FOUNDATIONS

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

ANNUAL REPORT 2021

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THEME STATEMENT

2021 saw a continuation of the global battle with the COVID-19 pandemic. Governments, organisations and people struggled through the curfews, hybrid work, conferences, meetings and schooling, the frequent adjustments to protocols, the health care challenges and the general air of uncertainty.

There were some additional challenges brought on by the extended impact of the pandemic – international supply chain and logistics issues which had their ripple effects on the local economy and business operations. There were new-found opportunities and learnings too as we explored ways around these complications and learnt to live with COVID-19.

All this impacted LUCELEC operations, in one way or another, and tested the foundation on which the Company stands – provision of a safe and reliable electricity supply at a reasonable cost, delivering value for all stakeholders. Despite the challenges, we were able to do that, while simultaneously developing expanded and sturdier foundations for the Company's success in the future.

A key output was the development of our new Strategic Business Plan looking towards 2035. This plan builds on the cornerstones we have established through our core capabilities and infrastructure to expand our offerings to customers. The plan challenges LUCELEC to actively engage at the crossroads of energy and other sectors to help drive Saint Lucia's sustainable energy goals and economic development.

Through the efforts of our people and the shift of our culture into a more proactive, innovative organisation we are committed and excited to build on the foundations we have established to shape Saint Lucia's energy future.

CORPORATE INFORMATION

Vision
To be the energy that powers our nation's success

Mission
We deliver efficient energy services that are safe, reliable, and environmentally responsible. We meet the expectations of our customers, shareholders and employees and we are a catalyst for social and economic development in Saint Lucia.

Core Values
Accountability, Excellence, Caring, Ethics

Registered Office
LUCELEC Building
Sans Soucis, John Compton Highway
Castries , Saint Lucia
Telephone Number: 758-457-4400
Fax Number: 758-457-4409
Email Address: connected@lucelec.com
Website: www.lucelec.com

Attorneys-At-Law
McNamara & Company
20 Micoud Street
Castries, Saint Lucia

Auditor
BDO Saint Lucia
Mercury Court, Choc
Castries, Saint Lucia

Bankers
CIBC FirstCaribbean International Bank
Bridge Street
P.O. Box 335/336
Castries, Saint Lucia

Bank of Saint Lucia Limited Bridge Street
P. O. Box 1862
Castries, Saint Lucia

LUCELEC 2021 VITAL STATISTICS

276
Number of Employees

352.9M
Unit Sales (kWh)

EC$294.8M
Annual Revenues

70,744
No. of Customers

60.9
Maximum Demand (MW)

88.4
Available Generation (MW)

3
Solar (MW)

50
Frequency (Hz)

66
Transmission Voltage (kV)

11
Distribution Voltage (kV)

240
Customer Supply Voltage (V) Single Phase

415
Customer Supply Voltage (V) 3 Phase

LUCELEC 2021 CORPORATE PERFORMANCE[1]

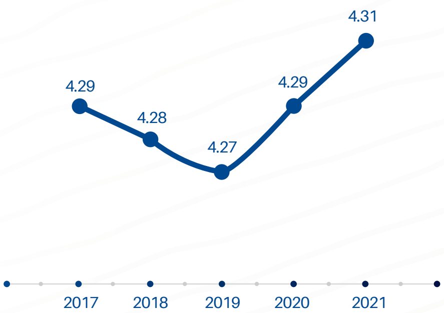
Indices	Measure of Success	Target	Performance
Improve Financial Performance	Profit After Tax/Net Income	$26.34M	$37.61M
	Improved Working Capital	Current Ratio of 1.6	1.8
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.30 kWh/litre	4.31 kWh/litre
	SAIDI (System Average Interruption Duration Index)	6.90 hours	4.66 hours
	SAIFI (System Average Interruption Frequency Index)	6.70	5.66
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items 87.0%	89.8%
Cost Management - Efficient & Aligned Core & Supporting Processes	MWh Sold/FTE	1,222.30	1,278.53
	Total Operating Cost/ kWh Sold	$0.295	$0.269
	System Losses	6.25%	6.28%
Proactive Risk Management Process	All Injury/Illness Frequency Rate	0.34	0.37
Strategic Human Resources Management - Demonstrate Effective Leadership & Management	Employee Engagement Levels (Implementation)	Implement 90% of Employee Engagement Plan by End of Year	96%
	Employee Engagement Levels (Survey)	Achieve 80% on results of survey to assess Employee Engagement Levels	81%

[1]Note the results here are for St. Lucia Electricity Services Limited (LUCELEC) **only**; not for the Group.

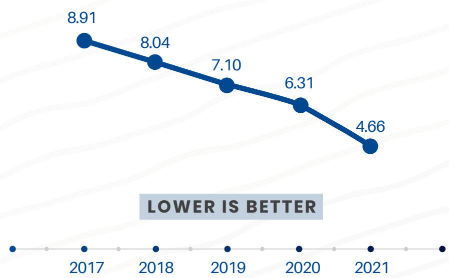
LUCELEC 2022 CORPORATE TARGETS

Indices	Measure of Success	Target
Increase Long-term Shareholder Value	Profit After Tax/Net Income	$31.5M
	Improved Working Capital	Current Ratio of 1.50
High Quality, Competitive Offerings To Manage My Energy Needs	Fuel Efficiency	4.3 kWh/litre
	SAIDI (System Average Interruption Duration Index)	6.03 hours
	SAIFI (System Average Interruption Frequency Index)	5.98
	Stakeholder (Customer) Satisfaction Score	89%
Identify & Realize Process Efficiency Opportunities	2035 SBP Execution (Energy Solutions & Efficiency)	Implement 85% of Initiative Work Plan by EOY
Collaborate With The Ecosystem on Accelerating Growth	Total Cost/kWh Sold	$0.286
Build & Execute A Pipeline of Diversification Opportunities	System Losses	6.3%
	All Injury/Illness Frequency Rate	0.40
Build A Culture of Innovation, Resilience & Accountability, Hungry For Building Sustainable Future	Employee Engagement Levels (Implementation)	Implement 90% of Employee Engagement Plan by End of Year
	Employee Engagement Levels (Survey)	Achieve 80% on results of survey to assess Employee Engagement Levels
Proactively Engage Employees In our Transformation	2035 SBP Execution (Enablers)	Implement 85% of Initiative Work Plan by EOY

5 YEAR OPERATIONAL AND FINANCIAL PERFORMANCE

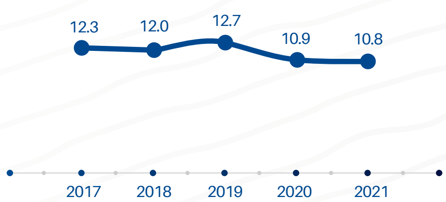


Fuel Efficiency
(kWhs/Litre)

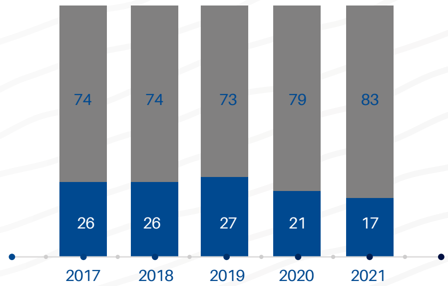


SAIDI
(Hrs)

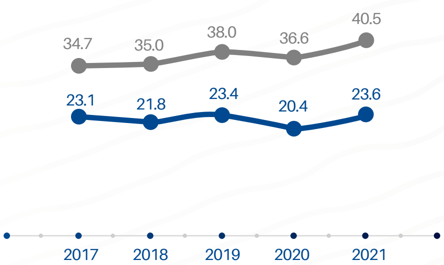
System Losses
(%)



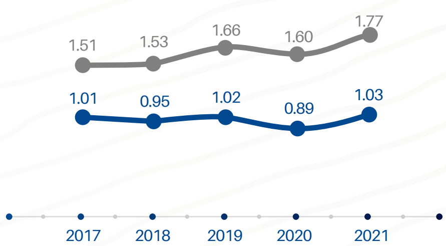
Return on Equity
(%)



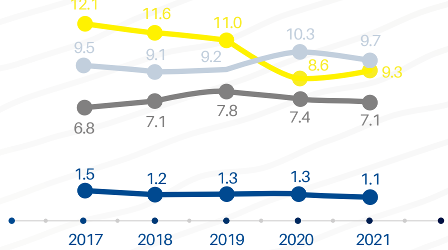
Debt/Equity Ratios
(%) Debt Equity



Dividends/Profit after Tax
(EC$Millions) Dividends PAT



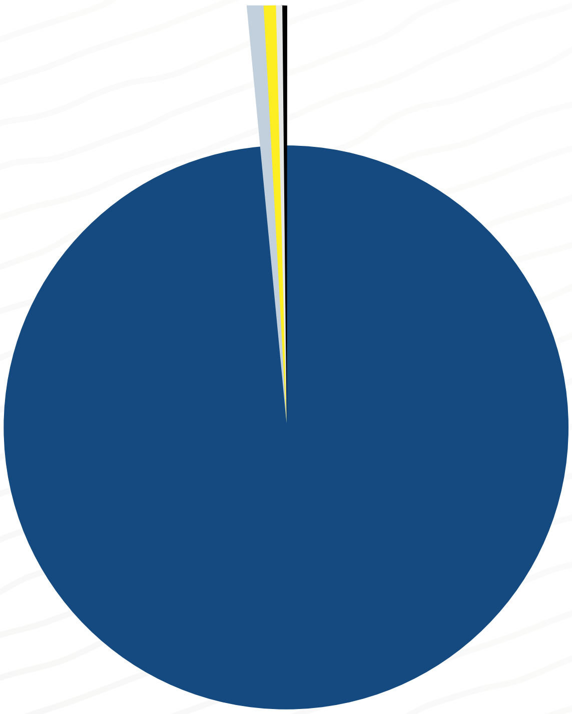
Earnings & Dividends Per Share
(EC$) DPS EPS



Cost Per Unit
(EC Cents) T&D Generation Admin Finance

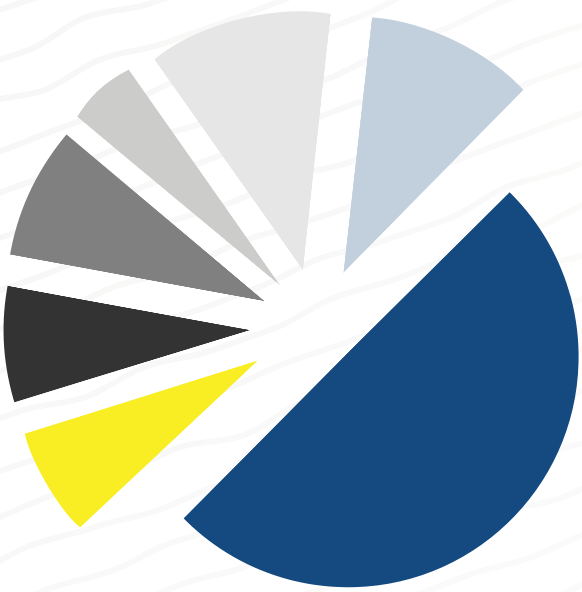
2021 FINANCIAL HIGHLIGHTS

(with 2020 comparisons)



Where the LUCELEC Dollar Came From	2021	2020
	%	%
Sale of Electricity	98.6	98.3
Borrowings	0.0	0.0
Consumer Contributions And Deposits	0.7	0.9
Investment Income	0.2	0.2
Sundry Income	0.5	0.6
	100.0	100.0

Sale of Electricity
Borrowings
Consumer Contributions and Deposits
Investment Income
Sundry Income



How the LUCELEC Dollar was spent	2021	2020
	%	%
Payroll Costs	10.6	12.5
Fuel and Lubricants	50.6	41.9
Purchase of Fixed Assets	7.2	9.8
Debt Servicing	7.7	6.2
Dividends	8.2	7.6
Payments to Government	4.1	7.2
Operations	11.5	14.8
	100.0	100.0

Payroll Costs
Fuel and Lubricants
Purchase Of Fixed Assets
Debts Servicing
Dividends
Payments to Government
Operations

CHAIRMAN'S MESSAGE

The COVID-19 pandemic continued to dominate world affairs in 2021, including the energy and electricity industries. Its extended impact on our lives, the global economy, travel, and business operations ebbed and flowed as we dallied between spurts of recovery and setbacks as new variants emerged. Nonetheless, 2021 saw a determined push towards 'normalcy' across the globe with increasing COVID-19 vaccination rates, loosening pandemic-related restrictions, and increased economic activity. This is the context for the Company's performance for 2021 and as we look ahead to 2022.

Industry Overview - International

In the global energy and electric utility industry, crude oil prices increased as economic activity and demand rose in the latter part of 2021. The price of oil averaged the highest it has been for the past three years, resulting in increases in electricity prices. It is anticipated that oil and fuel prices will continue to rise in 2022 averaging approximately US$11 per barrel more than in 2021[2]. If the current conflict in Ukraine continues, oil prices are likely to be even higher, as evidenced by the markets' immediate response to news of the invasion.

Despite rising cost for key materials used to make solar panels and wind turbines, renewables' percentage of the energy mix continued to grow at the expense of conventional generation. That trend is expected to continue in 2022.

Developing smarter, more resilient grids, maintaining system security, improving disaster response, and integrating renewable and distributed energy resources into the grid remained major imperatives for 2021. These tough challenges remain and utilities will continue to grapple with those while keeping costs down. To tackle this tall order, the industry will "likely continue to advance in its "3D" transformation: decarbonization, digitalization, and decentralization"[3].

Industry Overview - Local

In St. Lucia, tourism, the main economic driver, registered a 52% improvement in stayover arrivals over 2020, although total arrivals (stayover, cruise and yachts) were well below 2020 and 2019 levels given the late return of cruise ships to our shores. This helped drive a slight improvement in economic activity and electricity demand.

The Company continued to focus its operations and capital expenditure programme only on what was absolutely necessary to manage risks, maintain a safe and reliable service, and preserve LUCELEC as a viable business entity.

The higher oil prices were reflected in higher electricity tariffs in 2021.

Challenges

A constantly present challenge for the Company during 2021 was keeping the lights on with increasing COVID-19-related absences, but the firm foundations of the protocols developed in 2020 served the Company well. We were not so fortunate with supply chain issues which delayed some of our projects. Acquiring land for renewable energy projects remained a challenge and may continue to be for some time. Unless alternative strategies are employed, renewable energy projects and their attendant benefits may continue to be delayed.

Sadly, despite extensive upgrades to the entire ventilation system, work on solving the air quality challenges at the Sans Souci Customer Service Offices continues into 2022. We remain hopeful that office will be reopened to the public shortly.

Company Performance

Given the prevailing conditions in 2021, the Company's overall performance is commendable. There were increases in electricity sales and total revenue. Profit after Tax, Earnings per share and retained earnings for the Group increased, while Return on Equity for the Group was only marginally lower than the prior year.

LUCELEC achieved target or better on 10 of its 12 measures of success and between threshold and target on the remaining two. Remarkably, the Company had its best reliability and customer satisfaction performances on record.

Outlook for 2022

2021 closed the book on our 2020 Strategic Business Plan. The Company was reasonably successful in implementing most of the proposals in the 'old plan', although COVID-19 coming in the final year of implementation resulted in delays on some major projects. Despite the constraints of the pandemic, the Company successfully developed a new Strategic Business Plan with broad-based stakeholder consultation. This plan will guide the decisions and investments LUCELEC makes to create greater value for all its stakeholders from now through 2035. It identifies where LUCELEC can better collaborate with others to address the country's needs including economic development, education system strengthening, internet accessibility, and energy efficiency. We are excited to explore these initiatives with government, the business community, and other partners. Critically, the plan embraces the "3D" transformation: decarbonization, digitalization, and decentralization, that industry experts identify as essential for tackling the tough challenges ahead for utilities. In that regard, we believe, the plan builds on the firm foundations that the Company has developed over the years while challenging us to be more agile, more proactive, given the rapidly changing operating environment.

There is the expectation of some measure of economic recovery in 2022. The Company anticipates increases in unit sales, decreasing bad debt

provision, but increasing costs to maintain safety and reliability of the transmission and distribution network. Therefore, the following broad strategic objectives remain as priorities in 2022: achieve the minimum allowable rate of return of 10% to ensure an automatic increase in the base tariff is not triggered, manage cash flow, optimize operating costs and capital expenditure, manage risks, maintain a safe and reliable service, and preserve LUCELEC as a viable business entity.

There is also the expectation that a new suite of regulations will be enacted during the year to replace the existing Electricity Services Act (ESA) that will govern our operations going forward.

The Company will also be seeking to move forward with some of its critical capital projects to continue modernizing towards a smarter and more resilient grid and transforming its overall operations in keeping with the thrust of the new Strategic Business Plan.

Conclusion

Even as the world is beginning to learn to live with COVID-19, there is potentially more disruption on the horizon with the events taking place in eastern Europe. Only time will tell its impact on a global and local economy that is already fatigued from the extended shocks of COVID-19. The last things we need are further supply chain disruptions and more rising prices that will shake the social and economic foundations of vulnerable states like ours. It seems like, my closing comments in last year's Annual Report are just as relevant today - the Company must proactively collaborate with the ecosystem to better manage and respond to such shocks to ensure our collective capacity to not just survive, but thrive.

I take the opportunity to express my appreciation for the support of the other Directors on the Board of St. Lucia Electricity Services Limited, the Directors of the subsidiaries (LUCELEC Cap Ins Inc., and Energyze Holdings Inc.), and the management and staff of LUCELEC for the effort they continue to put in every year to ensure we have decent results to report on, and continuously build on the solid foundation we have laid over the years.

