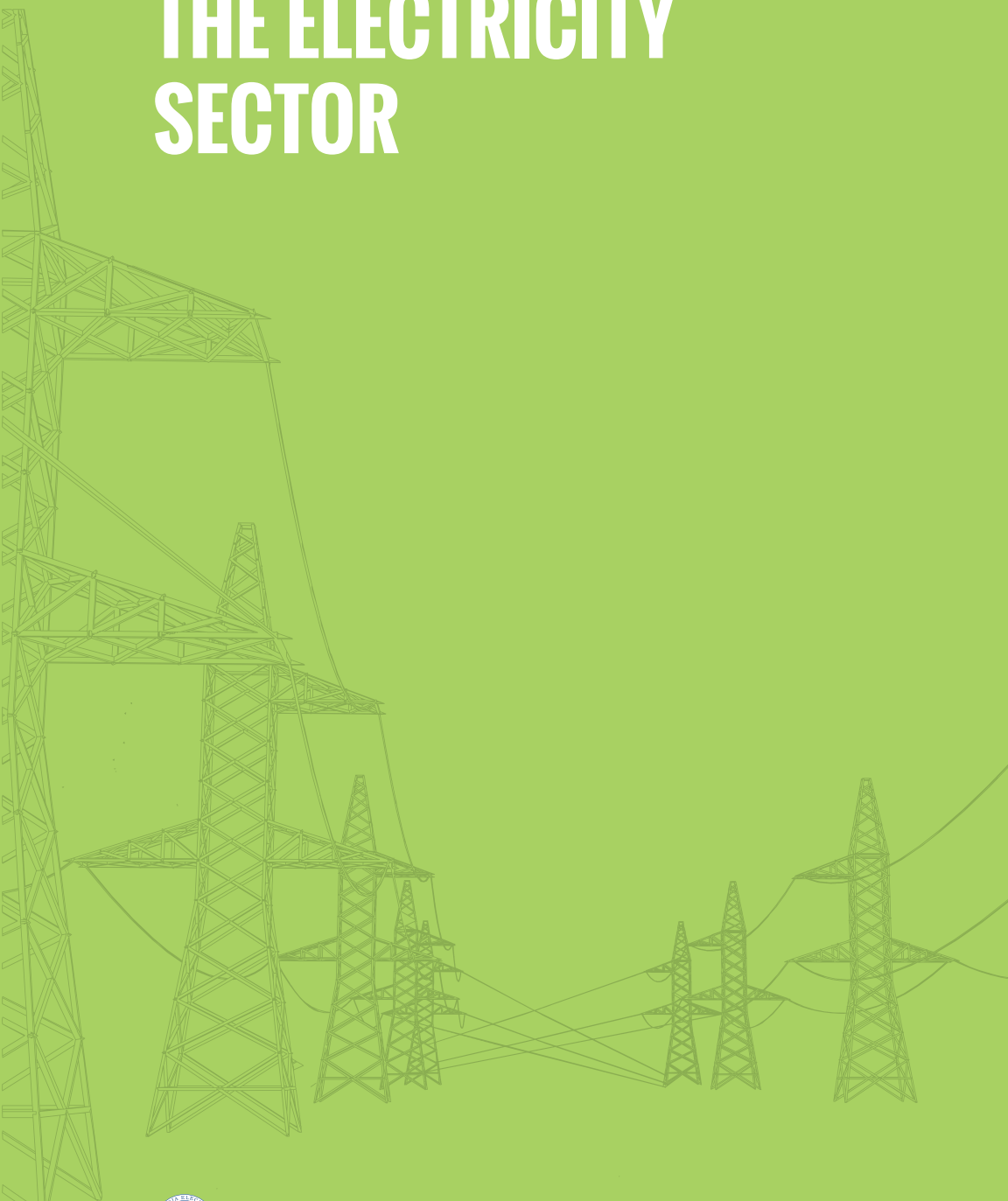


2018 ANNUAL REPORT

# TRANSFORMING THE ELECTRICITY SECTOR



**LUCELEC**

ST. LUCIA ELECTRICITY SERVICES LIMITED







Grid Status  
PV Power

- STAGE 1**  
Frequency - 67.8 Hz
- AGB1 - Corvallis Feeder
  - AGB2 - Tillamook Feeder
  - AGB3 - Clatsop Feeder
  - AGB4 - Tillamook Feeder
  - AGB5 - Tillamook Feeder
  - AGB6 - Astoria Feeder
- STAGE 2**  
Frequency - 67.3 Hz
- AGB1 - Clatsop Feeder
  - AGB2 - Tillamook Feeder
  - AGB3 - Tillamook Feeder
- STAGE 3**  
Frequency - 67.2 Hz
- AGB1 - Astoria Feeder

TOTAL GEN ON BARS  
TOTAL DEMAND



# THEME STATEMENT

## TRANSFORMING THE ELECTRICITY SECTOR

The commissioning and formal opening of LUCELEC's 3 megawatt solar farm at La Tourney in Vieux Fort added another page, another chapter, in the annals of the transformation of the electricity sector here. As Saint Lucia's first utility scale renewable energy system, it signalled, in a very real way, a major shift in the electricity sector. It was fittingly heralded internationally.

At the same time, several other pages and chapters in that transformation were quietly being written outside the glint and glare of public scrutiny. There were major improvements to the systems that help us generate, monitor and manage the delivery of electricity - the generation management and maintenance (MAMA) software and Distributed Control systems (DCS), the Supervisory Control and Data Acquisition (SCADA) system, the Transmission & Distribution network, the Geographic Information System (GIS), and the Information Technology (IT) infrastructure that links them all. There were improvements too in our business processes, human resources management, risk management framework, and physical infrastructure. And major steps were taken towards refining the systems for customer care and enhancing the customer experience.

