7,245,972	10,868,958
Repaid during year	3,622,986	3,622,986
At end of year	3,622,986	7,245,972
National Insurance Corporation		
At beginning of year	13,456,569	15,328,868
Repaid during year	(1,872,299)	(1,872,299)
At end of year	11,584,270	13,456,569

The above loans are fully secured (note 8).

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

16 Related parties...continued

Year end balances arising from sales:

	2001	2000
	\$	\$
Government of St. Lucia and its corporations	4,534,451	10,836,208

17 Commitments

Capital commitments

The company had capital commitments at December 31, 2001 of \$2,993,593 (2000 - \$5,619,787) in respect of Phase 3 of the System Expansion.

Operating lease commitment

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

	2001	2000
	\$	\$
Not later than 1 year	100,000	100,000
Later than 1 year and not later than 5 years	200,000	300,000
	300,000	400,000

18 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.

19 Earnings per share

Earnings per share have been calculated by dividing the net income for the year of \$19,468,099 (2000 - \$21,065,939) by the weighted average number of issued ordinary shares of 11,720,000 (2000 - 11,720,000).

Notes to the Financial Statements

December 31, 2001
(expressed in Eastern Caribbean dollars)

20 Staff costs

	2001	2000
	\$	\$
Wages and salaries	13,929,474	13,163,162
Pension costs – defined benefit plans	541,915	644,152
	14,471,389	13,807,314
Average number of employees	250	251

21 Dividends

	2001	2000
	\$	\$
Interim – \$0.45 (2000 - \$0.55) per share	4,319,346	6,446,000
Final – \$0.70 (2000 - \$0.73) per share	9,158,654	8,204,000
	13,478,000	14,650,000

22 Comparative figures

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

Operating Statistics 1992 – 2001

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Generating Plant (kW)										
Installed Capacity	66,400	66,400	59,900	59,900	44,500	44,500	44,500	40,200	32,900	31,700
Firm Capacity	47,800	47,800	46,700	46,700	32,600	32,600	31,300	28,700	21,800	23,000
Peak Demand	43,300	43,300	41,000	37,200	34,650	32,500	31,850	30,750	28,900	25,200
Percentage growth in peak demand	0.0%	5.6%	10.2%	7.4%	6.6%	2.0%	3.6%	6.4%	14.7%	10.0%
Sales (kWh x 1000)										
Domestic	88,443	85,075	79,491	75,639	69,617	65,653	62,668	56,025	52,442	47,449
Commercial (including Hotels)	137,017	131,863	120,628	108,618	97,248	86,518	85,683	78,802	74,576	64,975
Industrial	12,954	13,250	12,271	11,640	11,287	10,860	12,697	13,160	12,541	11,412
Street Lighting	5,002	3,893	3,271	2,931	2,605	2,185	2,282	2,121	1,906	1,674
Total Sales	243,416	234,081	215,661	198,828	180,757	165,216	163,330	150,108	141,465	125,510
Power Station and Office Use (kWh x 1000)	12,522	12,069	10,800	8,817	8,455	8,189	8,073	6,691	6,285	5,549
Losses (kWh x 1000)	30,601	30,595	29,734	28,236	23,935	24,628	25,171	23,880	22,682	21,073
Units Generated (kWh x 1000)	286,539	276,745	256,195	235,881	213,147	198,033	196,574	180,679	170,432	152,132
Percentage growth in units generated	3.5%	8.0%	8.6%	10.7%	7.6%	0.7%	8.8%	6.0%	12.0%	8.9%
Percentage growth in sales	4.0%	8.5%	8.5%	10.0%	9.4%	1.2%	8.8%	6.1%	12.7%	9.5%
Percentage losses	10.7%	11.1%	11.6%	12.0%	11.2%	12.4%	12.8%	13.2%	13.3%	13.9%
Number of Consumers at Year End										
Domestic	42,548	41,097	39,825	37,956	36,071	33,725	31,858	30,166	28,333	26,593
Commercial (Including Hotels)	5,082	5,102	5,049	4,896	4,843	4,888	4,697	4,444	4,183	3,957
Industrial	112	116	115	119	121	180	141	134	131	133
Street Lighting	18	17	17	17	19	20	17	16	20	17
	47,760	46,332	45,006	42,988	41,054	38,813	36,713	34,760	32,667	30,700
Percentage growth in customers	3.1%	2.9%	4.7%	4.7%	5.8%	5.7%	5.6%	6.4%	6.4%	6.4%
Average Annual Consumption Per Customer (kWh)										
Domestic	2,079	2,070	1,996	1,993	1,930	1,947	1,967	1,857	1,851	1,784
Commercial (including Hotels)	26,961	25,845	23,892	22,185	20,080	17,700	18,242	17,732	17,828	16,420
Industrial	115,661	114,224	106,709	97,815	93,281	60,333	90,050	98,209	95,733	85,805
Street Lighting	277,889	229,000	192,394	172,412	137,105	109,250	134,235	132,563	95,300	98,471
Diesel fuel consumed (Imp. Gall.)	14,860,580	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