John Joseph
Chairman

[2]Oil Price Forecast 2022-2050 - https://www.thebalance.com/oil-price-forecast-3306219
[3]ditto 2022 Power and Utilities Industry Outlook - Deloitte accessed: https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/power-and-utilities-industry-outlook.html February 23, 2022.

2021 LUCELEC RESULTS

3
Solar (MW)

174
Distributed Generation (# of systems)

1.49
Distributed Generation (MW)

89.8%
Customer Satisfaction Index

81%
Employee Engagement Index

4.31
Fuel Efficiency (kWh/litre)

1,278.53
MWh Sold/ FTE

0.37
All Injury Frequency Rate (AIFR)

4.66
SAIDI (Hours)

5.66
SAIFI

6.28
System Losses

EC$ 0.269
Total Operating Cost/ kWh Sold

78
Miles of Transmission (66 kV) Lines

2,767
Miles of Distribution (11kV) Lines

60.9
Maximum Demand (MW)

BOARD OF DIRECTORS

John Joseph
Acc. Dir. - Chairman

John Joseph was appointed to the Board of Directors of St. Lucia Electricity Services Limited in January 2016 representing minority shareholders. Mr Joseph is the Chairman of the Board's Strategic Planning and Investments Committee and a member of the Human Resources Committee.

Mr Joseph is a consultant and regional associate consultant with Water and Waste Water Solutions of Canada (WWWS) specializing in the utilities sector. He has an MBA (Corporate Finance) from Fairleigh Dickinson University and a BSc in Economics (Upper Second-Class Honours) from The University of the West Indies as well as over thirty (30) years' experience in the utilities sector.

Trevor M. Louisy
Acc. Dir. – Managing Dir.

Trevor Louisy was appointed to the Board of Directors of St. Lucia Electricity Services Limited on January 1, 2004 and is the Managing Director of St. Lucia Electricity Services Limited. He holds a BSc in Electrical Engineering and is a member of the Board's Human Resources and Strategic Planning and Investments Committees.

Charles Serieux
Acc. Dir.

Charles Serieux was appointed to the Board of Directors of St. Lucia Electricity Services Limited on December 2, 2016 representing minority shareholders. Mr Serieux is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a member of the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC). He has been the Managing Director of Ultramart Inc. chain of supermarkets since 2003. Mr Serieux is the Chairman of the Board's Audit Risk and Compliance Committee, a member of the Governance Committee and, the Board representative on the LUCELEC Staff (Grade II) Pension Scheme.

Calixte I. S. N. George
Director

Calixte I. S. N. George was appointed to the Board of Directors on August 17, 2021, by the Government of Saint Lucia. Mr George has varied professional experience in Public Administration and Policy, Construction, Media and Communications. He is a University of the West Indies Open Scholar with an academic background in Electrical & Computer Engineering (Communication Systems) and is also certified in Solar PV Design & Installation. He is a member of the Board's Governance and Strategic Planning & Investment Committees.

Geraldine Lendor-Gabriel
Acc. Dir

Geraldine Lendor - Gabriel was appointed to the Board of St. Lucia Electricity Services Limited on October 19, 2021 by the Castries Constituencies Council. She is a Certified General Accountant and also the holder of an MSc in Environmental Management (University of Derby in the UK,) and a BSc (Hons) in Economics and Management (UWI, Cave Hill, Barbados). Ms Lendor-Gabriel is currently the Mayor of Castries. She has over 25 years' experience in the field of Finance and Accounting, over 15 years in the area of Waste and Environmental Management, and over 10 years in human resource development. Ms Lendor -Gabriel is a member of the Board's Strategic Planning and Investments and Governance Committees.

Dr Frederick Isaac
Director

Dr Frederick Isaac was appointed to the Board of Directors of St. Lucia Electricity Services Limited by the National Insurance Corporation (NIC) on November 15, 2019. Dr Isaac is a multi-disciplinary consulting engineer. He has been the Chairman of Smart Technologies since 2019 and Energy & Advance Control Technologies since 2007. Dr Isaac is a member of the Board's Strategic Planning and Investment and Audit Risk and Compliance Committees.

Evaristus Jn Marie
Acc. Dir.

Evaristus Jn Marie was appointed to the Board of St. Lucia Electricity Services Limited on November 5, 2021 by the National Insurance Corporation (NIC). Mr Jn Marie is currently the NIC Chairman and has been the Managing Director of Jn Marie & Sons Ltd since 1997. He is the holder of an MSc in Project Management from Salford University in Manchester, England, and a Member of the Association of Accounting Technicians. Mr Jn Marie is a member of the Board's Audit Risk and Compliance and Human Resources Committees.

Roger Blackman
Acc. Dir.

Roger Blackman was appointed to the Board of Directors of St. Lucia Electricity Services Limited by Emera (St. Lucia) Limited on March 19, 2016. Mr Blackman is a Mechanical Engineer by profession and holds a BSc in Engineering from The University of the West Indies, St. Augustine Campus and an MBA from Durham University, UK. He is also the Managing Director of Barbados Light & Power Company Limited. Mr Blackman is a member of the Board's Strategic Planning and Investments and Audit Committees.

Sharon Christopher
Acc. Dir.

Sharon Christopher was appointed to the Board of Directors of St. Lucia Electricity Services Limited by Emera (St. Lucia) Limited on May 13, 2016. Ms Christopher is the Chief Executive Officer of Sharon Christopher and Associates. She is an Attorney at Law, a leadership development coach and a motivational speaker. She holds an LLB (Upper Second - Class Honours), a Legal Education Certificate (LEC), and an LLM in Corporate Law. Ms Christopher is the Chairperson of the Board's Human Resources and Governance Committees.

Lindi Ballah - Tull
Director

Lindi Ballah - Tull was appointed to the Board of Directors of St. Lucia Electricity Services Limited by First Citizens Bank Limited on May 12, 2019. She is currently the Group Corporate Secretary/Head - Legal, Compliance and Governance of the First Citizens Group. She has 30 years' experience in the field of Corporate Law and Banking. Mrs Ballah - Tull holds a Bachelor of Laws (LLB) (Honours) from The University of the West Indies, Cave Hill, Barbados and a Legal Education Certificate (LEC) from the Hugh Wooding Law School, St Augustine, Trinidad and Tobago. She holds membership in the Law Association of Trinidad and Tobago and the Corporate Governance Institute of Trinidad and Tobago. She is a member of the Board's Audit Risk and Compliance Committee and Chairperson of the Governance Committee.

Professor Sterling Frost

Professor Sterling Frost was appointed to the Board of Directors of St. Lucia Electricity Services Limited by First Citizens Bank Limited on April 27, 2021. He joined the First Citizens Group in 2016 as Deputy Chief Executive Officer – Operations and Administration. Professor Frost holds a Master's degree and a Doctorate in Business Administration from The University of the West Indies. Professor Sterling Frost has three decades of global corporate career experience in North America, Latin America and the Caribbean region. He currently serves on the Board's Governance and Strategic Planning and Investments Committees.

DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2021.

Principal Activities

The Company's principal activities consist of the generation, transmission and distribution of electricity. There were no significant changes to the nature of the Company's activities during the year.

Directors

The Directors of the Company since the 56th Annual Shareholders Meeting were:

Non-Executive Directors:

- Mr John Joseph
- Dr Frederick Isaac
- Mr Frank V. Myers (Resigned August 3, 2021)
- Ms Sharon Christopher
- Mr Roger Blackman
- Mr Leslie Prospere (Resigned July 27, 2021)
- Mr Nicholas John (Resigned July 29, 2021)
- Mr Charles Serieux
- Ms Lindi Ballah-Tull
- Mrs Carole Eleuthere-Jn Marie (Resigned April 27, 2021)
- Ms. Geraldine Lendor Gabriel (Appointed October 19, 2021)
- Mr. Evaristus Jn Marie (Appointed November 5, 2021)
- Professor Sterling Frost (Appointed April 27, 2021)
- Mr. Calixte I. S. N. George (Appointed August 17, 2021)

Executive Director:

- Mr Trevor M. Louisy

Financial Results

The Company sold 352.9 million kWhs of electricity, a 4.9% increase from the previous year, attributable to increases in sales to the Domestic, Hotel and Industrial sectors, despite reductions in sales to the Commercial and Street Lights sectors. Total revenues were EC$294.8 million, a 13.3% increase compared to the previous year due to an increase in unit sales and tariffs.

Net profit for the year for the Group was EC$40.5 million, an increase of 10.7% compared to the previous year.

The Group achieved Earnings per Share of EC$1.77, an increase of 10.6 % compared to 2020 (EC$1.60).

Assets acquired during the year amounted to EC$20.7 million comprising mainly of upgrades to the transmission and distribution network, building and construction, station improvements and engine overhauls.

Dividend

The Board of Directors declared a total dividend of EC$0.97 per ordinary share for 2020. The Company paid an interim dividend in December 2021 of EC$0.45 per ordinary share.

In 2022, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2021 financial year.

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company during the financial year.

Events Subsequent to Balance Sheet Date

Apart from the matters described under this heading and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since December 31, 2021 that have significant effect or may significantly affect the operations of the Company in subsequent financial years, the results of those operations, or the state of affairs of the Company in future years.

By order of the Board of Directors

Gillian S. French
Company Secretary

MANAGEMENT TEAM

Trevor M. Louisy
Managing Director

BSc (Electrical Engineering), Acc. Dir.

Victor Emmanuel
Business Development Manager

MSc (Information Systems Engineering), BEng (Electrical Engineering)

Gilroy Pultie
Chief Engineer

MBA (Finance), BSc (Electrical & Computer Engineering), Acc. Dir.

Ian Peter
Chief Financial Officer

FCCA, BSc (Management Studies)

Sharon Narcisse
Senior Human Resource Manager

MSc Management (Human Resource Management), PGDip (Human Resource Management), BA (Business Administration), AS (Computer Information Systems)

Francis Daniel
Manager
Strategy Dev. & Implementation

MPM (Project Management), BSc (Electrical Engineering)

Jevon Nathaniel
Generation Engineer

MSc (Computer Science), BSc (Electrical Engineering)

Gary Eugene
Transmission & Distribution Manager

MEng (Electronics Engineering), Registered Professional Engineer

Wynn Alexander
Information Systems Manager

M. Eng. Internetworking, BSc (Computer Science), Dip. Financial Management, Dip. Business Administration, PMP, CISM

Jennifa Flood-George
Customer Service Manager

BSc (Management Studies /Psychology)

Roger Joseph
Corporate Comm. Manager

MA (International Communication & Development), Dip. Mass Communication

Gillian French
General Counsel/ Company Secretary

LLB (Hons) LEC MRP (Telecommunications with Distinction), Acc. Dir., ACIS

Bridget Ziva Phillips
Finance and Accounts Manager

FCCA, MBA (Finance), BSc Economics & Accounting, Acc. Dir.

Callixta Branford
Internal Audit Manager

CPA, CGA, CIA

Cornelius Edmund
Planning Manager

MSc (Electrical Engineering - Systems and Networks); Fellow of the Association of Professional Engineers of Saint Lucia, Registered Professional Engineer, Saint Lucia

(retired July 1, 2020 and was appointed on contract from August 3, 2020 to August 2, 2021)

Maxine Leon
System Control Engineer

BSc Electrical & Computer Engineering

Ormond Reece
Planning Manager

MSc. (Electrical Power Systems); BSc. (Electrical and Computer Engineering)

(appointed November 1, 2021)

OPERATIONS REVIEW

As the COVID-19 pandemic continued its protracted impact on world economies in 2021, LUCELEC remained focused on managing risks, ensuring a safe, reliable and cost-effective energy service to all of St. Lucia, and preserving LUCELEC as a viable business. The foundations laid in 2020 for successfully navigating the uncertainties of operating in a pandemic, held the Company in good stead. Despite increased absences arising out of community spread, the Company, once again, managed to limit work-place infections and spread.

Overall, energy demand increased gradually as economic activity picked up slowly, but demand remained below pre-COVID-19 levels. Supply chain disruptions resulted in delays on some projects. Nonetheless, the Company delivered one of its best operational performances, exceeding nearly all its targeted indices.

[4]See Corporate Performance Table on page 4

Corporate Performance[4]

Of the 12 performance targets approved by the Board of Directors for 2021, the Company achieved target or better on 10, and between target and threshold on two.

The Company performed better than target for Profit After Tax, Working Capital Ratio, System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), Fuel Efficiency, Customer Satisfaction, Megawatt Hours Sold per Full Time Employee (MWh Sold/FTE), Total Cost per Kilowatt Hour Sold (Total Cost/kWH Sold), Employee Engagement Levels – Implementation and Employee Engagement Levels – Survey. Performance for System Losses and All Injury/Illness Frequency Rate (AIFR) was between target and threshold.

Importantly, the Company's performance in those indices that impact customers the most - customer satisfaction, the frequency and duration of power interruptions, and fuel efficiency – was well above target. The efforts by staff at all levels, and the improved focus and understanding of what needed to be done to close the performance gap was obvious. Also, in the two areas where the Company marginally missed the targeted performance, it should be noted that System Losses increased as a result of increased sales, while external influence ruined a zero-accident trend that had lasted 33 months, resulting in an AFIR just below target.

Strategy Management

Recognizing the unpredictable nature of business brought on by the pandemic, in 2021 the Company continued with its proactive stance to implement its "COVID-19 Short to Medium Term Action Plan." This plan was based on four possible scenarios of what the post COVID-19 external and local operating environment could look like. It required adjustments to the Company's capital and operating work programmes, such that expenditure was reduced without adversely affecting the quality, reliability and safety of supply in the short term. The results have justified this approach.

However, recognizing that the energy sector is rapidly evolving, and there is a need for LUCELEC to leverage available opportunities to build on the solid foundation laid over the years to secure its future as a strong, sustainable, and profitable utility, the Company utilised the first half of 2021 to develop a strategic business plan to span the period 2022 – 2035. This plan maps out three transformative vision milestones. The first sub-horizon of the plan is 2025, and focuses on four related, ambitious outcomes: increase long-term shareholder value, reduce the impact of high-cost diesel fuel, contribute to growth of the local economy, and profitably enter adjacent business opportunities.

The transition to aggressive implementation of the initiatives to drive these objectives will be challenging given the level of change management and resources required. Hence, management, through the Office of Strategy Management has set out to strengthen its strategy governance process to allow dynamic management of the strategy, and broad engagement from the entire organization.

Update on Strategic Initiatives

The Company's Strategic Business Plan looking towards 2020 (which was extended into 2021 as a result of the pandemic) identified key strategic themes as the highest priorities for focused action by the Company. These were: System Improvement and Enhancements (includes renewable energy), Developing a Culture of Customer Care, Implementation of the Human Resource Strategic Plan, Cost Optimisation and Management, Development of an Enterprise-wide Risk Management System (includes regulatory reform), and Environmental Stewardship. The Company's efforts in these areas were led by various cross functional teams who engaged additional expertise as required to drive the initiatives linked to these themes.

In response to the pandemic, and the Company's COVID-19 Short to Medium Term Action Plan developed in 2020, much of the work associated with these initiatives was deferred as a result of a combination of cost management imperatives and the unavailability of external resources due to travel restrictions and supply chain disruptions. Some of the initiatives in progress, and which were foundational to the Company's continued success in the future, were incorporated into the new Strategic Business Plan. The updates summarised below, report on the progress of strategic initiatives in what was considered the final year of the previous Strategic Business Plan.

System Improvements and Enhancements
(including renewable energy)

The progress made on the strategic initiatives in this area was due to the solid foundation built over the years that has allowed us to quickly recover in the face of adversity.

The Company continued to develop the project plans for the introduction of a 7.5 megawatt (MW)/3 MWh utility scale battery storage system in Vieux Fort as well as a 10 MW solar PV with battery storage system on the east coast. In November, the project to replace the aging 66 kilovolt (kV) switchgear in the Castries Substation commenced.

In 2022 the 2nd phase of the first utility scale battery storage system will commence and will serve to further reduce fossil fuel usage in the generation of electricity. Unfortunately, supply chain challenges will push the start of commercial operation into 2023. Similarly, the project to replace the Castries Substation 66 kV switchgear will make substantial progress during 2022, but will be commissioned in 2023. The fibre network that will form the backbone for a smart grid will go through punch list repairs and final checks before it is handed over to LUCELEC in the first quarter of 2022.

Customer Care

Throughout 2021, the direct and indirect impacts of the COVID-19 pandemic continued to test the resilience of the Company's operations and systems. The Customer Service Department kept a sharp focus on ensuring business continuity, boosting staff morale and enhancing customer satisfaction, by building on the foundations established at the onset of the pandemic in 2020.

During the first half of 2021, walk-in services were available only at the Rodney Bay office, with the Southern office coming on stream in late June 2021, albeit at a new location on the Vieux Fort/Laborie highway. The Sans Souci Office remained unavailable for the year whilst remedial work was ongoing to fully resolve air quality concerns. Over time, the team reviewed and adjusted previously streamlined walk-in services, as well as remote service delivery systems developed in 2020, in an effort to remain flexible and responsive to customers' needs. All this was achieved against the backdrop of lower than usual electricity sales, high accounts receivables and manpower constraints arising from COVID-19 related absences.

The dedicated efforts of teams across the Company resulted in a performance improvement in both customer satisfaction surveys conducted during the year. The mid-year Exit Survey, which measures the level of customer satisfaction with walk-in and remote service delivery, resulted in a satisfaction rating of 88.7%. The annual Customer Satisfaction Survey, which focuses on the Company's overall service offerings, yielded a score of 89.8%.