LUCELEC is continually evolving to provide a modern, cost effective, and reliable electricity supply to Saint Lucia. And when we look through the pages of history, 2018 will be remembered as a seminal year in the **renewal** of Saint Lucia's energy infrastructure, the **transformation** of the electricity sector, and LUCELEC's transitioning into the new energy future.

## 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](mailto:connected@lucelec.com)  
Website: [www.lucelec.com](http://www.lucelec.com)

## ATTORNEYS-AT-LAW

McNamara & Company  
20 Micoud Street  
Castries  
Saint Lucia

## AUDITORS

PKF Professional Services  
Meridian Place  
Choc Estate  
P.O. Box Choc 8245  
Castries  
Saint Lucia

## BANKERS

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

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



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# LUCELEC 2018 VITAL STATISTICS



**270**

NUMBER OF EMPLOYEES



**361.6M**

UNIT SALES (KWH)



**EG\$310.7M**

ANNUAL REVENUES



**67,301**

NO. OF CUSTOMERS



**61.7**

MAXIMUM DEMAND (MW)



**88.4**

AVAILABLE GENERATION (MW)



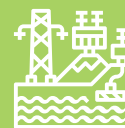
**3**

SOLAR (MW)



**50**

FREQUENCY (HZ)



**66**

TRANSMISSION VOLTAGE (KV)



**11**

DISTRIBUTION VOLTAGE (KV)



**240**

CUSTOMER SUPPLY VOLTAGE  
SINGLE PHASE



**415**

CUSTOMER SUPPLY VOLTAGE  
3 PHASE



# LUCELEC 2018 CORPORATE PERFORMANCE

(Excludes consolidated performance of subsidiary companies)

STRATEGIC OBJECTIVE	MEASURE OF SUCCESS	TARGET	PERFORMANCE
Improve Financial Performance	Profit After Tax/Net Income	\$29.0M	\$34.34M
	Improved Working Capital	Current Ratio of 1.78	1.72
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.28 kWh/litre	4.28 kWh/litre
	SAIDI (system average interruption duration index)	8.15 hours	8.02 hours
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items - 87%	88.06%
Cost Optimisation & Management	MWh Sold/FTE	1,331	1314.99
	Total Operating Cost/KWh Sold (Excludes fuel costs)	\$0.305	\$0.30
	System Losses	6.87%	6.34%
Effective Risk Management	All Injury Frequency Rate	0.36	0.72
Effective Leadership & Management	Employee Engagement Levels (Implementation)	Implement 90% of Employee Engagement Plan by End of Year	83.2%
	Employee Engagement Levels (Survey)	Achieve 62% on results of survey to assess Employee Engagement Levels	68.2%

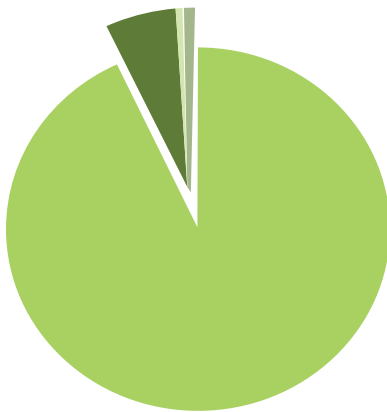
# LUCELEC 2019 CORPORATE TARGETS

(Excludes consolidated performance of subsidiary companies)

STRATEGIC OBJECTIVE	MEASURE OF SUCCESS	TARGET
Improve Financial Performance	Profit After Tax/Net Income	\$29.4M
	Improved Working Capital	Current Ratio of 2.22
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.28 kWh/litre
	SAIDI (system average interruption duration index)	7.65 hours
	Stakeholder (Customer) Satisfaction Score	88.5%
	SAIFI (system average interruption frequency index)	7.07
Cost Optimisation & Management	MWh Sold/FTE	1,290.12
	Total Operating Cost/KWh Sold (Excludes fuel costs)	\$0.291
	System Losses	6.35%
Effective Risk Management	All Injury Frequency Rate	0.35
Effective Leadership & Management	Employee Engagement Levels (Implementation)	Implement 90% of Employee Engagement Plan by End of Year
	Employee Engagement Levels (Survey)	Achieve 70% on results of survey to assess Employee Engagement Levels

# 2018 FINANCIAL HIGHLIGHTS

## WHERE THE LUCELEC DOLLAR CAME FROM



	Percentage
Sale of Electricity	92.9
Borrowings	6.2
Consumer contributions and deposits	0.4
Investment income	0.2
Sundry income	0.3
	<b>100.0</b>

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

## HOW THE LUCELEC DOLLAR WAS SPENT



	Percentage
Payroll costs	12.2
Fuel and lubricants	47.2
Purchase of fixed assets	12.2
Debt servicing	7.0
Dividends	6.1
Payments to Government	5.5
Operations	9.8
	<b>100.0</b>

- Payroll Costs
- Purchase of Fixed Assets
- Dividends
- Fuel and Lubricants
- Debt Servicing
- Payments to Government
- Operations

# CHAIRMAN'S MESSAGE



**Around the world, energy markets are transforming, and most are changing much faster than previously expected... The work that we're doing in the electricity sector is ground breaking in many ways and certainly transformative.**

A white, handwritten signature of John Joseph, consisting of a stylized 'J' and 'S' with a long horizontal stroke extending to the right.