Financial Statistics 1992 – 2001

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Units Sold (kWh x 1000)	243,417	234,080	215,661	198,828	180,757	165,216	163,330	150,108	141,465	125,510
Revenue (cents per kWh)	57.9	59.9	52.3	51.3	54.6	52.1	47.7	46.4	47.4	48.5
Summarised Balance Sheet (EC\$000's)										
Fixed Assets (Net)	243,001	248,243	234,159	240,642	166,982	168,736	169,735	133,186	130,442	128,529
Retirement Benefit Asset	1,083	843	–	–	–	–	–	–	–	–
Capital work in progress	19,957	13,485	3,869	507	54,344	638	–	28,050	6,019	922
Current Assets	47,879	45,196	51,731	39,325	48,983	29,529	44,074	41,279	35,866	19,748
Current Liabilities	(46,451)	(41,751)	(45,315)	(37,496)	(28,464)	(27,075)	(37,651)	(23,613)	(18,602)	(21,543)
Total	265,469	266,016	244,443	242,978	241,845	171,828	176,158	178,902	153,725	127,656
Share Capital	80,163	80,163	80,163	80,163	80,163	51,600	51,600	51,600	24,070	6,894
Share Premium	–	–	–	–	–	14,563	14,563	14,563	–	–
Retained Earnings	30,279	24,529	18,187	11,405	6,671	20,796	19,799	15,781	24,207	28,576
Other Reserves & Consumer contributions	23,708	23,761	22,340	21,448	20,007	19,108	16,865	14,359	13,244	10,662
Long Term Debt	91,983	99,216	88,047	95,117	105,597	55,723	62,786	71,707	78,103	68,072
Other Long term liabilities	39,336	38,347	35,706	34,845	29,407	10,038	10,545	10,892	14,101	13,452
Total	265,469	266,016	244,443	242,978	241,845	171,828	176,158	178,902	153,725	127,656
Summarised Income Statement (EC\$000's)										
Operating Revenues										
Electricity	100,450	96,501	87,923	79,203	70,623	60,478	57,658	51,702	48,630	43,086
Fuel Surcharge	40,492	43,773	24,878	22,859	28,008	25,651	20,161	17,618	18,293	17,482
Other	842	837	715	701	629	659	1,444	561	347	492
Total	141,784	141,111	113,516	102,763	99,260	86,788	79,263	69,881	67,270	61,060
Operating Costs										
Fuel (cost over base)	40,367	43,289	24,678	22,695	27,357	25,809	19,999	17,278	18,096	17,208
Generation O&M	14,498	12,459	12,564	16,690	19,861	15,056	14,164	13,227	12,496	9,954
Transmission & Distribution	11,925	12,373	10,130	10,072	9,665	9,523	9,080	8,628	10,170	8,975
Administrative & Selling	18,305	16,356	14,054	12,393	10,879	10,314	10,249	7,409	5,127	4,680
Depreciation	18,893	17,639	16,974	13,857	12,025	11,649	10,222	8,513	7,988	7,732
Total	103,988	102,116	78,400	75,707	79,787	72,351	63,714	55,055	53,877	48,549
Operating Income	37,796	38,995	35,116	27,056	19,473	14,437	15,549	14,826	13,393	12,511
Interest expense	9,360	7,574	8,259	7,055	6,644	6,987	7,640	6,614	6,538	7,440
Foreign exchange (gain) loss	(3)	–	(5)	–	27	48	(2,551)	1,912	3,309	(9,412)
Net Income before tax	28,436	31,421	26,862	20,001	12,802	7,402	10,460	6,300	3,546	14,483
Taxation	8,968	10,294	8,261	6,926	3,673	–	–	–	–	–
Net Income after tax	19,468	21,127	18,601	13,075	9,129	7,402	10,460	6,300	3,546	14,483
Dividend declared	13,478	14,711	11,819	8,341	7,207	6,405	6,442	3,696	1,474	890
Retained Earnings for year	5,990	6,416	6,782	4,734	1,922	997	4,018	2,604	2,072	13,593
Retained Earnings beginning of year	24,529	18,187	11,405	6,671	20,796	19,799	15,781	24,207	28,576	14,983
Transfer to retirement benefit reserve	(240)	(74)	–	–	–	–	–	–	–	–
Scrip Share Issue	–	–	–	–	–	–	–	(11,030)	(6,441)	–
Prior year adjustment	–	–	–	–	(16,047)	–	–	–	–	–
Retained Earnings end of year	30,279	24,529	18,187	11,405	6,671	20,796	19,799	15,781	24,207	28,576
Return on Rate Base	11.08%	10.68%	10.47%	8.15%	8.28%	8.01%	8.25%	9.24%	9.18%	9.73%
Earnings per share (EC\$)	\$1.66	\$1.80	\$1.58	\$1.10	\$0.86	\$0.70	\$0.99	\$0.90	\$0.56	\$2.91
Dividend per share (EC\$)	\$1.15	\$1.25	\$1.00	\$0.70	\$0.60	\$0.60	\$0.60	\$0.58	\$0.43	\$0.43
Debt/Equity Ratio	53/47	48/52	49/51	51/49	45/55	40/60	44/56	47/53	60/40	64/36