A number of initiatives in the 2035 Strategic Business Plan to improve service efficiency and customer satisfaction started in 2021. These included the commencement of an omni-channel customer service support software system (Zoho Desk) which will facilitate the management of customer conversations across multiple channels such as email, chat, phone, social media, and the Company's website. In addition, Zoho Desk will automate repetitive manual tasks, and manage complex cross-functional service processes to improve efficiency and promote accountability.

Initial preparations for the upgrade of the Cayenta Utilities (CU) Customer Information System commenced in 2021 and will be completed in 2022. The availability of a technologically advanced version will provide the foundation for the roll out of other energy services and customer solutions in the future. Customers can look forward to doing more business online whilst saving time and money.

Going forward, the Company will continue to engage customers actively to properly assess their needs and expectations and implement the requisite initiatives to address them.

Enterprise Risk Management

In 2020 Management implemented GOAT Risk Solutions as its Governance, Risk and Compliance (GRC) software for recording, assessing and managing identified risks to its operations. Prior to this implementation, the Company maintained its risk register in Excel but as a natural progression along its risk maturity journey it became necessary to introduce GRC software that would automate the flow of risk information and improve the Company's visibility of risks to its operations.

To facilitate the next phase of its risk maturity journey, Management has secured additional resources to drive a new initiative designed to embed risk management in the Company's operations and decision-making. The new risk management initiative will seek to delegate the ownership and management of risks within departments, introduce the use of Key Risk Indicators (KRIs) for monitoring risks, drive accountability for measurable outcomes through regular risk update reviews, ensure that the Enterprise

Risk Management Framework is fit for purpose, provide support for presentations to the Audit Risk and Compliance Committee, if required, and facilitate the preparation of Company risk appetite statements.

Human Resources (HR) Strategic Plan
Disruptions to the normal work arrangements continued in 2021. Using the foundation set and lessons learnt in 2020 as a platform, LUCELEC seamlessly continued and enhanced hybrid work approaches. Managers and supervisors utilized various strategies and virtual spaces to ensure their teams remained focused, engaged and productive. Regular town hall and department meetings to communicate Company and departmental plans, staff wellness and engagement activities, formal coaching and feedback sessions, mostly done virtually, contributed to fostering collaborative relationships and ensure alignment of goals and effective leadership. These approaches paid off as the Company realized a better than target Employee Engagement Score of 81%.

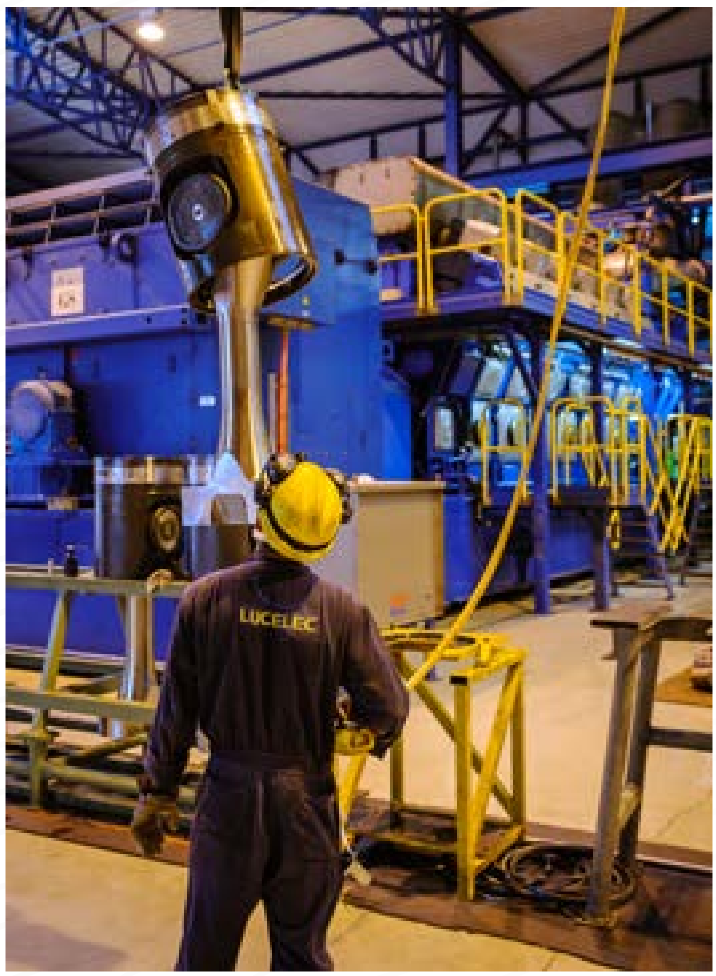
The Human Resources Department (HRD) utilizes the feedback obtained from the Annual Engagement Survey to design an Engagement Plan geared towards addressing staff concerns, and intends to work even more closely with Department Heads to improve communication and employee recognition in 2022.

The Human Resources Department remains dedicated to fulfilling its unique contribution to the achievement of LUCELEC's strategic objectives by defining, measuring, tracking, creating and sustaining critical capabilities at all levels throughout the Company. In this vein, the Department is excited to lead the organizational redesign, performance management system strengthening, lessons learned and role-based competency profile initiatives in 2022 that are foundational to the achievement of the Company's 2035 Strategic Business Plan. These initiatives will be implemented simultaneously with new learning and development opportunities that seek to provide employees with the skills, knowledge, abilities and attitudes that meet the Company's current and future needs.

Operational Performance

Having established the foundational protocols and processes for working through a pandemic in 2020, LUCELEC achieved its best reliability performance ever (4.66 hours) as measured by System Average Interruption Duration Index (SAIDI) - the average total hours in a year that a customer lost power for. This performance, adjusted by the IEEE 2.5 Beta Method for major events, represents a 26% improvement over the prior year. System Average Interruption Frequency Index (SAIFI) performance - the average total number of interruptions in a year that a customer experiences - improved to 5.66, another record low (for both SAIDI and SAIFI the lower the number, the better). The Technical Division's determination to find and deal with the root cause of some issues faced in the first quarter of 2021, resulted in our SAIFI performance gradually improving from below threshold, to exceeding our stretch target by year end.

The Technical Division performed very well on all other technical performance metrics taking into consideration challenges associated with Hurricane Elsa and two system shutdowns in quick succession on the same night.



Generation Department
The Generation Department prides itself on being the heartbeat of LUCELEC, as the electricity supplied to our consumers, starts at the Power Station. Despite an increase in sales of 4.9% over 2020, the demand was met with an improvement in fuel efficiency (4.31 kWh per litre) and an Average Plant Availability of

87%, slightly lower than last year which was a result of higher running hours in 2021. In addition, forced outages of generators had a minimal impact on customers, contributing only 0.26 hours to overall SAIDI performance.

The department demonstrated its solid foundation and resiliency in completing its planned maintenance programme for the year, despite having to take measures to keep COVID-19 at bay. An overhaul was completed on G8 and an overhaul was 80% completed on G9 at year end. A long outstanding operational issue on G8, which prevented it from automatically adjusting its load as the demand changed, was resolved and will help with system stability and reliability. Supply chain issues, as a result of COVID 19, significantly impacted the department's capital work programme.

The Garage and Laboratory both completed their scheduled work programmes, ensuring a high availability of the Company's fleet of vehicles, and that the testing of water, oil and fuel samples were done as required, to ensure the healthy operations of plant.

Three overhauls are planned for 2022 on G7, G6 and G3 along with the replacement of auxiliary equipment which was not completed in 2021 because of supply chain issues. Maintenance audits are also planned for the entire generating plant and in particular Station A, which houses our three oldest engines. This is to ensure the most optimal refurbishing plan to keep these engines going until 2026 when the next phase of generation expansion is likely to come on stream, and to further enhance our maintenance practices.

Transmission and Distribution (T&D) Department

2021 was another challenging year for the T&D Department, due mainly to higher than normal levels of absenteeism as a result of the COVID-19 pandemic, the need to adjust the annual work programme, and dealing with the effects of Hurricane Elsa.

Despite these challenges, because of the strong foundation the department has established in its maintenance planning and disaster restoration efforts, it contributed significantly to the Company's best reliability statistics on record.

Customer requested relocations, new connections and line extensions for new supplies (suspense jobs) were well executed with the vast majority being completed within the stipulated timelines. Street lights, on the other hand, took a battering from Hurricane Elsa and because of supply chain issues, street light repairs and replacements were not to the normal standards of efficiency LUCELEC is known for. The Company expects the situation with street lighting to normalize by May of 2022.

In 2022, one of the main items of focus will be coming up with measures to enhance grid resiliency in support of the 2035 Strategic Business Plan. Along with this, and in collaboration with the System Control department, the T&D department will seek to increase the intelligence in our grid to more quickly identify faults and avoid 11 kV fuses from blowing for transient faults, such as lightning.

System Control

A rebound in electricity usage was evident in every quarter of 2021 other than Q1, with an average monthly increase in system demand of 11% as compared to the average 12.6% monthly reduction in system demand between April 2020 and December 2020.

With primary responsibility for the oversight of LUCELEC operations, System Control actively worked towards ensuring the safe, efficient and reliable provision of electricity as noted earlier in terms of performance against targets. It must be noted that there were three reportable major event days, all in Q3 of 2021, associated with the passage of Hurricane Elsa and consecutive total system shutdowns.

In an improvement over 2020 when the GIS Section had to forgo the majority of its planned data verification and pole labelling work, the Section was able to complete 90% of its 2021 data verification and capture work programme. In similar fashion, the Protection and Control Section continued work to upgrade the protection and control system by replacing 19 relays, installing two new auto-reclosers at Anse Ger and Vieux Fort Highway and replacing five out of six meters used for power and energy measurements. These improvements all contribute to reducing faults, faster fault finding and clearance, better power quality and improved reliability.

In 2022, the department will continue to undertake upgrades of the protection and control system including the installation of four additional auto-reclosers and relay upgrades at Vieux Fort and Union Substations. In addition, the department will deploy Fault Circuit Indicators along with improvements to the co-ordination of protective devices. All of this will facilitate faster fault clearance times and improved fault identification and isolation in order to improve the quality of electricity supply.

Recognizing the importance of having an accurate record of LUCELEC's assets for decision making and planning, the GIS Section will focus on increasing collaboration with operating departments through staff sensitization, training, decentralized GIS data capture, and updating workflows in an effort to increase the currency and accuracy of GIS data.

Facilities Construction and Management (FC&M) Section

The FC&M Section had an extremely productive year, despite having to manage projects in a way to minimize the effect of COVID-19.

The Section oversaw the installation and commissioning of a new 200,000-gallon water tank, an improved water supply from WASCO, and refurbishment of the offices of the Generation management and administrative staff, all at the Cul-de-Sac facility.

The Section also oversaw the establishment of a temporary Customer Service Office in the Martha's Tyre Building along the Vieux Fort–Laborie highway in the South, to allow for the demolition of the existing office in Beanfield and the construction of a more modern building. It also supervised a significant amount of work at the Company's Sans Souci offices to upgrade the entire ventilation and air conditioning systems to deal with ongoing challenges with air quality. Some additional testing has been done, the results of which will determine the way forward.

For 2022, the Section expects to completely refurbish the T&D Building in the South, including upgrading the AC system in Q1, replace the ventilation system and refurbish the washrooms for the basement of Station B before mid-year, redesign offices to accommodate more staff, and establish better facilities at the various depots for the security guards, and install a new potable water and fire distribution system at Cul-de-Sac to bring an end to having to find and repair water leaks on the aged infrastructure.

Aspects of the drainage system at Cul-de-Sac most vulnerable to failure during heavy rainfall will also be addressed in 2022.

Industrial Relations

Collective Bargaining Negotiations with the CSA and the NWU remained outstanding at the end of 2021 due to the escalation of matters by both Unions to the Labour Department for intervention. In the case of the NWU, the matters are currently being discussed with the Labour Minister for resolution.

On September 30, 2021, the Labour Department met with LUCELEC and the CSA to discuss the CSA's disputes. Having received the Labour Department's recommendations in January 2022, the Company awaits the CSA's feedback on whether it intends on resubmitting to the Labour Tribunal, the matters related to the Grade Structure for a decision.

Bearing in mind that the matters escalated by the Unions all have financial implications for the Company, it is important that they are resolved as LUCELEC needs to accurately determine its payroll costs going into negotiations, as well as the sustainability of future salary increases given the prevailing economic conditions. Therefore, the Company is hopeful that these matters are resolved by the end of March 2022 to allow for the commencement of negotiations with the Unions.

FINANCIAL OPERATIONS SUMMARY

EC$294.8M
Total Revenues

EC$ 193.7M
Retained Earnings

10.8%
Return On Equity (ROE)

14.63%
LUCELEC Return on Contributed Capital (Rate of Return)

EC$ 40.5M
Profit After Tax (PAT)

EC$ 0.97
Total Dividend per Share declared For 2020

EC$ 0.45
Interim Dividend per Share declared For 2021

EC$ 20.7M
Capital Expenditure

EC$ 1.77
Earnings Per Share (EPS)

17:83
Debt to Equity Ratio

62
DSO (Days)

CariBBB- (Adequate)
Credit Rating (CariCRIS)

Financial Operations

The following is an analysis of the consolidated results of St. Lucia Electricity Services Limited (the Company) and its subsidiaries - Energyze Holdings Inc. and LUCELEC Cap-Ins. Inc.

Sales & Revenues

The Company experienced an increase in sales of 4.9% compared to an 8.8% reduction in 2020. Sales increased in the Hotel (28.8%), Industrial (5.5%) and Domestic (0.7%) sectors, but decreased in the Commercial (0.2%) and Street Lighting (1.0%) sectors. This performance is primarily due to the reopening of the majority of hotels which had closed down in the prior year as a result of the pandemic.

Total revenue of EC$294.8M was higher than 2020's EC$260.2M by EC$34.6M (13.3%) due to increases in unit sales (EC$16.2M or 4.9%), the average price of electricity (EC$12.6M), unbilled sales provision (EC$4.7M) and sundry revenue (EC$1.1M).

Operating Costs

Generation costs of EC$25.2M (excluding fuel costs) were higher than the previous year's costs of EC$25.0M by EC$0.2M (0.8%) mainly as a result of increases in solar farm maintenance costs incurred of EC$0.1M, payroll costs of EC$0.3M, and building maintenance of EC$0.3M, despite a decrease in depreciation of EC$0.5M.

Transmission and Distribution costs of EC$32.7M increased by EC$3.6M (12.4%) compared to the prior year's EC$29.1M due to increases in depreciation of EC$0.4M, payroll costs of EC$1.4M, software maintenance of EC$0.2M and T&D maintenance of EC$1.8M, despite a decrease in building maintenance costs of EC$0.2M.

Administrative expenditure of EC$34.3M decreased by EC$0.4M (1.2%) from the prior year's EC$34.7M. This was due to increases in payroll cost (EC$0.8M), insurance costs (EC$0.9M), bank charges (EC$0.4M), professional fees (EC$1.0M), and inventory obsolescence (EC$1.0M). These increases were offset by reductions in depreciation and amortisation costs (EC$1.5M), debt collection expenses (EC$0.4M), bad debts provision (EC$2.3M) and repairs and maintenance costs (EC$0.3M).

Finance Costs

Finance costs decreased by EC$0.7M (13.7%) from EC$5.1M in 2020 to EC$4.4M in 2021 due to the decrease in the loan balances as the Company continued to repay its debt in accordance with loan agreements. The weighted average interest rate was 4.58% (2020 – 4.56%).

Profit

The Group achieved a Profit before Tax of EC$57.0M, which was higher than the previous year's result of EC$50.4M by 13.1%.

The Group's Profit after Tax of EC$40.5M increased by 10.7% compared to the previous year's achievement of EC$36.6M.

Earnings per share for the year for the Group was EC$1.77 (2020 – EC$1.60), an increase of 10.6% compared to the prior year.

The Group achieved a Return on Equity of 10.8% (2020 – 10.9%). The deterioration in this ratio is as a result of the increase in the retained earnings ($13.7M). However, the Company achieved a Return on Contributed Capital (Rate of Return) of 14.63% as compared to 13.30% in 2020. The Rate of Return achieved is above the allowable range of 10% to 14.33% as stipulated by the existing legislation. As a result, the tariff for 2022 will be reduced for the industrial and hotel sectors.

The Return on Property, Plant and Equipment and Intangible Assets was 10.0% (2020 – 9.0%) and Return on Total Assets was 7.2% (2020 – 6.5%).

Retained Earnings for the Group increased from EC$180.0M to EC$193.7M while the Debt to Equity ratio was 17:83 (2020 – 21:79).

Capital Expenditure
Total expenditure for the year amounted to EC$20.7M (2020 – EC$26.2M), which was primarily due to upgrades to the transmission and distribution network, building and construction, station improvements and engine overhauls.

Working Capital Management
The Company's Days Sales Outstanding (DSO) of 62 days remained the same from the prior year. The DSO for the hotel sector improved while that of the commercial, industrial and domestic sectors deteriorated. Total trade receivables increased from EC$48.1M at the end of 2020 to EC$49.7M at the end of 2021.

Capital Financing
The Company continued to operate under debt covenants stipulated in Security Sharing Agreements (SSA) with its lenders which, among other provisions, set the maximum level of debt that the Company is allowed to undertake.

Credit Rating
CariCRIS, the Caribbean credit rating agency conducted a credit rating exercise at the end of 2021. The Company achieved a credit rating of CariBBB- (Adequate).

Risk Management
The Company maintains a Risk Register which, on a continuous basis captures all identified risks to the Company and progress on mitigation measures. This register is reviewed by the Audit Risk and Compliance Committee of the Board of Directors at its regular meetings during the year.