**John Joseph**  
Chairman



Solar Farm During Construction

The major issues facing the electricity sector in 2018 were no different from the previous year and will likely remain the same for the next several years. Some of these are inherent to Saint Lucia's location, size, and place in geopolitics and the world economy. Our challenge as a country and a Company is how we plan for and respond to those issues.

### INDUSTRY OVERVIEW - INTERNATIONAL

Internationally, in 2018 oil prices were generally higher than in 2017 despite experiencing another year of mixed fortunes. For most of 2018 oil prices rose gradually, reaching a high of around US\$76 per barrel (WTI) in early October. Then prices fell rapidly to just above US\$42 by December 24, before rallying briefly to end the year at about US\$45. A combination of politics, a slowdown in global economic growth, and increased US oil output contributed to the mixed fortunes.

In the electric utility industry, resilience, improving disaster response, updating aging infrastructure, developing smarter grids, and integrating renewable and distributed energy resources into the grid, remained major imperatives in 2018. Prices for renewable energy technology continued declining, despite policy changes that threatened or removed subsidies in some markets. Storage became accepted as a mature technology, is getting cheaper and is fast becoming a central part of utility planning processes in all types of markets<sup>1</sup>.

The outlook for 2019 is that oil prices will rally but continuing economic and geopolitical risks are likely to ensure another period of uncertainty and volatility<sup>2</sup>. Around the world, energy markets are transforming, and most are changing much faster than previously expected. Every aspect of the utilities sector – how we generate, use

and sell electricity – is undergoing a radical and irreversible shift<sup>3</sup>. Renewables share of the generation mix is increasing rapidly. Electric vehicles, energy efficiency, and distributed energy are no longer things of the future, but a focus of decision-making now<sup>4</sup> bringing a new set of challenges that will require market reforms, grid investments, as well as improving demand-response technologies (such as smart meters and battery storage) that policy makers need to address quickly<sup>5</sup>.

### INDUSTRY OVERVIEW - LOCAL

Locally, as always, in 2018 the changes in the price of oil were reflected in electricity rates showing marginal increases through most of the year, cushioned somewhat by LUCELEC's fuel price hedging programme and the lower oil prices towards the end of the year.

Our investments in smart meters, the 3 megawatt (MW) solar farm that was commissioned in 2018, and the major improvements to the systems that help us generate, monitor and manage the delivery of electricity (details of which you will read elsewhere in this annual report) are in keeping with the prevailing trends in the electric utility industry and reflects the foresight that continues to characterise LUCELEC's development and transformation of the local electricity infrastructure.

### CHALLENGES

This process of transformation is not without its challenges. Setbacks with land acquisition continued to delay progress on the development of a 12 MW wind farm. This was compounded by the death of the major principal in the American company LUCELEC had partnered with on this initiative, and the resulting re-evaluation of the way forward on this project.

Nonetheless, we continue to explore various options for moving forward with this initiative.

We note the progress towards the development of the country's geothermal potential, but it is a long process to prove the resource and eventually get power that LUCELEC can actually purchase. This geothermal initiative is of critical importance to decisions the Company makes regarding generation but we are not in control of the process.

Similarly, we applaud the Cabinet of Ministers' approval of the National Energy Transition Strategy (NETS) for Saint Lucia which maps out how the energy sector should be developed and the critical role LUCELEC plays in that strategy. However, the full suite of legislation and regulations to facilitate the transformation remains outstanding.

Labour relations continued to pose its own challenges in 2018. Negotiations with the union representing middle management were completed, but the dispute on the 2011-2013 collective agreement between the Company and the union representing junior employees remains before the Labour Tribunal.

## COMPANY PERFORMANCE

Notwithstanding, the Company's overall performance for 2018 is commendable. Electricity sales increased marginally (0.5%). The Group's Profit after Tax increased by 0.01% to EC\$35M, and Earnings Per Share for the year was EC\$1.53, an increase of 1.3% over the prior year. The Group achieved a Return on Equity of 12.0% (2017 – 12.3%).

LUCELEC achieved target or better on 7 of its 11 corporate performance indicators. Of particular note, is that System Losses (6.34%) continues to achieve new record lows each year and we continue to exceed targets for Customer Satisfaction.

It seems not a year goes by without the LUCELEC staff having to respond to extreme weather events. In 2018 Tropical Storm Kirk required the Company's now legendary response mechanism to kick in. Although there was no damage to any major infrastructure, the staff responded with their customary efficiency in restoring power to the several areas that were without power.

## OUTLOOK FOR 2019

In 2019, the projection is for marginal sales growth, but LUCELEC will continue its thrust towards transformation of the electricity sector. \$71.4M in capital investment has been budgeted for this. Grid modernization to improve remote control capabilities, efficiency, reliability and resilience will continue.

We will install our first utility grade storage battery system as well as electric vehicle charging stations at various locations around the island. Work will also continue on the construction of a fibre optic network on LUCELEC's distribution poles that will be a critical component of the interconnected energy space of the near future.

## CONCLUSION

I take the opportunity to express my appreciation for the support of the Directors on the Board of St. Lucia Electricity Services Limited, the Directors of the subsidiaries (LUCELEC Cap-Ins Inc., LUCELEC Trust Company 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 good results to report on.

The work that we're doing in the electricity sector is ground breaking in many ways and certainly transformative. We're writing new pages, new chapters, not only in the history of the development of the sector, but in the history of Saint Lucia also. And we must continue to do so if we are to be true to our vision, to be the energy that powers our nation's success.