Fuel Hedging
During the year, the Company utilised Fixed Price Swaps to hedge against fluctuations in the price of diesel fuel used for generating electricity. On December 31, 2021, swap contracts existed for the hedging of 35% of the fuel to be purchased in the first half of 2022.

Shareholders' Equity
The Company's shares closed at EC$20 (2020 – EC$20) resulting in a price earnings (P/E) ratio of 11.3 times (2020 – 12.5 times). The Company has issued share capital of 22,920,000 ordinary shares.

Energyze Holdings Inc.
In 2017 St. Lucia Electricity Services Limited purchased 100% shares in Energyze Holdings Inc., a company incorporated in January 2016. There have been no material transactions undertaken by the company since its incorporation.

LUCELEC Cap-Ins. Inc.
LUCELEC Cap-Ins. Inc., a wholly owned subsidiary of St. Lucia Electricity Services Limited, was incorporated on December 29, 2014 as a vehicle for managing the self-insurance of the Company's transmission and distribution assets. At December 31, 2021 LUCELEC Cap-Ins Inc. had net assets of

EC$49.3M (2020 – EC$46.4M). The fund's investment portfolio comprised commercial paper, regional investment grade securities and foreign equities. The decline of the market value of the regional income funds held surpassed the increase in the market value of the foreign equities held at year end, giving rise to a decrease in profit before tax compared to the prior year.

Outlook
Increasing unit sales, decreasing bad debt provision and increasing cost to maintain safety and reliability of the transmission and distribution network, are being anticipated. With the gradual recovery of the local economy, unit sales are expected to return to pre COVID-19 levels in 2022 as visitor arrivals increase.

The following broad strategic objectives have been identified as priorities in 2022:

- Achieve the minimum allowable rate of return of 10%; however, management projects a rate of 11.7%.
- Manage cash flow
- Optimize operating costs and capital expenditure
- Risk management
- Maintain a safe and reliable service
- Preserving LUCELEC as a viable business entity.

Conclusion
Despite the pandemic the Group's overall performance was above target. Its future performance is dependent on the successful execution of its strategy which is focussed on maintaining an acceptable level of reliability, power quality, safety and customer care despite the anticipated economic fallout caused by the global pandemic in 2022, while seeking to contribute to growth of the local economy, and profitably enter adjacent business opportunities in the next few years.

CORPORATE SOCIAL RESPONSIBILITY

6.26M
Units Generated by Solar Farm (kWh)

319,790
Reduction In Diesel Used (Imp. Gallons)

EC$2.32M
Fuel Cost Saved

EC$0.6M
Sponsorship & Donations

171
Volunteer Hours

0.37
AIFR

LUCELEC's engagement with the society and the environment in which we do business is critical to our ability to operate effectively. In ensuring we do so in a socially responsible way we are guided by the ISO 26000 Guidance on Social Responsibility. It addresses seven core subjects - organizational governance, respect for human rights, labour practices, care for the environment, consumer issues, fair operating practices, and community involvement and development. We consider these in the execution of our Corporate Social Responsibility (CSR) policy.

We continue to contribute to every aspect of Saint Lucian life, such that through our operations, services and various philanthropic and sponsorship initiatives, we engage communities and help them thrive socially and economically by our support for business, sports, arts, culture, health care, charitable institutions, faith-based and non-profit organisations.

In this section of the Annual Report, our focus is on the practical initiatives that drove our Power of Caring brand in 2021.

Governance

LUCELEC's business model was set and built on moral, ethical and sound business principles. These are guided by our core values of Accountability, Caring, Ethics and Excellence and our value proposition of timeliness in the delivery of services, reliability and safety of supply, high quality of power and value for money. These are the foundations of our culture and are part and parcel of and guide our day to day operations.

When the pandemic struck, our response was not of panic, but simply, an adjustment to planned operations. The principles we hold dear crafted the plan to remain financially sound in order to support the financially struggling customer base, an adversely impacted economy and a country that needed to be assured of a safe and reliable supply of electricity to ensure its recovery efforts.

2021 was a challenging but successful year due to our dedicated staff who live and breathe our foundational principles. Not only did we successfully deliver the service we were incorporated to provide, we also gave tangible support to quarantine centres and the purchase of critical and expensive respiratory and testing equipment while maintaining shareholder value.

It is said, "the tone is set at the top". In the midst of the chaos of the COVID-19 pandemic, the Board of LUCELEC lived that credo, maintaining a steady hand in good corporate governance within the Company. Board and Committee Meetings and the Annual Meeting of Shareholders returned to their scheduled time during the year and with that, timely decision-making and implementation of strategic projects and initiatives.

In addition to maintaining regular operations and ensuring the viability of the Company, the Board and Management, in customary visionary mode, recognised that the uncertainties resulting from the pandemic also presented opportunities. One of those was the 2035 Strategic Business Plan that was approved by the Board at its December 2021 meeting. The new Strategic Plan will ensure the Company continues to expand the foundation needed to thrive, especially in a post COVID-19 world with moves that will increase shareholder value, provide Saint Lucia with a continued safe and reliable supply of electricity and utilize new and innovative technologies, including the use of renewable energy in the provision of our essential service.

Environmental Responsibility

LUCELEC continues to use new and existing technologies to ensure it operates its business with little impact on the environment. That includes the use of renewable energy to produce some of the electricity we provide to our customers. The 3MW solar farm in La Tourney, Vieux-Fort remains our foundational renewable energy investment.

The 6.26 MWhs of electricity produced by the solar farm in 2021 reduced fuel consumption by 319.8 thousand imperial gallons for the year and led to a fuel costs savings of EC$2.32M. To date the solar farm

has produced 24.7 MWhs of electricity since it went live in 2018 leading to a 1.27 million-imperial gallon reduction in fuel purchased since then and a cost savings of EC$9.1M.

The Company also continued its pilot project of grid-tied solar photovoltaic (PV) systems. At the end of 2021 there were 174 distributed generation (roof top solar PV) systems connected to the LUCELEC grid providing 1.49 MW of renewable energy capacity.

Corporate Philanthropy

While we continued to provide the Government and subsidiaries with COVID-19 support this year – our long-established corporate philanthropy model of support for partners and programmes returned, albeit with some changes to the "business as usual" requests. We continued to support the GOSL Quarantine centres and made a second donation of over $160,000 to the Ezra Long Laboratory at the Owen King EU Hospital for test kits and consumables that enabled the country to better manage its 5th wave of COVID-19 infections. In addition, nearly $76,000 to the St Jude Hospital covered the cost of the electricity infrastructure needed to power its Oxygen Generating Plant - the first in the country that will lay the foundation to provide local life-saving oxygen to COVID-19 patients and others with respiratory conditions. Similarly, we assisted the St. Lucia Diabetes and Hypertension Association to purchase a vital signs monitor to service its expanding pool of clients.

We also extended support to the Ministry of Health towards the purchase of small kitchen appliances for use by medical staff at the Victoria Respiratory Hospital and baskets for nurses in recognition of Nurses week. In that same vein, we assisted the Millennium Heights Complex with a spectacular Christmas lights display at the OKEU that brought tremendous cheer to both staff and patients thoroughly fatigued from the extended battle with COVID-19.

The move to virtual learning continued to challenge our educational institutions even as schools made the slow, on-again-off-again return to the classrooms. At the Desruisseaux Combined School we laid the foundation for e-learning with the purchase of laptops for blended and online learning and provided fans for the Marchand Combined School, an industrial printer for the Beane Field Comprehensive School and shelves for school supplies at the Roseau Combined School. This, as we continued our support for school graduation and recognition ceremonies, and the Caribbean Science Foundation (CSF) SPISE programme for talented young science students, including broadening our support of the CSF to include a regional coding workshop to build skills in computer coding and app development. We also assisted the OECS Commission with sponsorship of an intervention that enabled 20 participants to attend a virtual entrepreneurship training course.

We worked with sports clubs to facilitate the purchase of shirts, shoes and equipment for sports training and funded travel to competitions as well as contributed to the laying of a new rubberized court at the Post-Secondary School in Vieux Fort in collaboration with the St. Lucia Volleyball Association.

In the Arts, it was in the telling of our history that we made the most impact - funding the production of a book on the development of calypso in Saint Lucia produced by the Folk Research Centre and another on a History of Dance, both of which explored the early foundations of these artforms in Saint Lucia.

Our charitable support continued with assistance to the National Council of and for Persons with Disabilities for the establishment of an aquaponics facility by funding a renewable energy system that will power the facility. We fed hundreds, working with the Castries South Constituency Council in its feeding programme for 500 needy residents in addition to other food drives, and continued our usual support to the Feed the Poor Ministry, National Community Foundation (NCF) and the SSDF's Our Boys Matter programme that provide psychosocial, economic and educational support to secondary school boys at risk.

As much as the Company demonstrates its corporate social responsibility ideals, it is the work of our team members who do so through their own efforts that is particularly noble and gratifying. This year, we assisted the LUCELEC Club with its Operation School Box initiative that funded the purchase of 42 tablets to students in four schools, and our Generation Department to augment funds that they raised among themselves to support the sewing programme at the Lady Gordon Opportunity Centre. It is such expressions of our Power of Caring that speak volumes about the foundational values that we share with and instil in our people.

Conclusion

LUCELEC's corporate social responsibility thrust for 2021 continued to be driven by our deep commitment to helping our customers, our communities and country navigate the disruptions to their lives and livelihoods through the extended impact of the pandemic. Our Power of Caring is the foundation upon which we continue to serve, powering homes and business, empowering lives with opportunities that may not have been available otherwise.

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Tel: 758-452-2500
Fax: 758-452-7317
www.bdoecc.com

Mercury Court
Choc Estate
P.O. Box 364
Castries
LC04 101
St. Lucia

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St. Lucia Electricity Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of St. Lucia Electricity Services Limited and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of changes in equity, comprehensive income and cashflow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the St. Lucia Electricity Services Limited and its subsidiaries (the Group) as at December 31, 2021, and the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in St. Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Energy Sales

Revenue from energy sales is based on meter readings which are carried out on a rotational basis throughout each month. A provision for the current month's billing, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. The estimate is based on the actual information for the preceding month and is periodically assessed for reasonableness. We consider energy sales to be a key audit matter because, in addition to the judgement involved in determining the unbilled energy sales, revenue recognised depends on (a) the complete capture of energy consumption based on meter readings on various dates, (b) the propriety of the rates computed and applied across customer categories and (c) the reliability of the IT systems involved in processing the billing transactions.

Note 4(l) to the consolidated financial statements provides the detailed disclosures related to this matter.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the billed amounts and compared them with the amounts reflected in the billing statements. We involved our internal Information Technology (IT) specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

Impairment of Trade and Other Receivables

On July 24, 2014 the International Accounting Standards Board issued the final version of IFRS 9 *Financial Instruments* to replace IAS 39. IFRS 9 became effective for periods beginning on or after January 1, 2018. The Group adopted the standard on January 1, 2018. The standard requires the use of forward-looking information in arriving at the expected credit loss (ECL) for financial assets.

The Group applied the practical expedient allowed under IFRS 9 in determining the provision for impairment of trade receivables. This took the form of a provision matrix based on account categories of trade receivables except for accounts relating to related parties and other receivables and incorporated forward-looking information in arriving at a loss rate. For related parties and other receivables, the ECL was determined based on probability-weighted default outcomes, past events, current conditions and forward-looking information.

We considered the impairment provision for trade and other receivables to be a key audit matter as the assessment of the correlation between historical observed default rates, the selection of the forecast economic conditions and the expected credit loss are significant estimates which require judgement. The amount of ECL is sensitive to the changes in circumstances and the forecast economic conditions and can have a significant impact on the estimate of the provision for impairment of trade receivables.

Notes 11 and 36 to the consolidated financial statements provide the detailed disclosures related to this matter.

Audit response

We gained an understanding of management's process for determining the impairment provision for financial assets. In addition, we performed the following:

a. Reviewed the IFRS 9 methodology document developed by management for providing guidance in determining the ECL.
b. Gained an understanding of the assumptions underlying the model.
c. Validated the underlying economic data applied in developing the forward-looking information.
d. Tested the completeness and accuracy of the data inputs used in the model to the underlying accounting records.
e. Checked the calculation of the resulting loss rate.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Provisions and contingencies

The Group is involved in certain proceedings and claims for which the Group has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

Note 38 to the consolidated financial statements provides the relevant disclosures related to this matter.

Audit response

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's consolidated financial statements. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the legal counsels. We also reviewed the disclosures on provisions and contingencies in the Group's consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Other Information Included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this independent auditor's report is Andrea St. Rose.

BDO

Chartered Accountants
Castries, St. Lucia
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St. Lucia Electricity Services Limited

Consolidated Statement of Financial Position
As at December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2021 $'000	2020 $'000
Assets			
Non-current			
Property, plant and equipment	7	394,942	398,287
Right-of-use assets	8	2,217	1,723
Intangible assets	9	10,106	10,492
Total non-current assets		407,265	410,502
Current			
Inventories	10	13,424	12,551
Trade, other receivables and prepayments	11	64,627	64,084
Other financial assets	12	48,113	44,767
Derivative financial instruments	26	1,368	571
Cash and cash equivalents	13	26,219	29,441
Total current assets		153,751	151,414
Total assets		561,016	561,916
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	14	80,163	80,163
Retained earnings		193,679	179,963
Fair value reserve	15	1,662	2,158
Revaluation reserve	16	59,862	59,862
Self-insurance reserve	17	47,625	44,212
Total shareholders' equity		382,991	366,358
Liabilities			
Non-current			
Lease liabilities	18	1,790	1,399
Borrowings	19	58,533	76,981
Consumer deposits	20	20,159	20,206
Provision for other liabilities	21	1,485	1,485
Deferred tax liability	22	35,375	34,059
Post-employment medical benefit liabilities	24(b)	2,462	2,464
Total non-current liabilities		119,804	136,594
Current			
Lease liabilities	18	504	377
Borrowings	19	18,448	17,652
Trade and other payables	25	36,430	39,591
Derivative financial instruments	26	252	-
Dividends payable		503	379
Income tax payable		2,084	965
Total current liabilities		58,221	58,964
Total liabilities		178,025	195,558
Total shareholders' equity and liabilities		561,016	561,916

The accompanying notes form an integral part of these consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:-

Director

Director

St. Lucia Electricity Services Limited

Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars except earnings per share)

	Notes	2021 $'000	2020 $'000
Revenue			
Energy sales		290,910	257,349
Other revenue		3,873	2,825
		294,783	260,174
Operating expenses			
Fuel costs	34	141,407	117,806
Transmission and distribution		32,707	29,078
Generation		25,155	24,971
	34	199,269	171,855
Gross income		95,514	88,319
Administrative expenses	34	(34,251)	(34,734)
Operating profit		61,263	53,585
Investment income		583	725
Fair value (loss)/gain on FVTPL financial assets	12	(480)	1,192
Other gain/(loss), net	27	74	(2)
Profit before finance costs and taxation		61,440	55,500
Finance costs	28	(4,405)	(5,129)
Profit before taxation		57,035	50,371
Taxation	29	(16,493)	(13,786)
Net profit for the year		40,542	36,585
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss:			
Fair value loss on FVTOCI financial assets	12	(16)	(15)
Items that will not be reclassified to profit or loss:			
Re-measurement losses of defined benefit pension plans, net of tax	29	(285)	(743)
Gain on property revaluation		-	44,511
Total other comprehensive (loss)/income		(301)	43,753
Total comprehensive income for the year		40,241	80,338
Basic and diluted earnings per share ($)	30	1.77	1.60

The accompanying notes form an integral part of these consolidated financial statements.

St. Lucia Electricity Services Limited

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	Share Capital $'000	Retained Earnings $'000	Fair Value Reserve $'000	Revaluation Reserve $'000	Self-insurance Reserve $'000	Total $'000
Balance at January 1, 2020		80,163	169,119	981	15,351	40,805	306,419
Total comprehensive income for the year		-	35,842	(15)	44,511	-	80,338
Transfer to fair value reserve	15	-	(1,192)	1,192	-	-	-
Transfer to self-insurance reserve	17	-	(3,407)	-	-	3,407	-
Ordinary dividends	32	-	(20,399)	-	-	-	(20,399)
Balance at December 31, 2020		80,163	179,963	2,158	59,862	44,212	366,358
Balance at January 1, 2021		80,163	179,963	2,158	59,862	44,212	366,358
Total comprehensive income for the year		-	40,257	(16)	-	-	40,241
Transfer to fair value reserve	15	-	480	(480)	-	-	-
Transfer to self-insurance reserve	17	-	(3,413)	-	-	3,413	-
Ordinary dividends	32	-	(23,608)	-	-	-	(23,608)
Balance at December 31, 2021		80,163	193,679	1,662	59,862	47,625	382,991

The accompanying notes form an integral part of these consolidated financial statements.

St. Lucia Electricity Services Limited

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Profit before taxation		57,035	50,371
Adjustments for:			
Depreciation on property, plant and equipment	7	23,663	23,727
Depreciation on right-of-use assets	8	544	511
Amortisation of intangible assets	9	780	2,319
Investment income		(583)	(725)
Finance costs	28	4,405	5,129
Impairment losses on trade and other receivables	11	1,967	4,363
Net pension costs	23(h) & 24(d)	881	818
Fair value loss/(gain) on FVTPL financial assets	12	480	(1,192)
Gain on disposal of property, plant and equipment	27	(64)	-
Operating profit before working capital changes		89,108	85,321
Increase in inventories		(873)	(115)
Increase in trade, other receivables and prepayments		(2,506)	(14,811)
Decrease in trade and other payables		(3,709)	(2,924)
Cash generated from operations		82,020	67,471
Interest and dividends received		537	547
Benefits paid on post-employment medical plan	24(f)	(66)	(54)
Pension funding contributions	23(j)	(1,225)	(1,581)
Finance costs paid		(4,275)	(4,920)
Income tax paid		(13,935)	(15,025)
Net cash from operating activities		63,056	46,438
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(20,318)	(25,774)
Proceeds from disposal of property, plant and equipment		64	-
Acquisition of intangible assets	9	(394)	(466)
Acquisition of other financial assets	12	(42,310)	(81,297)
Proceeds from disposal of other financial assets	12	38,511	79,725
Net cash used in investing activities		(24,447)	(27,812)
Cash flows from financing activities			
Repayment of lease liabilities		(520)	(478)
Repayment of borrowings		(17,652)	(16,891)
Dividends paid		(23,484)	(20,347)
Net (refund)/collection of consumer deposits		(175)	511
Net cash used in financing activities		(41,831)	(37,205)
Net decrease in cash and cash equivalents		(3,222)	(18,579)
Cash and cash equivalents at beginning of year		29,441	48,020
Cash and cash equivalents at end of year	13	26,219	29,441

The accompanying notes form an integral part of these consolidated financial statements.

St. Lucia Electricity Services Limited

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St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars)

1. Incorporation and Principal Activity

St. Lucia Electricity Services Limited (the "Company") was incorporated under the laws of Saint Lucia on November 9, 1964 and re-registered as a public company on August 11, 1994. The Company was continued under the Companies Act 1996 of Saint Lucia on October 22, 1997 and is listed on the Eastern Caribbean Securities Exchange. The Company operates under the Electricity Supply Act, 1994 (as amended) (ESA), and its operations are regulated by the National Utilities Regulatory Commission. The Company has an exclusive licence, save for the generation of electricity from renewable resources of energy, for the exercise and performance of functions relating to the generation, transmission, distribution and sale of electricity in Saint Lucia. The other principal activity of the Company and its subsidiaries (the "Group") include the operation of a self-insurance fund.

The ESA defines the rates of electricity and the mechanism for rate adjustments. The rates of electricity consist of a Base Rate and a Fuel Rate. The Fuel Rate is calculated in a manner which reflects fluctuations in actual fuel costs including charges associated with derivative financial instruments employed by the Company.

The Group's registered office and principal place of business is situated at LUCELEC Building, Sans Souci, John Compton Highway, Castries, Saint Lucia.

2. Date of Authorisation of Issue

These consolidated financial statements were authorised for issue by the Board of Directors on March 11, 2022

3. Basis of Preparation

(a) *Statement of compliance*
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) *Basis of measurement*
The consolidated financial statements have been prepared using the historical cost basis except for land, derivative financial instruments and other financial assets which are measured at fair value. The methods used to measure fair values are discussed further in Note 5.

(c) *Basis of consolidation*
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as disclosed in Note 39. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

3. Basis of Preparation (Cont'd)

(c) Basis of consolidation (Cont'd)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies.

All intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated on consolidation.

(d) Functional and presentation currency

These consolidated financial statements are presented in Eastern Caribbean dollars, which is the Group's functional currency. All financial information is rounded to the nearest thousand dollars.

(e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 4(b)(iii): Estimated useful lives of property, plant and equipment
- Note 4(c): Estimation of the lease term and assessment of whether a right-of-use asset is impaired
- Note 4(d)(iii): Estimated useful lives of intangible assets
- Note 4(e): Measurement of defined benefit obligations
- Note 4(g): Estimation of impairment
- Note 4(h) Estimation of net realisable value of inventories
- Note 4(m): Estimation of unbilled sales and fuel surcharge
- Note 5: Determination of fair values
- Note 36: Valuation of financial instruments

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except where stated otherwise.

(a) Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on the disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item and is recognised within "other gains, net" in the consolidated statement of comprehensive income.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of comprehensive income as incurred.

St. Lucia Electricity Services Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The annual rates of depreciation are as follows:

	2021	2020
Buildings	$2^1/_2$% - $12^1/_2$% per annum	$2^1/_2$% -$12^1/_2$% per annum
Plant and machinery		
- Generator overhauls	$33^1/_3$% per annum	$33^1/_3$% per annum
- Other	4% - 10% per annum	4% - 10% per annum
Motor vehicles	20% - $33^1/_3$% per annum	20% - $33^1/_3$% per annum
Furniture and fittings		
- Computer hardware	20% per annum	20% per annum
- Other	10% per annum	10% per annum

(iv) Revaluation reserve

Revaluation related to land is credited to revaluation reserve account in the equity section of the consolidated statement of financial position (Note 16).

(c) Leases

The Group as a lessee

The Group considers whether a contract is, or contains, a lease, at inception of the contract. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position.

Right-of-use assets

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

4. Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Group's incremental borrowing rate.

Subsequent to initial measurement, the carrying amount of the lease liability is increased to reflect the interest on the lease (calculated using the effective interest method) and is reduced to reflect the lease payments made.

The Group re-measures the lease liability to reflect any modification or reassessment of the lease contract, such as a change in the lease term or change in the assessment of whether a renewal option will be exercised, in which case the lease liability is re-measured by discounting the revised lease payments by a revised discount rate. When the lease liability is re-measured, the corresponding adjustment is reflected in the related right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases (defined as leases with a lease term of 12 months or less) using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

As a lessor, the Group classifies all its leases as operating as the leases do not transfer substantially all the risks and rewards incidental to ownership of the underlying asset.

The Group earns income from rental of poles. Rental from these operating leases is recognised on a straight-line basis over the term of the lease.

(d) Intangible assets

(i) *Recognition and measurement*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021
(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

(d) Intangible assets (Cont'd)

(iii) Amortisation

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets, other than way leave rights and work-in-progress, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the assets that are amortised, that is, information systems, range from five (5) years to eight (8) years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government securities that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by an actuary using the Projected Unit Credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated statement of comprehensive income.

The Group recognises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in other comprehensive income in the period in which they occur.

(ii) Pension benefits assumptions

The present value of the pension obligations depends on a number of factors that are determined by independent actuaries using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the pension obligations and also to determine the expected return on plan assets. In determining the appropriate discount rate, the Group considers the interest rates of the Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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4. Significant Accounting Policies (Cont'd)

(e) Employee benefits (Cont'd)

(ii) Pension benefits assumptions (Cont'd)

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 23.

(iii) Defined contribution plan

For its defined contribution plan, the Group pays contributions to a privately administered pension insurance plan on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

If benefits are payable more than twelve (12) months after the reporting period, then they are discounted to that present value.

(f) Financial instruments

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise financial assets measured at fair value through other comprehensive income ("FVTOCI"), financial assets measured at fair value through profit or loss ("FVTPL"), trade and other receivables, cash and cash equivalents, borrowings, trade and other payables and consumer deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

FVTOCI financial assets

The Group's investments in treasury bills and commercial paper are classified as financial assets measured at FVTOCI. Subsequent to initial recognition, they are measured at fair value. Changes in the carrying amount of these financial assets relating to interest income calculated using the effective interest method, impairment losses and foreign exchange gains and losses are recognised in profit or loss. Other changes are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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4. Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

(i) Non-derivative financial instruments (Cont'd)

FVTPL financial assets

The Group's investments in mutual and income funds and equity instruments are classified as financial assets measured at FVTPL. Subsequent to initial recognition, they are measured at fair value. Changes in the carrying amount of these mutual and income funds relating to interest income calculated using the effective interest rate, dividends earned from equity instruments, impairment losses, fair value and foreign exchange gains and losses are recognised in profit or loss.

Trade and other receivables

Trade and other receivables are carried initially at fair value and subsequently measured at amortised cost less any impairment. A provision for impairment of trade and other receivables is established based on lifetime expected credit losses. The amount of the provision is recognised in profit or loss.

Trade and other receivables, being short-term, are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits with maturities three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Accounting for interest income and costs is discussed in Note 4(n).

Borrowings

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

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the costs of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the cost of those assets. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Trade and other payables

Liabilities for trade and other payables which are normally settled on 30 to 90-day terms and conditions are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

4. Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

(i) Non-derivative financial instruments (Cont'd)

Consumer deposits

Given the long-term nature of the consumer relationship in accordance with the provisions of the Electricity Supply Act, 1994 (as amended), consumer deposits are shown in the consolidated statement of financial position as non-current liabilities (that is, not likely to be repaid within twelve months of the reporting date).

Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors. Dividends for the year that are approved after the reporting date are dealt with as an event after the end of the reporting date.

(ii) Share capital

Ordinary shares

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

(g) Impairment

(i) Financial assets

In relation to the impairment of financial assets, IFRS requires the use of a forward-looking expected credit loss ("ECL") approach.

The ECL allowance is based on the credit losses expected to arise over the life of the asset unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The Group's financial assets mainly comprise of trade and other receivables and financial assets measured at FVTOCI and FVTPL. As permitted by IFRS 9, the Group has voluntarily elected to select an accounting policy which recognizes full lifetime expected credit losses for trade receivables.

A practical expedient method, in the form of a provision matrix, was applied for trade receivables based on customer categories, historical credit loss experiences and future economic expectations. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 36.

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4. Significant Accounting Policies (Cont'd)

(g) Impairment (Cont'd)

(i) Financial assets

For all other receivables that possess varying default occurrences, the ECL was determined based on probability-weighted default outcomes, past events, current conditions and forward-looking information.

For financial assets measured at FVTOCI, an ECL general approach was used based on:

(a) an unbiased and probability-weighted amount that is determined by evaluating range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The key elements of the ECL calculations are outlined below:

(a) Probability of Default: This measures the instances of customer defaults over a period, divided by the number of accounts at the beginning of a period.
(b) Loss Given Default: This represents amounts never collected or amounts written off once a receivable defaults.
(c) Exposure at Default: This represents the outstanding amounts collectible at default.

Forward-looking information:

In its ECL models, the Group relied on a range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation
- Unemployment rates

Given that the investment funds and equity instruments are classified as FVTPL financial assets, no separate impairment assessment is necessary as all changes in fair value are immediately recognized through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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4. Significant Accounting Policies (Cont'd)

(g) Impairment (Cont'd)

(ii) Non-financial assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Allowance is made for slow-moving and damaged goods. Goods in transit are stated at their invoice cost.

(i) Prepayments

Prepayments represent expenses not yet incurred but are already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statement of comprehensive income as they are consumed in the operations or expire with passage of time.

Prepayments are classified in the consolidated statement of financial pposition as current asset when it is expected to be collected within one year. Otherwise, prepayments are classified as non-current.

(j) Provision for other liabilities

Provision for other liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(k) Derivative financial instruments

The Group holds derivative instruments to manage the volatility of its fuel costs. Further details of derivative financial instruments are disclosed in Note 26.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period.

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4. Significant Accounting Policies (Cont'd)

(l) Deferred fuel costs

Management has developed an accounting policy to reflect the economic substance of the effects of engaging in the hedging programme as these costs are passed on to the customer. In developing this policy, management has considered the accounting standards of other standard-setting bodies and accepted industry practice.

Changes in the fair value of the derivative financial instruments held by the Group at the reporting date give rise to the recognition of deferred fuel costs. Deferred fuel costs recoverable represent future revenues and/or receivables associated with the hedging costs incurred that will be, or are expected to be, recovered from customers in future periods through the rate-setting process. Deferred fuel costs payable represents future reductions in revenue associated with amounts that will be or are expected to be refunded to customers through the rate-setting process. The resulting gain or loss is reported in trade and other payables or trade, other receivables and prepayments respectively.

(m) Revenue recognition

Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision for the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is based upon actual information for the preceding months and is reviewed periodically to assess reasonableness and adjusted where required. 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 cost of fuel used to generate energy sales in the current month and the average fuel price for the 12 months preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge revenue/rebate is included in accrued income.

Consumer contributions

In certain specified circumstances, consumers requiring line extensions for electricity supply are required to contribute the capital cost of the extensions. These contributions are recognised in income in the same period in which the costs are incurred. Contributions in excess of the applicable capital cost of line extensions, where the excess is greater than 5% of the estimated cost of the job, arising mainly as a result of changes to job specifications during the implementation stage, are refundable to the customers upon finalisation of the total cost of the job. The capital costs of consumer line extensions are included in property, plant and equipment.

4. Significant Accounting Policies (Cont'd)

(n) Expenses

Expenses are recognised in the consolidated statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured. Expenses are recognised: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Expenses in the consolidated statement of comprehensive income are presented using the nature of expense method. These are costs incurred that are associated with the energy revenue and costs attributable to administrative and other business activities of the Group.

(o) Investment income and finance costs

Investment income comprises interest and dividends on funds invested and gains on the disposal of other financial assets that are recognised in profit or loss. Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment is established.

Finance costs comprise interest expense on lease liabilities, borrowings, consumer deposits and pole rental deposits, losses on disposal of other financial assets and impairment losses recognised certain on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis in "other gains, net" in profit or loss.

(p) Income tax

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

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

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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4. Significant Accounting Policies (Cont'd)

(p) Income tax (Cont'd)

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Group presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the inputs to the basic EPS computation for the effects of all dilutive potential ordinary shares, if any.

(r) New standards, amendments to standards and interpretations

(i) Amendments to standards effective in the 2021 financial year are as follows:

A number of amendments to standards effective for annual periods beginning on or after January 1, 2021 have been adopted in these consolidated financial statements. Note: those amendments effective for annual periods beginning on or after January 1, 2021 which do not affect the Group's consolidated financial statements have not been disclosed below.

- IFRS 9, *'Financial Instruments'*, *IAS 39, 'Financial Instruments, Recognition and Measurement'*, *IFRS 7, 'Financial Instruments: Disclosures'*, *IFRS 4, 'Insurance Contracts'*, and IFRS 16, *'Leases'* were amended to introduce a practical expedient for modifications by the Interest Rate Benchmark Reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks.

  The application of these amendments did not have a material impact on amounts reported and disclosures in respect to the Group's consolidated financial statements.

- IFRS 16, *'Leases'* was amended to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021.

  The application of this amendment did not have a material impact on amounts reported in respect to the Group's consolidated financial statements.

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4. Significant Accounting Policies (Cont'd)

(r) New standards, amendments to standards and interpretations (Cont'd)

(ii) Amendments to standards that are issued but not effective and have not been early adopted are as follows:

- IAS 1, *'Presentation of Financial Statements'* and IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'* were amended to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. An additional amendment deferred the effective date by one year.

  This amendment is applicable for annual periods beginning on or after January 1, 2023. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- IAS 1, *'Presentation of Financial Statements'* was amended to change the requirements with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policies". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information that relates to immaterial transactions, other events or conditions Is immaterial and need not be disclosed.

  This amendment is applicable for annual periods beginning on or after January 1, 2023. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' was amended to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also clarify the following:

  - that a change in accounting estimate that results from new information or new developments is not the correction of an error; and,
  - the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  This amendment is applicable for annual periods beginning on or after January 1, 2023. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

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4. Significant Accounting Policies (Cont'd)

(r) New standards, amendments to standards and interpretations (Cont'd)

(ii) Amendments to standards that are issued but not effective and have not been early adopted are as follows (Cont'd):

- IAS 12, *'Income Taxes'* was amended to clarify that the initial recognition exemption does not apply to transactions that give rise to equal deductible and taxable temporary differences.

  This amendment is applicable for annual periods beginning on or after January1, 2023. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- IAS 16, *'Property, Plant and Equipment'* was amended to prohibit deducting from the cost of an item of PPE any, proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items in profit or loss.

  This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- IAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'* was amended to specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract", which can be either incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

  This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- IFRS 9, *'Financial Instruments'* was amended to clarify which fees an entity includes when it applies the "10 per cent test" in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- IFRS 16, *'Leases'* was amended to permits lessees to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021).

  This amendment is applicable for annual periods beginning on or after April 1, 2021. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

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4. Significant Accounting Policies (Cont'd)

(r) New standards, amendments to standards and interpretations (Cont'd)

(ii) Amendments to standards that are issued but not effective and have not been early adopted are as follows (Cont'd):

- IFRS 16, *'Leases'* was amended to remove from Illustrative Example 13 (which accompanies IFRS 16) the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

5. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying values of trade and other receivables, cash and cash equivalents and trade and other payables are assumed to approximate their fair values at the reporting date due to their short-term nature.

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5. Determination of Fair Values (Cont'd)

The following table presents the level, valuation techniques and key inputs of the Group's assets and liabilities that are measured or disclosed at fair value at the reporting date:

	As at December 31, 2021 $'000	As at December 31, 2020 $'000	Level	Valuation techniques and key inputs
Non-Financial Assets Measured at Fair Value				
Land (Note 7)	73,417	73,417	2	Market comparable approach. Key inputs-Price per square foot
Financial Instruments Measured at Fair Value				
Financial Assets				
FVTOCI financial assets (Note 12)	14,585	21,617	1	Quoted prices in an active market
FVTPL financial assets (Note 12)	23,912	23,150	3	Discounted cash flows using unobservable inputs
FVTPL financial assets (Note 12)	9,616	-	1	Quoted prices in an active market
Derivative financial asset (Note 26)	1,368	571	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
Financial Liabilities				
Derivative financial liability (Note 26)	252	-	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
Financial Instruments Disclosed at Fair Value				
Financial Liabilities				
Borrowings (Note 36)	74,318	89,755	2	Present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

There were no transfers between levels 1, 2 or 3 during the year.

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6. Financial Risk Management

Overview

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

- Credit risk
- Liquidity risk
- Market risk (including currency risk and interest rate risk)
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures, and which also reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Audit Department, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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6. Financial Risk Management (Cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, other financial assets and cash and cash equivalents.