<sup>1</sup>Gavin Blade, "10 Trends Shaping the Power Sector in 2018", <https://www.utilitydive.com/news/10-trends-shaping-the-power-sector-in-2018/515235/>, accessed February 6, 2019.

<sup>2</sup>International Energy Agency (IEA), *World Energy Outlook 2018*, <https://www.iea.org/newsroom/news/2018/november/world-energy-outlook-2018-examines-future-patterns-of-global-energy-system-at-a-t.html>

<sup>3</sup>Nicholas Nhede, "Energy Countdown Clock" [https://www.smart-energy.com/industry-sectors/data\\_analytics/utilities-industry-trends/](https://www.smart-energy.com/industry-sectors/data_analytics/utilities-industry-trends/), accessed February 6, 2019.

<sup>4</sup>Deloitte, *2019 Oil, Gas, and Chemicals Industry Outlook: My Take: Duane Dickson*, <https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/oil-gas-and-chemicals-industry-outlook.html>

<sup>5</sup>International Energy Agency (IEA), *World Energy Outlook 2018*, <https://www.iea.org/newsroom/news/2018/november/world-energy-outlook-2018-examines-future-patterns-of-global-energy-system-at-a-t.html>

# 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 degree 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 Director

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 Resource 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 Chartered Association of 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 a member of the Board's Governance and Audit Committees, and the Board representative on the LUCELEC Staff Grade II Pension Scheme.



NICHOLAS

JOHN

Nicholas John was appointed to the Board of Directors of St. Lucia Electricity Services Limited on August 23, 2016 by the Government of Saint Lucia (GOSL). Mr. John is an Attorney at Law by profession with almost forty (40) years' experience, holding an LLB (Hons.) Degree from the London School of Economics. He is the principal with the law firm of Nicholas John & Co., and the Managing Director of the Hewanorra Fiduciary Services Group. Mr. John is a member of the Board's Governance and Strategic Planning & Investments Committees.



LESLIE

PROSPERE

Leslie Prospere was appointed to the Board of Directors of St. Lucia Electricity Services Limited on September 9, 2016 by the Castries Constituencies Council (CCC). Mr. Prospere is an Attorney at Law by profession with almost seventeen (17) years' experience holding an LLB (Hons.) Degree from the University of London. He is a Partner with the law firm of Gordon & Gordon Co., and is a member of the Board's Governance and Audit Committees and the Board representative on the Grade I Pension Scheme.



MATTHEW

LINCOLN

MATHURIN

Acc. Dir.

Matthew Mathurin was appointed to the Board of Directors of St. Lucia Electricity Services Limited by the National Insurance Corporation (NIC) on August 29, 2007. Mr. Mathurin is the Director/Chief Executive Officer of the NIC. He is a Fellow of the Chartered Association of Certified Accountants and holds an MBA (with Distinction) with Specialism in Finance from the Edinburgh Business School of Heriott Watt University. Mr. Mathurin is a member of the Board's Strategic Planning and Investment and Human Resources Committees.



ROGER

BLACKMAN

Acc. Dir.

Roger Blackman was appointed to the Board of Directors of St. Lucia Electricity Services Limited on March 19, 2016 by Emera (St. Lucia) Limited. Mr. Blackman is a Mechanical Engineer by profession and holds a BSc in Engineering degree 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 Resource Committee and of the Governance Committee.



**KAREN  
DARBASIE**

Karen Darbasie was appointed to the Board of Directors of St. Lucia Electricity Services Limited on May 13, 2016 by First Citizens Bank Limited. Ms Darbasie is the Group Chief Executive Officer at First Citizens Bank. She holds a BSc (Hons.) Degree in Electrical Engineering from the University of the West Indies, an MSc with distinction in Telecommunications and Information Systems from University of Essex, England and an MBA with distinction from University of Warwick, England. Ms. Darbasie is a member of the Board's Strategic Planning and Investments and Governance Committees.



**CAROLE  
ELEUTHERE-JN MARIE**

Acc. Dir.

Carole Eleuthere-Jn Marie was appointed to the Board of Directors of St. Lucia Electricity Services Limited on January 26, 2015 by First Citizens Bank Limited. She holds a BSc (Hons.) Degree in Accounting from the University of the West Indies, is a Chartered Accountant (FCCA) by profession and from 1992, a member of the Institute of Chartered Accountants of Saint Lucia (now ICAEC). Mrs. Jn. Marie is currently the Chief Executive Officer of First Citizen Bank (Barbados) Limited. She is the Chairperson of the Board's Audit Committee and a member of the Human Resource Committee.



**FRANK V.  
MYERS**

Acc. Dir.

Frank Myers was appointed to the Board of Directors of St. Lucia Electricity Services Limited by the National Insurance Corporation (NIC) with effect from January 1, 2018. He is the Deputy Chairman of the NIC and Chairman of the NIC's Group Audit Committee. Mr. Myers is a Chartered Accountant (FCCA) and runs his own consulting firm, Frank Myers Consulting. He holds a BSc (Hons) in Mathematics and Statistics from Edinburgh University in Scotland, and is a former President of the Institute of Chartered Accountants of the Caribbean. Mr. Myers has also served as President of the Institute of Chartered Accountants of the Eastern Caribbean. He is a Member of the Board's Audit and Governance Committees.

# DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2018.

## 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 53rd Annual Shareholders Meeting were:

Non-Executive Directors:

- Mr. John Joseph
- Mr. Matthew Lincoln Mathurin
- Mr. Frank Myers
- Ms. Sharon Christopher
- Mr. Roger Blackman
- Mr. Leslie Prospere
- Mr. Nicholas John
- Mr. Charles Serieux
- Ms. Karen Darbasie
- Mrs. Carole Eleuthere-Jn Marie

## EXECUTIVE DIRECTOR

- Mr. Trevor Louisy

## FINANCIAL RESULTS

The Company sold 361.6 million kWh of electricity, a 0.5% increase over the previous year attributable to increased energy consumption in the hotel sectors. The domestic, commercial, industrial sectors experienced reductions. There was minimal change in the street lighting sector. Total revenues were EC\$310.7M a 9.8% increase from the previous year due to the increase in tariffs and unit sales.

Net profit for the year was EC\$35.0M an increase of 0.9% over the previous year. The Company achieved Earnings per Share of EC\$1.53, an increase of 1.3% over 2017 (EC\$1.51).

Assets acquired during the year amounted to EC\$36.1M comprising mainly of Generation improvements and expansion, improvements to the Transmission & Distribution network and control systems.

## DIVIDENDS

The Board of Directors declared a total dividend of EC\$0.95 per ordinary share for 2017. The Company paid an interim dividend in December 2018 of EC\$0.45 per ordinary share.

In 2019, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2018 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.

## ACTIVITIES AND OTHER INFORMATION

Board Orientation was held on March 8, 2018. LUCELEC's Chief Financial Officer made a presentation to Directors on Enterprise Risk Management.

On May 8, 2018, the Board conducted its biennial formal Board Evaluation. The Evaluation is conducted by an external resource. The result of the Evaluation disclosed that the Board remained committed to ensuring the highest levels of corporate governance was achieved and maintained.

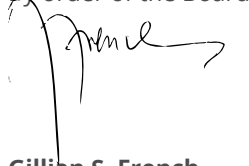
On August 9, 2018, Directors attended the annual Strategic Planning Session with Executive Management to discuss the strategic positioning of the Company to meet future financial, technical and regulatory challenges.

In 2018, two Directors attended the ECSE Director Education Accreditation Programme.

## EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

Apart from this 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, 2018 that have significant effect or may significantly affect the operations of the entity in subsequent financial years, the results of those operations, or the state of affairs of the entity in future years.

By order of the Board of Directors



**Gillian S. French**  
Company Secretary

# MANAGEMENT TEAM



**TREVOR**

**LOUISY**

BSc (Electrical Engineering),  
Acc. Dir.  
Managing Director



**VICTOR**

**EMMANUEL**

MSc (Information Systems  
Engineering), BEng (Electrical  
Engineering)  
Business Development Manager



**GOODWIN**

**D'AUVERGNE**

MBA (Finance), BSc (Electrical  
Engineering)  
Chief Engineer



**IAN**

**PETER**

BSc (Management Studies), FCCA  
Chief Financial Officer



**SHARON**

**NARCISSE**

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



**GARY**

**EUGENE**

MEng (Electronics Engineering),  
Registered Professional Engineer  
System Control Engineer



**FRANCIS**

**DANIEL**

MPM (Project Management), BSc  
(Electrical Engineering)  
Manager Strategy Development and  
Implementation



**JEVON**

**NATHANIEL**

MSc (Computer Science), BSc  
(Electrical Engineering)  
Generation Engineer



**GILROY**

**PULTIE**

MBA (Finance), BSc (Electrical &  
Computer Engineering)  
Business Process Support Manager



**WYNN  
ALEXANDER**

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



**ROGER  
JOSEPH**

MA (International Communication & Development), Dip. Mass Communication  
**Corporate Communications Manager**



**JENNIFA  
FLOOD-GEORGE**

BSc (Management Studies/ Psychology)  
**Customer Service Manager**



**GILLIAN  
FRENCH**

LLB (Hons) LEC MRP (Telecommunications), Acc. Dir., ACIS  
**General Counsel/Company Secretary**



**BRIDGET ZIVA  
PHILLIPS**

Bsc (Economics & Accounting), FCCA, Acc. Dir.  
**Finance and Accounts Manager**



**CALLIXTA  
BRANFORD**

CPA, CGA  
**Internal Audit Manager**



**MICHAEL  
THOMAS**

BSc Electrical & Electronics Engineering, Cert. Electricity Distribution, ABCP  
**Transmission and Distribution Manager (Ag)**



**CORNELIUS  
EDMUND**

MSc (Electrical Engineering - Systems and Networks);  
**Planning Manager (Ag)**



# LUCELEC RESULTS



**3**

SOLAR (MW)



**101**

DISTRIBUTED GENERATION (# OF SYSTEMS)



**800**

DISTRIBUTED GENERATION (KW)



**88.06%**

CUSTOMER SATISFACTION INDEX



**68.2%**

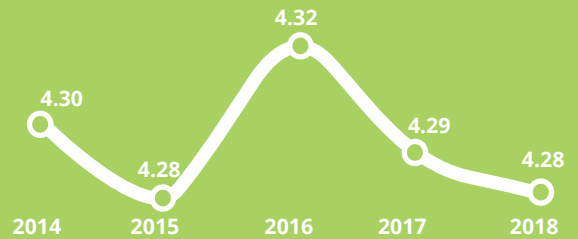
EMPLOYEE ENGAGEMENT INDEX



**4.28**

FUEL EFFICIENCY (KWH/LITRE)