Trade and other receivables

The Group's exposure to credit risk is influenced significantly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry in which customers operate also have an influence on credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and service terms and conditions are offered.

These payment terms are stipulated under the provisions of the Electricity Supply Act, 1994 (as amended) and include providing discretion to the Group to require a deposit not exceeding an estimated two month's supply of electricity from any consumer as security for sums due from time to time, and which is refundable with interest upon permanent termination of services. Customers that fail to meet the Group's benchmark creditworthiness may have their electricity supply withdrawn or terminated in accordance with the provisions of the Act. In order to provide some reprieve to its customers during the ongoing COVID-19 pandemic, the Group temporarily ceased electricity supply withdrawals in instances where they failed to meet this creditworthiness benchmark. Management closely monitored the ageing of the Group's trade receivables with the intention of reinstating withdrawals as deemed appropriate.

The Group establishes an allowance for impairment that represents the expected credit losses over the lifetime of trade and other receivables. The collective loss allowance is determined using a practical expedient method in the form of a provision matrix, based on customer categories, historical credit loss experiences and future economic expectations. For all other receivables, the ECL was determined based on probability-weighted default outcomes, past events, current conditions and forward-looking information.

Other financial assets

The Group limits its exposure to credit risk by investing in liquid securities. Credit risk is minimised by placing investments with reputable financial institutions.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Credit risk is minimised by placing cash and cash equivalents with reputable financial institutions.

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6. Financial Risk Management (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- An overdraft facility of EC$10,000 which is secured. Interest is payable at the rate of 5.00% (2020 – 5.00%) per annum.
- Customs bond valued at $600.

Liquidity risk of derivative financial instruments is minimised as the Group is required to post collateral when the mark-to-market exposures have surpassed the credit limits agreed with the relevant counterparties.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases denominated in currencies other than its functional currency. The Group's exposure to currency risk is minimal since most of its obligations are denominated in United States Dollars and the United States dollar has been formally pegged to the Eastern Caribbean Dollar at EC$2.70 = US$1.00 since 1976.

Interest rate risk

There is no significant interest rate risk arising on the Group's cash and cash equivalents as at December 31, 2021 and 2020. The Group is not exposed to interest rate risk on its interest-bearing financial assets and liabilities. The Group's interest-bearing financial assets are its investments in treasury bills and commercial paper which have fixed rates of interest as disclosed in Note 12. The Group's interest-bearing financial liabilities are its lease liabilities, borrowings and consumer deposits which have fixed rates of interest as disclosed in Notes 18, 19 and 20, respectively.

Equity price risk

The Group is exposed to equity price risk as at December 31, 2021 on its investments in equity instruments.

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6. Financial Risk Management (Cont'd)

Market risk (Cont'd)

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in commodity prices. Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand. The Group is not exposed to commodity price risk on its derivative financial instruments as, although these instruments are affected by changes in the price of fuel, the changes in the value of these instruments are recoverable from customers as disclosed in Note 4(k).

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors and the senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

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6. Financial Risk Management (Cont'd)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit for the year divided by average shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Under the terms of the mortgage debenture agreement, the Group's total debt shall not exceed two times its tangible net worth which currently comprises its share capital and retained earnings. The Group complied with this requirement as at December 31, 2021 and 2020.

There were no changes in the Group's approach to capital management in 2021 and 2020.

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7. Property, Plant and Equipment

	Land $'000	Buildings $'000	Plant and Machinery $'000	Motor Vehicles $'000	Furniture and Fittings $'000	Work In Progress $'000	Total $'000
Cost							
Balance at January 1, 2020	28,478	87,348	848,281	4,477	22,222	27,260	1,018,066
Revaluation	44,511	-	-	-	-	-	44,511
Additions	428	48	65	-	45	25,188	25,774
Transfers	-	-	18,877	180	557	(19,614)	-
Balance at December 31, 2020	73,417	87,396	867,223	4,657	22,824	32,834	1,088,351
Balance at January 1, 2021	73,417	87,396	867,223	4,657	22,824	32,834	1,088,351
Additions	-	-	203	-	11	20,104	20,318
Transfers	-	453	14,359	-	664	(15,476)	-
Disposals	-	-	-	(257)	-	-	(257)
Balance at December 31, 2021	73,417	87,849	881,785	4,400	23,499	37,462	1,108,412
Accumulated Depreciation							
Balance at January 1, 2020	-	49,515	596,172	3,682	16,968	-	666,337
Depreciation charge (Note 34)	-	2,115	19,872	419	1,321	-	23,727
Balance at December 31, 2020	-	51,630	616,044	4,101	18,289	-	690,064
Balance at January 1, 2021	-	51,630	616,044	4,101	18,289	-	690,064
Depreciation charge (Note 34)	-	2,116	19,928	307	1,312	-	23,663
Eliminated on disposals	-	-	-	(257)	-	-	(257)
Balance at December 31, 2021	-	53,746	635,972	4,151	19,601	-	713,470
Carrying Amounts							
January 1, 2020	28,478	37,833	252,109	795	5,254	27,260	351,729
December 31, 2020	73,417	35,766	251,179	556	4,535	32,834	398,287
December 31, 2021	73,417	34,103	245,813	249	3,898	37,462	394,942

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7. Property, Plant and Equipment (Cont'd)

Fair value measurement of the Group's land

The Group's lands are stated at their revalued amounts, being the fair value at the date of revaluation at various dates between February 1, 2021 and April 8, 2021. The fair value measurements were performed by an independent valuation practitioner /quantity surveyor. The fair values of the land were determined based on the market comparable approach that reflects recent transactions prices for similar properties.

The carrying amounts of the Group's land would have been $13,555 (2020 - $13,555) had they been measured at the historical cost basis.

Assets pledged as security

As stated in Note 19, borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking *pari passu* pursuant to a security sharing agreement, and assignment of insurance policies.

8. Right-of-use Assets

	Buildings $'000	Motor Vehicles $'000	Total $'000
Cost			
Balance at January 1, 2020	1,142	1,143	2,285
Additions	-	529	529
Disposals	(141)	(186)	(327)
Adjustments	(43)	10	(33)
Balance at December 31, 2020	958	1,496	2,454
Balance at January 1, 2021	958	1,496	2,454
Additions	274	764	1,038
Balance at December 31, 2021	1,232	2,260	3,492
Accumulated Depreciation			
Balance at January 1, 2020	127	420	547
Depreciation charge for the year (Note 34)	117	394	511
Eliminated on disposals	(141)	(186)	(327)
Balance at December 31, 2020	103	628	731
Balance at January 1, 2021	103	628	731
Depreciation charge for the year (Note 34)	142	402	544
Balance at December 31, 2021	245	1,030	1,275
Carrying Amounts			
January 1, 2020	1,015	723	1,738
December 31, 2020	855	868	1,723
December 31, 2021	987	1,230	2,217

The Group has leases for office premises, land and Company vehicles for management staff. With the exception of short-term leases on certain office premises and land, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability (see Note 18).

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8. Right-of-use Assets (Cont'd)

The table below describes the nature of the Group's leasing activities by type of a right-of-use asset:

	No. of leases	Range of remaining term	Average remaining lease terms	No. of leases with renewal options
Buildings	2	4-8 years	6 years	1
Motor vehicles	13	1-5 years	3 years	-

The Group has elected not to recognise a right-of-use asset and lease liability for short-term leases (leases with a lease term of 12 months or less). Payments made under such leases are expensed over a straight-line basis. The expense relating to lease payments for 2021 was $50 (2020 - $45) and is included in administrative expenses of $34,251 (2020 - $34,734) as disclosed in the consolidated statement of comprehensive income. Total cash outflow for leases for 2020 was $520 (2020 - $478) as disclosed in the consolidated statement of cash flows.

9. Intangible Assets

	Information Systems $'000	Way Leave Rights $'000	Work In Progress $'000	Total S'000
Cost				
Balance at January 1, 2020	24,508	6,682	1,221	32,411
Additions	-	116	350	466
Transfers	544	-	(544)	-
Balance at December 31, 2020	25,052	6,798	1,027	32,877
Balance at January 1, 2021	25,052	6,798	1,027	32,877
Additions	28	278	88	394
Transfers	807	-	(807)	-
Balance at December 31, 2021	25,887	7,076	308	33,271
Accumulated Amortization				
Balance at January 1, 2020	20,066	-	-	20,066
Amortized for the year (Note 34)	2,319	-	-	2,319
Balance at December 31, 2020	22,385	-	-	22,385
Balance at January 1, 2021	22,385	-	-	22,385
Amortized for the year (Note 34)	780	-	-	780
Balance at December 31, 2021	23,165	-	-	23,165
Carrying Amounts				
January 1, 2020	4,442	6,682	1,221	12,345
December 31, 2020	2,667	6,798	1,027	10,492
December 31, 2021	2,722	7,076	308	10,106

Way leave rights, which have an indefinite life period, allow the Group access to properties owned by third parties for the purpose of installing and maintaining the Group's transmission and distribution network.

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10. Inventories

	2021 $'000	2020 $'000
Fuel inventories	4,071	2,857
Generation spare parts	6,139	5,093
Transmission, distribution and other spares	5,772	5,823
Goods-in-transit	555	830
	16,537	14,603
Provision for inventory obsolescence	(3,113)	(2,052)
	13,424	12,551

11. Trade, Other Receivables and Prepayments

	2021 $'000	2020 $'000
Trade receivables, gross (Note 36)	53,368	48,079
Less: provision for impairment of trade receivables (Note 36)	(17,687)	(15,569)
Trade receivables, net (Note 36)	35,681	32,510
Other receivables, gross	7,229	13,897
Less: provision for impairment of other receivables	(918)	(1,069)
Other receivables, net	6,311	12,828
Accrued income	20,325	16,411
	62,317	61,749
Prepayments	2,310	2,335
	64,627	64,084

The movement in the provision for impairment of trade receivables was as follows:

	2021 $'000	2020 $'000
Balance at January 1	15,569	10,781
Impairment loss recognized per IFRS 9	2,118	4,788
Balance at December 31	17,687	15,569

The movement in the allowance for impairment in respect of other receivables was as follows:

	2021 $'000	2020 $'000
Balance at January 1	1,069	1,494
Impairment gain recognized per IFRS 9	(151)	(425)
Balance at December 31	918	1,069

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off against the asset directly.

The Group's exposure to credit risk related to trade and other receivables is disclosed in Note 36.

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12. Other Financial Assets

	2021 $'000	2020 $'000
Financial assets measured at FVTOCI		
Treasury bills	-	9,459
Commercial paper	14,585	12,158
	14,585	21,617
Financial assets measured at FVTPL		
Investments funds	23,912	23,150
Equities	9,616	-
	33,528	23,150
	48,113	44,767

The weighted average effective interest rate on the short-term investments was 0.35% (2020 – 1.02%) per annum.

The other financial assets are not available for the day-to-day operations of the Group (Note 17).

The Group's exposure to credit risk related to other financial assets is disclosed in Note 36.

The movements in other financial assets during the year are as follows:

	2021 $'000	2020 $'000
Beginning balance	44,767	41,840
Purchases	42,310	81,297
Redemptions	(38,511)	(79,725)
Amortisation of discount	43	178
Unrealised fair value loss on financial assets measured at FVTOCI	(16)	(15)
Unrealised fair value (loss)/gain on financial assets measured at FVTPL	(480)	1,192
Ending balance	48,113	44,767

13. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	2021 $'000	2020 $'000
Cash on hand	16	16
Cash at bank	26,203	29,425
	26,219	29,441

Cash at bank is non-interest bearing.

Included in cash at bank are $1,302 (2020 - $1,701) that are not available for the day-to-day operations of the Group (Note 17).

The Group's exposure to credit risk related to cash and cash equivalents is disclosed in Note 36.

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13. Cash and Cash Equivalents (Cont'd)

Reconciliation of liabilities arising from financing activities:

	Non-current lease liabilities (Note 18) $'000	Current lease liabilities (Note 18) $'000	Non-current borrowings (Note 19) $'000	Current borrowings (Note 19) $'000	Consumer deposits (Note 20) $'000	Total $'000
Balance at January 1, 2020	1,318	440	94,633	16,891	19,488	132,770
Cash flows during the year	(38)	(566)	-	(21,586)	413	(21,777)
Non-cash flows during the year:						
-New leases	528	-	-	-	-	528
-Lease adjustment	(32)	-	-	-	-	(32)
-Lease liabilities classified as non-current becoming current in 2020	(377)	377	-	-	-	-
-Borrowings classified as non-current becoming current in 2020	-	-	(17,652)	17,652	-	-
-Interest accrued in 2020	-	126	-	4,695	305	5,126
Balance at December 31, 2020	1,399	377	76,981	17,652	20,206	116,615
Balance at January 1, 2021	1,399	377	76,981	17,652	20,206	116,615
Cash flows during the year	(143)	(536)	-	(21,586)	(357)	(22,622)
Non-cash flows during the year:						
-New leases	1,038	-	-	-	-	1,038
-Lease liabilities classified as non-current becoming current in 2021	(504)	504	-	-	-	-
-Borrowings classified as non-current becoming current in 2021	-	-	(18,448)	18,448	-	-
-Interest accrued in 2021	-	159	-	3,934	310	4,403
Balance at December 31, 2021	1,790	504	58,533	18,448	20,159	99,434

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14. Share Capital

	2021	2020
Authorised		
Voting ordinary shares	100,000	100,000
Ordinary non-voting shares	800	800
Preference shares	1,214	1,214

	2021 $'000	2020 $'000
Issued and fully paid		
22,400,000 voting ordinary shares	77,563	77,563
520,000 non-voting ordinary shares	2,600	2,600
	80,163	80,163

15. Fair Value Reserve

	2021 $'000	2020 $'000
Balance at beginning of year	2,158	981
Fair value loss on FVTOCI financial assets	(16)	(15)
Transferred from retained earnings	(480)	1,192
Balance at end of year	1,662	2,158

The fair value reserve represents the cumulative fair value gains and losses arising on the revaluation of financial assets measured at both FVTPL and FVTOCI, net of tax.

16. Revaluation Reserve

	2021 $'000	2020 $'000
Balance at beginning of year	59,862	15,351
Gain on revaluation of land	-	44,511
Balance at end of year	59,862	59,862

The revaluation reserve represents the unrealized gain on the revaluation of the Group's land. When land is sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the revaluation reserve will not be reclassified subsequently to profit or loss.

17. Self-insurance Reserve

Because of the difficulty experienced by the Group in obtaining adequate and reasonably priced commercial insurance coverage primarily on its Transmission and Distribution ("T&D") assets, the Board of Directors gave approval for the establishment of a Self-insurance Fund to provide coverage for its T&D assets in the first instance, in the event of natural disasters or similar catastrophic events. From 2008, the Group therefore ceased commercial insurance cover of its T&D assets and undertook on an annual basis, to provide for insurance cover and to place amounts into the fund which will be independently managed under the terms of a registered Trust Deed.

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17. Self-insurance Reserve (Cont'd)

During 2011, the Group received formal notification from the Registrar of Insurances of the approval in principle, subject to certain conditions, for the establishment of the fund in accordance with the Insurance Act of Saint Lucia. Payments into the fund are exempted from income tax under the authority of Statutory Instrument No. 172 of 2007.

LUCELEC Cap-Ins. Inc. was incorporated on December 31, 2014. This subsidiary company has established a reserve which is not available for distribution to the shareholder.

The fund balance comprises the following:

	2021 $'000	2020 $'000
FVTOCI financial assets (Note 12)	14,585	21,617
FVTPL financial assets (Note 12)	33,528	23,150
Cash and cash equivalents (Note 13)	1,302	1,701
	49,415	46,468

The movements in the Self-insurance Reserve were as follows:

	2021 $'000	2020 $'000
Balance at beginning of year	44,212	40,805
Transferred from retained earnings	3,413	3,407
Balance at end of year	47,625	44,212

18. Lease Liabilities

	2021 $'000	2020 $'000
Current	504	377
Non-current	1,790	1,399
	2,294	1,776

The weighted average rate of interest applied to lease liabilities is 7.62% (2020 – 7.23%).

Lease liabilities are secured by the related underlying asset (see Note 8).

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18. Lease Liabilities (Cont'd)

Future minimum lease payments at year end were as follows:

	2021 $'000	2020 $'000
Between 1 and 2 years	530	312
Between 2 and 5 years	945	671
Greater than 5 years	315	416
	1,790	1,399

The Group's exposure to liquidity risks related to lease liabilities is disclosed in Note 36.

19. Borrowings

	2021 $'000	2020 $'000
Current		
Bank borrowings	9,424	9,087
Related parties	9,024	8,565
	18,448	17,652
Non-current		
Bank borrowings	25,731	35,154
Related parties	32,802	41,827
	58,533	76,981
Total borrowings		
Bank borrowings	35,155	44,241
Related parties (Note 33(d)(v))	41,826	50,392
	76,981	94,633

Borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking *pari passu* pursuant to a security sharing agreement, and assignment of insurance policies (Note 7).

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19. Borrowings (Cont'd)

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

	2021 %	2020 %
Bank borrowings	3.65	3.66
Related parties	5.35	5.35

Maturity of non-current borrowings:

	2021 $'000	2020 $'000
Between 1 and 2 years	19,281	18,448
Between 2 and 5 years	34,674	49,058
Over 5 years	4,578	9,475
	58,533	76,981

The Group's exposure to liquidity risks related to borrowings is disclosed in Note 36.

20. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when the service is terminated. Interest is accrued on these deposits at the rate of 2% (2020 - 2%) per annum.

	2021 $'000	2020 $'000
Consumer deposits	15,480	15,655
Interest accrual	4,679	4,551
	20,159	20,206

21. Provision for Other Liabilities

	2021 $'000	2020 $'000
Balance at beginning and end of year	1,485	1,485

The provision represents the most recent reasonable estimated decommissioning costs of the old power stations located at Union and Vieux Fort.

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22. Deferred Tax Liability

Deferred tax liability is calculated in full on temporary differences under the statement of financial position liability method using a principal tax rate of 30% (2020 - 30%). The movement on the deferred tax liability account is as follows:

	2021 $'000	2020 $'000
Balance at beginning of year	34,059	32,492
Recognised in profit and loss (Note 29)	1,439	1,885
Recognised in other comprehensive income (Note 29)	(123)	(318)
Balance at end of year	35,375	34,059

Deferred tax liability is attributed to the following items:

	2021 $'000	2020 $'000
Property, plant and equipment	36,137	34,813
Post-employment medical benefit liabilities	(739)	(739)
Leased assets	665	517
Lease liabilities	(688)	(532)
	35,375	34,059

23. Retirement Benefit Liabilities

(a) Background

Grade I Employees

The Group contributes to a defined benefit pension scheme for Grade I employees who were employed prior to January 1, 2008. The plan is administered and managed by Sagicor Life, Inc.("Sagicor")

Grade II Employees

The Group contributes to a defined benefit pension scheme for Grade II employees who were employed prior to January 1, 2008 which, up to December 31, 2008, was administered by CLICO International Life Insurance Group Limited ("CLICO"). Subsequent funding to the plan is currently administered by RBC Investments Management (Caribbean) Limited.

The most recent actuarial valuations of these two plans were completed December 31, 2018 using the "Projected Unit Credit" method of valuation.

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23. Retirement Benefit Liabilities (Cont'd)

(b) The principal actuarial assumptions used for all plans were as follows:

	Grade II		Grades I	
	2021	2020	2021	2020
	%	%	%	%
Discount rates	7.5	7.5	7.5	7.5
Future salary increases	4.0	4.0	4.0	4.0
Future NIS earnings increases	-	-	2.0	2.0

Assumptions regarding future mortality are based on standard mortality tables.

(c) The amounts recognised in the consolidated statement of financial position are determined as follows:

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligations	(18,913)	(18,261)	(14,836)	(14,529)	(33,749)	(32,790)
Fair value of plan assets	25,602	24,473	18,483	17,806	44,085	42,279
Effect of asset ceiling	(6,689)	(6,212)	(3,647)	(3,277)	(10,336)	(9,489)
Defined benefit liabilities	-	-	-	-	-	-

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23. Retirement Benefit Liabilities (Cont'd)

(d) The movements in the present value of defined benefit obligations were as follows:

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Defined benefit obligation as at January 1	18,261	17,622	14,529	13,928	32,790	31,550
Current service cost	428	431	101	52	529	483
Interest cost	1,332	1,283	1,073	1,031	2,405	2,314
Members' contributions	190	193	133	220	323	413
Benefits paid	(1,011)	(1,038)	(509)	(454)	(1,520)	(1,492)
Re-measurements: experience adjustments	(287)	(230)	(491)	(248)	(778)	(478)
Defined benefit obligation as at December 31	18,913	18,261	14,836	14,529	33,749	32,790

(e) The movements in the fair value of plan assets were as follows:

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets at January 1	24,473	22,748	17,806	16,984	42,279	39,732
Contributions paid - employer	955	988	270	593	1,225	1,581
Contributions paid - members	190	193	133	220	323	413
Interest income	1,838	1,709	1,330	1,285	3,168	2,994
Return on plan assets, excluding interest income	(786)	(68)	(508)	(780)	(1,294)	(848)
Benefits paid	(1,011)	(1,038)	(509)	(454)	(1,520)	(1,492)
Expense allowance	(57)	(59)	(39)	(42)	(96)	(101)
Fair value of plan assets at December 31	25,602	24,473	18,483	17,806	44,085	42,279

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23. Retirement Benefit Liabilities (Cont'd)

(f) Composition of plan assets

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Overseas equity	3,451	3,657	-	-	3,451	3,657
Government issued nominal bonds	13,929	12,750	-	-	13,929	12,750
Corporate bonds	951	989	-	-	951	989
Cash/money market	6,040	5,572	-	-	6,040	5,572
Immediate annuity policies	1,231	1,505	-	-	1,231	1,505
Unit trust	-	-	18,483	17,806	18,483	17,806
	25,602	24,473	18,483	17,806	44,085	42,279

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23. Retirement Benefit Liabilities (Cont'd)

(f) Composition of plan assets (Cont'd)

Grade I

The asset value as at December 31, 2021 was estimated using the asset value as at December 31, 2021 provided by the Plan's Investment Manager - Sagicor. The value is reliant on Sagicor's financial strength.

The Grade I Plan's assets are invested in a strategy agreed with the Grade I Plan's Trustees which is largely driven by statutory constraints and asset availability. The Trustees have agreed to invest the Grade I Plan's assets in Sagicor's International Balanced Fund, which is a collective investment vehicle for regional pension plans investing in a diversified portfolio of bonds and equities. There are no asset-liability matching strategies used by the Grade I Plan.

Grade II

The values of the Grade II Plan assets as at December 31, 2021 were estimated using the asset value as at November 30, 2021 provided by the Plan's Investment Manager (RBC) and an estimate of the value of the Grade II Plan's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligation (it is assumed that these annuities have not been impaired). The Investment Manager calculates the fair value of the Government bonds by discounting expected future proceeds using a constructed yield curve.

All of the Grade II Plan's government bonds were issued by the governments of countries within Caricom. The Scheme's immediate annuity policies that were purchased from CLICO were transferred to Nagico during 2021. The value of these policies is reliant on Nagico's financial strength and its ability to pay the pension secured.

The Grade II Plan's assets are invested in a strategy agreed with the Grade II Plan's Trustees which is largely driven by statutory constraints and asset availability. There are no asset-liability matching strategies used by the Grade II Plan.

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23. Retirement Benefit Liabilities (Cont'd)

(g) The actual return on plan assets was as follows:

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Return on plan assets	1,052	1,641	822	505	1,874	2,146

(h) The net pension costs recognised in the consolidated statement of comprehensive income were as follows:

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	428	431	101	52	529	483
Administration expenses	57	59	39	42	96	101
Net pension costs	485	490	140	94	625	584

(i) Re-measurements recognised in other comprehensive income were as follows:

	Grade II		Grade I		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Experience losses/(gain)	499	(162)	17	532	516	370
Effect of asset ceiling	(29)	660	113	(33)	84	627
Total amount recognised in other comprehensive income	470	498	130	499	600	997

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23. Retirement Benefit Liabilities (Cont'd)

(j) Reconciliation of opening and closing defined benefit liabilities:

	Grade II		Grade I		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening defined benefit liabilities	-	-	-	-	-	-
Net pension cost	(485)	(490)	(140)	(94)	(625)	(584)
Re-measurements recognised in other comprehensive income	(470)	(498)	(130)	(499)	(600)	(997)
Employer contributions paid	955	988	270	593	1,225	1,581
Closing defined benefit liabilities	-	-	-	-	-	-

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23. Retirement Benefit Liabilities (Cont'd)

(k) Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to II is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations would have changed as a result of a change in the assumptions used.

Grade I

December 31, 2021

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,303)	1,619
Future salary increases	926	(760)

December 31, 2020

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,316)	1,641
Future salary increases	952	(791)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2021 by $191 (2020 - $189).

Grade II

December 31, 2021

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,858)	2,224
Future salary increases	500	(456)

December 31, 2020

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,855)	2,228
Future salary increases	568	(520)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2021 by $364 (2020 - $347).

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23. Retirement Benefit Liabilities (Cont'd)

(l) Duration

The weighted average duration of the defined benefit obligation at year end for each of the plans was as follows:

	2021	2020
Grade 1	10.5 years	10.9 years
Grade II	11.5 years	11.9 years

(m) Funding Policy

Grade I

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $410 to the pension plan during 2022.

Grade II

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $1,000 to the pension plan during 2022.

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24. Post-employment Medical Benefit Liabilities

The Group contributes to a post-employment medical scheme with The Beacon Insurance Co. Limited for all its current employees and retirees.

(a) The principal actuarial assumptions used were as follows:

	2021 %	2020 %
Discount rate	7.5	7.5
Medical expense increase	5.0	5.0

Assumptions regarding future mortality are based on standard mortality tables.

(b) The amounts recognised in the consolidated statement of financial position are determined as follows:

	2021 $'000	2020 $'000
Present value of defined benefit obligations	2,462	2,464
Defined benefit liabilities	2,462	2,464

(c) The movements in the present value of defined medical benefit obligations were as follows:

	2021 $'000	2020 $'000
Defined benefit obligations as at January 1	2,464	2,220
Current service costs	74	70
Interest costs	182	164
Benefits paid	(66)	(54)
Re-measurements: experience adjustments	(192)	64
Defined benefit obligations as at December 31	2,462	2,464

(d) The amounts recognised in the consolidated statement of comprehensive income were as follows:

	2021 $'000	2020 $'000
Current service costs	74	70
Interest on defined benefit obligations	182	164
Net medical benefit costs	256	234

(e) Re-measurements recognised in other comprehensive income were as follows:

	2021 $'000	2020 $'000
Experience (gain)/loss	(192)	64
Total amount recognised in other comprehensive income	(192)	64

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24. Post-employment Medical Benefit Liabilities (Cont'd)

(f) Reconciliation of opening and closing defined benefit liabilities:

	2021 $'000	2020 $'000
Opening defined benefit liabilities	2,464	2,220
Net medical benefit costs	256	234
Re-measurement (gain)/loss recognised in other comprehensive income	(192)	64
Benefits paid	(66)	(54)
Closing defined benefit liabilities	2,462	2,464

The calculation of the defined benefit obligations is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations would have changed as a result of a change in the assumptions used.

December 31, 2021

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(371)	480
Medical expense increases	488	(382)

December 31, 2020

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(372)	482
Medical expense increases	490	(383)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2021 by $77 (2020 - $77).

(g) Duration

The weighted average duration of the defined benefit obligation was 18.4 years (2020 - 18.4 years).

(h) Funding Policy

The Group insures the medical benefits for retirees with an external insurer and pays 50% of the retiree only premiums to the insurer as they fall due. The retiree meets the remaining 50%. In addition, if the retiree wishes to provide for his dependents, the retiree meets the full cost of this additional benefit.

The Group expects to pay $69 to the plan in 2022.

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25. Trade and Other Payables

	2021 $'000	2020 $'000
Trade payables	17,092	13,721
Accrued expenses	11,017	16,154
Other payables	7,205	9,145
	35,314	39,020
Deferred fuel costs	1,116	571
	36,430	39,591

The Group's exposure to liquidity risks related to trade and other payables is disclosed in Note 36.

Deferred fuel costs relate to fair value adjustments of derivative financial instruments as disclosed in Notes 4(l) and Note 26. The movements in deferred fuel costs are as follows:

	2021 $'000	2020 $'000
Balance at beginning of year	571	2,549
Balances arising from new hedge contracts	1,116	571
Reversals	(571)	(2,549)
Balance at end of year	1,116	571

Future recovery/reversals of the amounts in deferred fuel costs are exposed to the risk that possible changes in the regulations could result in gains or losses associated with derivative financial instruments no longer being recovered from/refunded to customers.

26. Derivative Financial Instruments

The underlying strategy and imperative related to the Group's objective of its fuel price hedging programme is to reduce, in some measure, the price volatility to its customers caused by the existing arrangements whereby fuel is purchased on a regular basis at market prices.

The Board of Directors, as part of the hedging strategy, approved a rolling 12-month hedging programme that commenced in January 2012 utilising Fixed Price Swaps covering up to 75% of estimated monthly volumes. This strategy was further expanded in December 2015 to include the use of Options.

Under the provisions of the Electricity Supply Act (as amended) 1994, fuel prices are passed through to customers at cost.

The fair value of these hedging contracts at year end as disclosed on the consolidated statement of financial position is as follow:

	2021 $'000	2020 $'000
Derivative financial asset - Fixed price swaps	1,368	571
Derivative financial liability - Fixed price swaps	252	-

The Group's exposure to credit risk related to its derivative financial asset is disclosed in Note 36.

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27. Other Gains, Net

	2021 $'000	2020 $'000
Gain on disposal of property, plant and equipment	64	-
Foreign exchange gain/(loss)	10	(2)
	74	(2)

28. Finance Costs

	2021 $'000	2020 $'000
Interest expense on:		
-lease liabilities	159	126
-borrowings	3,934	4,696
-consumer deposits	310	305
-pole rental deposits	2	2
	4,405	5,129

29. Taxation

	2021 $'000	2020 $'000
Current tax	15,054	11,901
Deferred tax (Note 22)	1,439	1,885
	16,493	13,786

Reconciliation of the applicable tax charge to the effective tax charges:

	2021 $'000	2020 $'000
Profit before taxation	57,035	50,371
Tax at the statutory rate of 30% (2020 - 30%)	17,110	15,111
Tax effect of non-deductible expenses	457	101
Tax effect of non-taxable income	(175)	(527)
Tax effect of self-insurance appropriation	(900)	(900)
Deferred tax asset unrecognised on tax loss	1	1
Tax charge	16,493	13,786

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

	2021 $'000	2020 $'000
Re-measurement of defined benefit pension plans		
Before tax	(408)	(1,061)
Tax	123	318
After tax	(285)	(743)

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30. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net profit for the year of $40,542 (2020 - $36,585) by the weighted average number of shares outstanding during the year of 22,920 (2020 - 22,920).

31. Tariff Reduction

In accordance with the provisions of the Electricity Supply Amendment Act Nos. 12 of 2006 and 13 of 2006, a mechanism was put into effect for the computation of the Allowable Rate of Return, based on a predetermined range of Return on Average Contributed Capital.

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. This was equal to a range of 10.00% to 14.33% in respect of 2021 (2020 – 10.00% to 14.33%).

In the event that the actual Rate of Return exceeds the Allowable Rate of Return, 50% of the amount in excess of the maximum of the range will be distributed proportionately to hotel and industrial consumers as a decrease in the basic energy rate based on the total kilowatt hours consumed in the preceding calendar year. The Minister may also, by Order, apply the decrease in the basic energy rate to consumers or groups of consumers in need of special protection.

In the event that the actual Rate of Return falls below the minimum of 10%, provision is also made for the upward adjustment of the basic energy rate.

32. Ordinary Dividends

	2021 $	2021 $'000	2020 $	2020 $'000
	Dividends Per share	Total	Dividends Per share	Total
Final - relating to 2019	-	-	0.50	11,460
Interim - relating to 2020	-	-	0.39	8,939
Final - relating to 2020	0.58	13,294	-	-
Interim - relating to 2021	0.45	10,314	-	-
	1.03	23,608	0.89	20,399

The final dividend for the year 2021 had not been declared as at December 31, 2021.

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33. Related Parties

(a) Identification of related party

A party is related to the Group if:

(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Group;
- Has an interest in the Group that gives it significant influence over the Group; or
- Has joint control over the Group.

(ii) The party is a member of the key management personnel of the Group,
(iii) The party is a close member of the family of any individual referred to in (i) or (ii),
(iv) The party is a post-employment benefit plan for the benefit of employees of the Group or any Group that is a related party of the Group,
(v) The party is an entity that is controlled or jointly controlled by a party referred to in (i) to (iii).

(b) Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, or commercial terms and conditions.

(c) Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to executive officers and contributions to post-employment retirement plans on their behalf. The key management personnel compensations are as follows:

	2021 $'000	2020 $'000
Short-term employee benefits	4,588	4,395
Post-employment benefits	150	155
Directors' remuneration	318	340
	5,056	4,890

(i) Transactions with the key management personnel during the year were as follows:

	2021 $'000	2020 $'000
Supply of electricity services	132	126
Supply of other services	-	79
	132	205

(ii) Balances at the reporting date arising from transactions with key management personnel were as follows:

	2021 $'000	2020 $'000
Supply of electricity services	6	9

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33. Related Parties (Cont'd)

(d) Transactions with shareholders

The Group's major shareholders are as follows:

	2021 %	2020 %
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	20.00	20.00
Castries Constituency Council	15.50	15.50
Government of Saint Lucia	10.05	10.05
	85.55	85.55

The remaining 14.45% (2020 - 14.45%) of the shares is widely held.

(i) Transactions with shareholders during the year were as follows:

Supply of Electricity Services

	2021 $'000	2020 $'000
First Citizens Bank Ltd	86	90
National Insurance Corporation	1,637	1,516
Castries Constituency Council	1,495	1,409
Government of Saint Lucia	27,388	24,934
	30,606	27,949

The Government of Saint Lucia receives a 10% (2020 - 10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

Supply of Other Services

	2021 $'000	2020 $'000
Government of Saint Lucia	375	332

Services Rendered to the Group

	2021 $'000	2020 $'000
Castries Constituency Council	-	1

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33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

(ii) Balances at the reporting date arising from supply of electricity services to related parties during the year (Note 11) were as follows:

	2021 $'000	2020 $'000
First Citizens Bank Ltd	8	6
National Insurance Corporation	17	7
Castries Constituency Council	-	20
Government of Saint Lucia	3,528	8,207
	3,553	8,240

(iii) Balances at the reporting date arising from supply of other services to related parties during the year (Note 11) were as follows:

	2021 $'000	2020 $'000
Government of Saint Lucia	597	597

(iv) Provision for impairment losses recognised against related party balances were as follows:

	2021 $'000	2020 $'000
Provision for impairment	597	597
Impairment gain	-	(3,331)

(v) Loans from shareholders

Movements in loans from shareholders for the year and their balances at the reporting date were as follows:

	2021 $'000	2020 $'000
National Insurance Corporation		
At beginning of year	50,392	58,523
Repayments during year	(11,045)	(11,045)
	39,347	47,478
Interest expense	2,479	2,914
At end of year	41,826	50,392

The above loans are fully secured (Note 19).