FUEL EFFICIENCY (KWH/LITRE) 5 YEAR TREND



**1,314.99**

MWH SOLD/ FTE



**0.72**

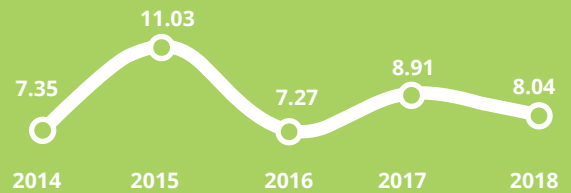
ALL INJURY FREQUENCY RATE (AIFR)



**8.02**

SAIDI (HOURS)

SAIDI (HRS) 5 YEAR TREND



**61.7**

MAXIMUM DEMAND (MW)



**88.4**

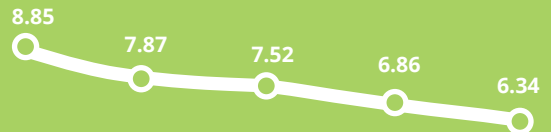
AVAILABLE GENERATION (MW)



**6.34%**

SYSTEM LOSSES

SYSTEM LOSSES (%) 5 YEAR TREND



**78**

MILES OF TRANSMISSION (66 KV) LINES



**2,676**

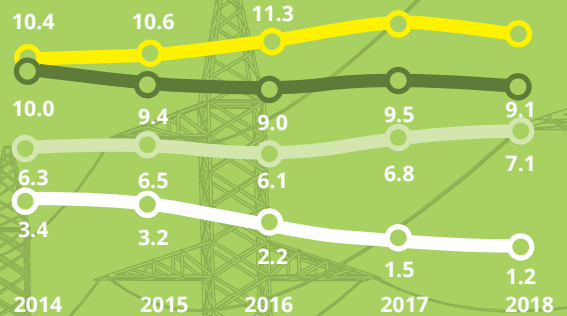
MILES OF DISTRIBUTION (11KV) LINES



**EG \$0.30**

TOTAL OPERATING COST/ KWH SOLD

2018 COST PER UNIT (EG CENT)





# OPERATIONS REVIEW

The Company's performance in 2018 is attributed to a focused effort across all departments on the outcomes that would get the Company closer to its vision of success.

## CORPORATE PERFORMANCE

St. Lucia Electricity Services Limited (LUCELEC) continued to pursue the overall objectives of its 2020 strategic vision aimed at improving operational excellence and diversifying revenue streams. The strategic themes of System Enhancement, Enterprise Risk Management, Corporate Diversification, Human Resource Development, Cost Optimisation and Management, and Customer Care all remained relevant and shaped the work programmes executed by the various business units.

At the end of December 2018 the Company had met or exceeded seven (7) of the eleven (11) targets set at the beginning of the year and achieved the threshold performance in the other four (4). The overall corporate performance score of 120% was 28 percentage points above the 2017 score (92%).

Targets were met for SAIDI and Fuel Efficiency, and were exceeded for System Losses, Total Cost/kWh Sold, Customer Satisfaction, Profit After Tax and the Employee Engagement survey results.

The Company achieved threshold performance for Improved Working Capital, MWh Sold/FTE, All Injury Frequency Rate (Safety) and Implementation of the Employee Engagement Plan.

Details on the performance for the individual measures and targets are captured elsewhere in this report.

## STRATEGY MANAGEMENT

The Company's performance in 2018 is attributed to a focused effort across all departments on the outcomes that would get the Company closer to its vision of success. Improvements in the strategy management and implementation process, including input from a wider



Governor General H. E. Sir Emmanuel Neville Cenac cuts ribbon at the official opening of LUCELEC's 3 MW Solar Farm on August 9, 2018. Former U.S. President Bill Clinton, Prime Minister Allen Chastanet, LUCELEC Chairman and Managing Director, and dignitaries assist.

cross section of staff, better alignment of targets across all levels, and better project management positively contributed to overall management of the 2018 work programme. The establishment of a system to assess risks and identify hindrances to achieving the company's strategic goals was also critical to the successes realised.

### Update on Strategic Initiatives

The Company's Strategic Business Plan looking towards 2020 identifies seven key strategic themes as the highest priorities for focused action by the Company over the next few years. These are: System Improvement and Enhancements (includes renewable energy), Corporate Diversification, Implementation of the Human Resource Strategic Plan, Developing a Culture of Customer Care, Cost Optimisation and Management, Development of an Enterprise-wide Risk Management System (includes regulatory reform), and Environmental Stewardship.

For 2018, the emphasis was on five of these and the updates on the associated initiatives are summarised below. The Company's efforts in these areas are led by various cross functional teams who co-opt additional assistance as required.

#### **System Improvements and Enhancements (including renewable energy)**

2018 marked the beginning of the transformation of the electricity generation landscape as we know it. LUCELEC constructed and commissioned a 3MW solar farm in Vieux Fort in a bid to reduce dependence on imported fuels by utilising indigenous sources of energy.

During the year LUCELEC also began construction of a backbone fibre optic network on its distribution network poles. When completed this fibre network will provide

significant improvement in information management and data acquisition in the company's operations. It will allow for real time interactions with the increasing number of distributed energy resources on the grid.

The Company has installed an upgraded Electric Vehicle Charging Station in the north of the island. This is the first of five stations planned for deployment at key locations around the island to facilitate the charging of electric vehicles. LUCELEC has two electric vehicles in its fleet.

In the coming year LUCELEC will embark on several projects aimed at improving the efficiency and resilience of the electricity infrastructure. The Company will install its first utility-grade storage battery system that will further reduce dependence on imported fuels.

LUCELEC also expects to begin a project to harness the waste heat from its generators for cooling the buildings at the Cul De Sac Power facility, and to continue its efforts to develop a 12 MW wind farm in the Dennery area.

#### **Cost Optimisation and Management & Business Process Review**

The analysis of all outstanding company processes formed a significant part of the Business Process Review Exercise (BPPE) in 2018. This critical component of the BPPE was originally intended to form part of the Cost Optimization and Management Exercise (COME) utilizing external resources but was done using internal resources.

We completed outstanding As-Is process maps (which outline how work is currently being done) for the Building Services and Health, Safety, Environment and Security sections, as well as the analysis of all the remaining 400 processes.



This was a significant accomplishment and resulted from employees at all levels devoting a lot of time to participate in the many brainstorming sessions.

An implementation plan for the opportunities that emanated from the first phase of the COME was completed as well. Following this and during the development of the plan, work commenced on implementation. At year-end 70% of the work associated with implementing the various opportunities had been completed, slightly less than the 85% planned.

The implementation of the meter-to-cash opportunities which started in 2017 continued and at year-end 77% of the work had been completed, although the initial target was 100%. The additional effort in completing the analysis of all outstanding processes with internal resources hindered progress.

In 2019, it is expected that most of the opportunities will be fully implemented and will lead to further improvements in efficiency throughout the organization.

### **Customer Care**

Building on the successes of previous years, the Company continues to seek to enhance the quality of the customer experience. The Customer Care initiatives being pursued are aimed at meeting the changing needs and expectations of the customer base, now and in the future.

The first phase of the Call Management System (CMS) implementation (initiated in 2017) concluded in 2018 and has enabled the Company to clearly articulate the design and features of an appropriate CMS to achieve our strategic customer care objectives. The Department completed a detailed Request for Proposal (RFP) for procuring consultancy services and the requisite hardware and software for implementation of the Company-wide CMS. A fully operational CMS by early 2020 is expected to significantly improve the Company's call handling performance, reduce wait time on the telephone and generally improve the overall customer experience.

Efforts to deliver enhanced customer care received a boost with the recruitment of a Customer Relationship Manager in 2018. The Customer Service Department also embarked on a Customer Care Transition initiative as a pilot project to shift from a "service" culture to a culture of "care". A series of comprehensive training workshops and engagements have positioned the department to deliver the desired quality of care to customers. In the future, other departments throughout the Company will undergo similar training and sensitization.

Going forward, the range of electronic, online and self-



service options to customers will include: bill payment kiosks for customers who want to use self-service payment facilities, an electronic queue management system for more efficient service delivery in-office, online chat and electronic processing of service requests.

### **Corporate Diversification**

Management continues to evaluate potential business ventures, but the subsidiary company has not been fully operationalized. Given the limited market size, LUCELEC is wary of entering into direct competition with its customers, while it operates in a regulated market. In 2019, the Company plans to conduct a comprehensive exercise to develop a strategic plan to 2030, which will determine the direction revenue diversification should take.

### **Enterprise Risk Management (including regulatory reform)**

Enterprise Risk Management (ERM) continues to be a priority for the Company. The company continues to employ sound ERM practices by regularly reviewing its operational and strategic risks, at executive and Board level. The company's overriding objective is to integrate risk management practices in all its operational and strategic decisions.

### **Human Resources (HR) Strategic Plan**

In June 2018, the Human Resources Committee of the Board of Directors approved the revised HR Strategic Plan for LUCELEC, which outlines the strategic and operational priorities for the HR function for 2019 to 2021.

As part of the Company's thrust to align its policies with current practices and needs, the Discipline Policy and Guidelines, Recruitment & Selection Policy, Leave Policy, and Study Leave Policy were either updated or developed and approved.



New Contact Management Centre coming soon

The Company launched a formal succession management programme for critical roles in the organisation to ensure the Company maintains a competent and engaged workforce to support its corporate strategy. Participants completed a rigorous assessment programme to determine their level of preparedness and identify any skills gaps. The HR Department is in the process of establishing individual development plans for each potential successor to further develop key competencies in preparation for higher responsibility.

Senior and line managers were put through a New Thinking Leadership Enhancement course to teach inspirational leadership with a view to improve employee engagement, and effective people management at all levels within the Company. Managers were also exposed to HR training for non-HR professionals to strengthen their people management skills.

Efforts at improving employee engagement are yielding results. The Employee Morale and Satisfaction Index (EMSI) Rating for 2018 was 68.2%, (up from 58% in 2016), indicating an acceptable level of satisfaction among employees. Going forward, the Company will increase its efforts at improving communication at all levels and general interaction between senior management and staff.

## OPERATIONAL PERFORMANCE

In many ways, the operating environment for the Company remained similar to the previous year. Economic activity was not much improved, resulting in a marginal increase in electricity sales. Fuel prices also trended upwards for most of the year. And of course, there was the almost inevitable severe weather events which cut off power to some customers.

### IS Enhancements

In the aftermath of the major hurricanes of 2017 the

Company revisited the risk exposure of the information systems network and in 2018 worked to build greater resiliency therein.

A more secure server room for our most critical systems was set up and multiple layers of redundancy, power and recovery were developed. The core financial software was also updated to improve the efficiency of LUCELEC operations. This project commenced in August 2018 and will be ready for testing and migration in the second quarter of 2019.

Similarly, communication infrastructure for the Advanced Metering Infrastructure (AMI) was upgraded to use private encrypted wireless network communication which facilitates remote readings, disconnections and diagnostics. Communication to and from the new solar farm was also given priority in 2018 making use of a new fibre optic link to allow the solar farm's diagnostics, control and security to be managed remotely from the Cul de Sac facility.