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33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

(v) Loans from shareholders (Cont'd)

Finance Costs

Details of the related finance costs are as follows:

	2021 $'000	2020 $'000
National Insurance Corporation	2,479	2,914

These charges are included in the finance costs of $4,405 (2020 - $5,129) as disclosed in the consolidated statement of comprehensive income.

34. Expenses by Nature

	2021 $'000	2020 $'000
Operating expenses		
Fuel costs	141,407	117,806
Depreciation on property, plant and equipment (Note 7)	22,919	22,970
Depreciation on leased assets (Note 8)	65	60
Repairs and maintenance	12,411	12,068
Employee benefits (Note 35)	17,817	16,872
Generation insurance premiums	332	288
Other operating expenses	4,318	1,791
	199,269	171,855
Administrative expenses		
Depreciation on property, plant and equipment (Note 7)	744	757
Depreciation on leased assets (Note 8)	479	451
Amortisation of intangible assets (Note 9)	780	2,319
Repairs and maintenance	2,284	2,594
Employee benefits (Note 35)	13,274	12,469
Impairment losses on trade and other receivables (Note 11)	1,967	4,363
Debt collection expenses	654	1,042
Insurance	3,463	2,569
Professional fees	2,278	1,327
Other operating expenses	8,328	6,843
	34,251	34,734
	233,520	206,589

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35. Employee Benefit Expenses

	2021 $'000	2020 $'000
Wages and salaries	24,115	22,226
Pension contributions	1,711	1,917
Medical contributions	988	930
Other employee benefits	4,277	4,268
	31,091	29,341

Allocated as follows:

	2021 $'000	2020 $'000
Operating expenses	17,817	16,872
Administrative expenses	13,274	12,469
	31,091	29,341

The number of permanent employees at December 31, 2021 was 249 (2020 - 239).

36. Financial Instruments

Credit risk

Exposure to credit risk

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

	Notes	2021 $'000	2020 $'000
Trade and other receivables	11	62,317	61,749
Other financial assets	12	48,113	44,767
Derivative financial instruments	26	1,368	571
Cash at bank	13	26,203	29,425
		138,001	136,512

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

	2021 $'000	2020 $'000
Business, before deducting provision	30,789	30,219
Residential, before deducting provision	22,579	17,860
	53,368	48,079

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36. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Expected credit loss assessment

The Group uses a provision matrix to measure the expected credit losses of trade receivables. The expected loss rates are based on the Group's historical credit loss rates per ageing category, which reflects the percentage of the ageing category which migrates over to 120 days, adjusted for factors specific to the debtor. The historical loss rates are then adjusted for current and forward-looking information based on the impact of macroeconomic factors and the COVID-19 pandemic on the Group's customers. The Group has identified the unemployment rate, inflation rate and gross domestic product as the key macroeconomic factors. These loss rates are applied to the outstanding receivable balances less security deposits and interest.

The following provides information about the Group's exposure to credit risk and expected credit losses for trade receivables:

December 31, 2021

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	22,157	485	21,672
More than 30 days past due	7,646	559	7,087
More than 60 days past due	4,076	876	3,200
More than 90 days past due	2,821	959	1,862
More than 120 days past due	16,668	14,808	1,860
	53,368	17,687	35,681

December 31, 2020

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	17,031	126	16,905
More than 30 days past due	8,048	193	7,855
More than 60 days past due	4,280	239	4,041
More than 90 days past due	2,797	272	2,525
More than 120 days past due	15,923	14,739	1,184
	48,079	15,569	32,510

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36. Financial Instruments (Cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments:

December 31, 2021

	Notes	Carrying amounts $'000	Total contractual cash flows $'000	Contractual cash flow: Under 1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Non-derivative financial liabilities							
Lease liabilities	18	2,294	2,687	659	639	1,057	332
Borrowings	19	76,981	85,078	21,586	21,586	37,159	4,747
Trade and other payables	25	35,314	35,314	35,314	-	-	-
		114,589	123,079	57,559	22,225	38,216	5,079

December 31, 2020

	Notes	Carrying amounts $'000	Total contractual cash flows $'000	Contractual cash flow: Under 1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Non-derivative financial liabilities							
Lease liabilities	18	1,776	2,099	488	393	772	446
Borrowings	19	94,633	106,663	21,586	21,586	53,610	9,881
Trade and other payables	25	39,020	39,020	39,020	-	-	-
		135,429	147,782	61,094	21,979	54,382	10,327

The Group also has liabilities totaling $20,159 (2020 - $20,206) relating to consumer deposits (Note 20) that are refundable upon the cessation of the supply of services. It is not practicable to determine the contractual maturities of these liabilities, including estimated interest payments.

St. Lucia Electricity Services Limited
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36. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position are as follows:

	Notes	Carrying amounts As at December 31, 2021 $'000	Fair values As at December 31, 2021 $'000	Carrying amounts As at December 31, 2020 $'000	Fair values As at December 31, 2020 $'000
Trade and other receivables	11	62,317	62,317	61,749	61,749
Other financial assets	12	48,113	48,113	44,767	44,767
Cash and cash equivalents	13	26,219	26,219	29,441	29,441
Derivative financial asset	26	1,368	1,368	571	571
Derivative financial liability	26	(252)	(252)	-	-
Borrowings	5 & 19	(76,981)	(74,318)	(94,633)	(89,755)
Trade and other payables	25	(35,314)	(35,314)	(39,020)	(39,020)
		25,470	28,133	2,875	7,753

The basis of determining fair values is disclosed in Note 5.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows of borrowings are based on the market interest rates at the reporting date.

The Group also has liabilities totaling $20,159 (2020 - $20,206) relating to consumer deposits (Note 20) that are refundable upon the cessation of the supply of services. It is not practicable to determine the fair values of these liabilities.

St. Lucia Electricity Services Limited
Notes to the Consolidated Financial Statements
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36. Financial Instruments (Cont'd)

Equity price risk

An average pricing volatility of 1.29% was observed during 2021 for the Group's investments in equity instruments. This volatility figure is considered to be a reasonable basis for estimating how profit or loss could have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these equity instruments increased or decreased by that amount, profit before taxation could have changed by $124.

37. Commitments

Capital commitments

The Group had capital commitments at December 31, 2021 of $3,949 (2020 - $1,324).

Operating lease commitments

(i) Pole rental

The Group expects to earn annual income from pole rentals of $1,086 (2020 - $1,075) for the foreseeable future.

38. Contingent Liabilities

Claims

The Group has been named a defendant to a number of claims as at December 31, 2021, the most significant being a claim alleging unlawful interference by the Group. The claimant alleges that the Group has abused its position as the sole distributor of electricity to force the claimant's customers to breach contracts for the installation of photovoltaic systems. While it is impossible to be certain of the outcome of this and any particular case or of the amount of any possible adverse verdict, the Group believes that their defenses to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Group (i) does not consider it appropriate to make any provision in respect of any pending matters and (ii) does not believe that the ultimate outcome of these matters will significantly impair the Group's financial condition. Payments, if any, arising from these claims will be recorded in the period that the payment is made.

Wage Negotiations

Negotiations with the trade unions representing the employees commenced in 2021. It is not practicable to reliably estimate the full retroactive pay that would be due to staff until the union agreements are signed.

Pension Benefits

The Eastern Caribbean Utilities Pension Scheme was terminated on July 8, 2018 and the deferred active members were invited to join the Group's Defined Contribution Pension Plan at the current rate of 15.35% of base salary. The Group is currently negotiating the pension benefits for the deferred active members of the plan with effect from the wind-up date of the plan. It is not practical to reasonably estimate the costs to the Group until an agreement has been finalized.

St. Lucia Electricity Services Limited
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021
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38. Contingent Liabilities (Cont'd)

Income Tax

From the date of incorporation, LUCELEC Cap-Ins Inc. has treated all its income as tax exempt given the purpose of the self-insurance fund. Having recognized that the existing tax exemption only provides for income received in the form of contributions from St. Lucia Electricity Services Limited, the Company is seeking an amendment to the Income Tax Act to legitimize the treatment of all other income. Should the Company be unsuccessful in securing this amendment, the Group's current tax liability including penalties and interest and deferred tax liability, could be $1,155 and $499 respectively.

39. Subsidiary Companies

	Country of Incorporation	Equity %
LUCELEC Cap-Ins. Inc.	Saint Lucia	100
Energyze Holdings Inc.	Saint Lucia	100

40. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.

Financial Statistics

					Restated		Restated		Restated	Restated
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Units Sold (kWh x 1000)	352,874	336,473	368,938	361,623	359,653	348,229	337,540	331,939	334,479	333,324
Tariff Sales (Cents per kWh)	77.1	83.3	84.8	76.8	74.9	91.6	97.7	98.7	98.3	95.5
Fuel Charge (Cents per kWh)	5.3	(6.8)	(1.0)	8.4	2.7	(17.0)	(6.1)	(1.1)	0.4	6.6
Operating costs (Cents per kWh)	66.2	61.4	70.3	71.0	63.9	59.4	77.4	84.1	85.2	88.8
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	369,495	376,641	337,331	342,611	327,219	332,804	338,838	334,388	336,395	328,030
Retirement Benefit Asset	-	-	-	-	-	-	-	4,765	2,448	3,650
Other Financial Assets	-	-	-	-	-	-	172	171	170	168
Capital Work in Progress	37,770	33,861	28,481	16,702	33,574	15,151	15,736	17,594	21,080	33,891
Current Assets	153,751	151,414	158,479	135,732	134,289	131,547	135,680	161,683	130,558	142,353
Current Liabilities	(58,221)	(58,964)	(66,235)	(58,491)	(68,999)	(46,011)	(50,084)	(84,853)	(55,418)	(75,535)
Total	502,795	502,952	458,056	436,554	426,083	433,491	440,342	433,748	435,233	432,557
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	193,679	179,963	169,120	161,609	159,185	150,518	135,374	130,137	123,614	109,375
Other Reserves & Consumer Contributions	109,149	106,232	57,137	50,447	49,654	45,516	43,555	29,460	23,604	21,421
Long Term Debt	60,323	78,380	95,951	89,924	82,202	100,181	121,713	137,726	153,072	167,797
Other Long Term Liabilities	59,481	58,214	55,685	54,411	54,879	57,113	59,537	56,262	56,780	53,801
Total	502,795	502,952	458,056	436,554	426,083	433,491	440,342	433,748	437,233	432,557
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	272,152	280,290	312,842	277,614	269,308	319,001	329,767	327,570	328,735	318,265
Fuel Surcharge	18,758	(22,941)	(3,656)	30,266	9,673	(59,115)	(20,618)	(3,671)	1,172	22,083
Other	3,873	2,825	3,254	2,795	4,084	1,984	2,624	3,662	3,207	3,677
Total	294,783	260,174	312,440	310,675	283,065	261,870	311,773	327,561	333,114	344,025

Financial Statistics (continued)

	2021	2020	2019	2018	Restated 2017	2016	Restated 2015	2014	Restated 2013	Restated 2012
Operating Costs										
Fuel	141,407	117,806	155,873	156,065	127,594	114,854	172,061	190,235	195,798	209,310
Generation	11,417	10,767	14,809	12,566	12,437	9,989	10,943	9,948	10,708	10,918
Transmission & Distribution	23,462	20,252	21,860	20,368	21,835	18,180	15,379	15,418	16,530	15,778
Administrative & Selling	32,248	31,207	30,776	30,225	31,625	28,441	28,654	30,509	29,426	27,286
Depreciation and amortisation	24,986	26,557	36,129	37,526	36,206	35,389	34,301	33,150	32,656	32,625
Total	233,520	206,589	259,447	256,750	229,697	206,853	261,338	279,260	285,118	295,917
Operating Income	61,263	53,585	52,993	53,925	53,368	55,017	50,435	48,301	47,996	48,108
Interest Expense (net)	(3,822)	(4,404)	(4,650)	(4,514)	(5,278)	(7,626)	(10,789)	(11,368)	(13,163)	(9,389)
Other Gains/(Losses)	(406)	1,190	3,375	(1,783)	67	45	307	67	66	67
Net Income before Tax	57,035	50,371	51,718	47,628	48,157	47,436	39,953	37,000	34,899	38,786
Taxation	(16,493)	(13,786)	(13,730)	(12,662)	(13,471)	(13,468)	(11,044)	(10,192)	(9,584)	(9,972)
Net Income after Tax	40,542	36,585	37,988	34,966	34,686	33,968	28,909	26,808	25,315	28,814
Other Comprehensive (loss)/income	(285)	(743)	(439)	(5,169)	385	1,567	(6,719)	1,615	(872)	856
Dividend Declared	(23,608)	(20,399)	(23,377)	(21,774)	(23,149)	(17,878)	(17,190)	(16,044)	(8,022)	(17,648)
Retained Earnings for Year	16,649	15,443	14,172	8,023	11,922	17,657	5,000	12,379	16,421	12,022
Retained Earnings beginning of Year	179,963	169,119	161,609	159,185	150,518	135,374	130,137	123,614	109,375	84,267
Transfer (to)/from Reserves	(2,933)	(4,599)	(6,662)	(800)	(3,255)	(2,513)	197	(5,856)	(2,182)	(5,039)
Prior Year Adjustment	-	-	-	(4,799)	-	-	40	-	-	18,125
Retained Earnings end of Year	193,679	179,963	169,119	161,609	159,185	150,518	135,374	130,137	123,614	109,375
Rate of Return	14.63%	13.30%	12.81%	14.93%	13.41%	13.56%	11.64%	10.02%	13.42%	14.20%
Earnings per share (EC$)	1.77	1.60	1.66	1.53	1.51	1.48	1.26	1.17	1.10	1.26
Dividend per share (EC$)	1.03	0.89	1.02	0.95	1.01	0.78	0.75	0.70	0.35	0.77
Debt/Equity Ratio	17/83	21/79	27/73	26/74	26/74	30/70	35/65	39/61	43/57	47/53
Capital expenditure (EC$000's)	20,712	25,811	40,348	36,070	49,044	28,771	21,545	27,658	28,211	97,243

Operating Statistics

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Generating Plant (kW)										
Available Capacity	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400
Firm Capacity	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000
Peak Demand	60,920	59,000	62,550	60,600	61,700	60,300	59,000	58,900	59,700	59,800
Percentage growth in peak demand	3.3%	-5.7%	3.2%	-1.8%	2.3%	2.2%	0.2%	-1.3%	-0.2%	-0.8%
Sales (kWh x 1000)										
Domestic	137,541	136,525	130,156	126,916	127,732	123,839	116,133	111,922	112,743	112,272
Commercial (including Hotels)	186,399	171,887	210,114	206,320	202,770	194,966	192,442	191,294	193,199	192,847
Industrial	18,743	17,764	18,326	17,494	18,256	18,519	17,999	17,673	17,624	17,679
Street Lighting	10,190	10,297	10,342	10,893	10,896	10,905	10,966	11,050	10,913	10,526
Total Sales	352,874	336,473	368,938	361,623	359,654	348,229	337,540	331,939	334,479	333,324
Power Station and Office Use (kWh x 1000)	12,846	13,059	12,325	12,288	13,196	13,770	13,715	13,918	14,706	14,511
Losses (kWh x 1000)	24,498	22,067	26,658	25,317	27,450	29,432	30,013	33,574	33,791	36,948
Units Generated/Purchased (kWh x 1000)	390,218	371,599	407,921	399,228	400,300	391,431	381,268	379,431	382,976	384,783
Percentage growth in units generated	5.0%	-8.9%	2.2%	-0.3%	2.3%	2.7%	0.5%	-0.9%	-0.5%	-0.1%
Percentage growth in sales	4.9%	-8.8%	2.0%	0.5%	3.3%	3.2%	1.7%	-0.8%	0.3%	0.0%
Percentage Losses (excl. prior year sales adjs.)	6.3%	5.9%	6.5%	6.3%	6.9%	7.5%	7.9%	8.8%	8.8%	9.6%
Number of Consumers at Year End										
Domestic	63,222	61,850	60,968	60,726	59,620	58,867	59,766	59,790	58,648	55,110
Commercial (Including Hotels)	7,412	7,282	7,267	6,465	7,052	6,994	7,128	7,193	7,096	6,629
Industrial	88	87	90	91	93	94	98	98	98	100
Street Lighting (accounts)	22	21	21	19	19	19	19	19	20	10
	70,744	69,240	68,346	67,301	66,784	65,974	67,011	67,100	65,862	61,849
Percentage growth	2.2%	1.3%	1.6%	0.8%	1.2%	-1.5%	-0.1%	1.9%	6.5%	1.1%
Average Annual Consumption										
Per Customer (kWh)										
Domestic	2,176	2,207	2,135	2,090	2,142	2,104	1,943	1,872	1,922	2,037
Commercial (including Hotels)	25,148	23,604	28,913	31,913	28,754	27,876	26,998	26,594	27,226	29,091
Industrial	212,989	204,184	203,622	192,242	196,301	197,011	183,663	180,337	179,837	176,790
Diesel fuel consumed (Imp. Gall.)	19,575,946	18,574,877	20,618,895	20,251,915	20,491,272	19,938,352	19,612,984	19,402,934	19,448,764	19,541,743

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

St. Lucia Electricity Services Limited
P.O. Box 230 | Sans Soucis, Castries | Saint Lucia | West Indies
Castries +1 758 452 2165 | +1 758 457 4760
Vieux Fort +1 758 454 6617