Further enhancements were made to the SMS text communication platform as the Company increased the use of text messaging to improve communication with customers about their account and electricity service. We intend to continue to expand this platform to a variety of other business processes where customers need to be informed or alerted about their supply.

### Technical Operations

2018 was a watershed year for LUCELEC and the Technical Division (Operations) which includes the major operating departments - Generation, Transmission & Distribution and System Control. Amidst the transformation of LUCELEC's energy mix to one that incorporated a utility scale solar farm, the technical division worked diligently towards providing the highest levels of service to customers.

The operational results for the year as shown by performance in various measures of success were noteworthy. System Losses achieved a stretch performance of 6.34% while System Reliability (SAIDI) performance of 8.02 hours was better than the target of 8.15 hours. Fuel efficiency of 4.28 kWh/litre met the target for the year while Health and Safety performance, as measured by the All Injury Frequency Rate (AIFR), was at threshold level.

### Generation Department

During 2018, the Generation department focused on the completion of two overhauls on the most efficient and recently installed engines, (Cul de Sac Power Station) CDSPS #8 and #10.



Overhaul in progress



T & D maintenance - live line work

This proved to be more challenging than anticipated due to the failure of the turbocharger on a third engine (CDSPS #7) resulting in the unavailability of this engine for most of the year while an investigation was being conducted on the cause of the malfunction. Notwithstanding, the overhauls on engines 8 and 10 were essentially completed by year-end. The remaining generating plant underwent the planned maintenance programmes based on their running hours and were available for service achieving an overall plant availability of 89.6%. The computerized Generation plant systems - the MAMA (Machine Management and Maintenance) and DCS (Distributed Control System) – were upgraded during the year.

The work programme for 2019 will include three overhauls on CDSPS #5, #6 and #9, upgrading of turbochargers on CDSPS #5 and #6 and fitting of new radiators on CDSPS #9. CDSPS #7 will also be returned to service and training will be provided for staff in key areas of maintenance and operations.

**Transmission & Distribution Department**

In spite of numerous cases of certified and uncertified sickness among Grade 1 - 3 staff during the year, the T&D Department continued to strive towards delivering service excellence. Although shorthanded, the department rose to the challenge of speedy restoration of electricity to customers following the passage of Tropical Storm Kirk in August, which saw trees or branches falling on electricity lines and fallen power lines and poles due to high winds and minor slides.

The Department continued to seek opportunities to use new technologies to improve efficiencies and safety. Among these is utilizing drone technology in pole top inspections on the 66kV transmission network. This has reduced the need to traverse areas with dense vegetation and the possibility of encounters with

venomous snakes. The new technology also provides more detail on the physical condition of line components for review. Similarly, the department introduced more environmentally friendly and more efficient maintenance techniques on the 66/11 kilo-Volt (kV) Inter Bus Transformers (IBTs) that improve the life of the transformers.

During the year, the department strategically installed a significant number of AMI meters with remote disconnection capability in collaboration with the Credit Control Section to reduce the cost of performing disconnections and reconnections.

The Department continued routine maintenance during the year to replace corroded pole and pad-mount transformers while high and low voltage fuses were also installed at strategic points on the system to enhance reliability. We also enhanced reliability on the western side of the island by completing a link between the Soufriere and Canaries 11kV feeders. The Department also replaced porcelain insulators with polymer insulators (which are more resistant to sea blast).

A number of our linemen successfully completed the CARILEC Level One Lineman Certification Programme. In addition, several linemen passed an internal Level I high voltage switching examination which increased the pool of individuals available to perform switching operations in the field during fault finding and system restoration efforts.

In 2019, the Department will continue work on optimizing the T&D system to improve flexibility and reliability, power quality and safety, and to reduce system losses.

**System Control Department**

A major achievement for the department was the completion of the upgrade to a new Smart Grid platform (SCADA System).

This was against the backdrop of the project's scope being successfully renegotiated during the Factory Acceptance Test (FAT) in August 2017 to include extra distribution management (DMS) capabilities at no additional cost. Although this caused a delay of almost a year, the decision resulted in the development of a more strategic and powerful (SCADA) platform from which LUCELEC can more effectively advance, deploy and grow Smart Grid capabilities in keeping with industry trends going forward.

The Department completed the replacement of outdated solid-state relays with modern microprocessor relays with communication capabilities at Castries and Union substations by the end of 2018 as well as 90% of the relay replacements for Reduit Substation (scheduled for 2019). We expect to complete the protection relay upgrades at Reduit in 2019 and begin work on the upgrades at Cul de Sac substation. Relay replacement at Cul de Sac is scheduled to be completed in 2020.

In 2019, building on the upgrades to the GIS (Geographical Information System) server and software, we will begin live updating of infrastructure data as changes are made in the field. This will improve data currency and streamline the activities of the GIS Section by facilitating immediate tracking and reflection in GIS of all system modifications. The Department will also upgrade a number of auto reclosers in 2019 with the most up-to-date control boxes and software and install additional reclosers to further improve system reliability.

**Building Services Section & Health Safety and Environment**

During 2018, the Building Services Section refurbished parts of the Cul de Sac Facility and various other Company locations to ensure that staff were provided with the most favourable working environment possible. Because of the work at the Cul de Sac Facility, some capital projects such as the construction of the Cul de Sac water storage tank were deferred. The Section expects to complete these capital projects during 2019.



During 2018, the Health, Safety, Security and Environment Section continued its role of ensuring a safe and healthy workplace for staff. In 2019, the Section will commence development of an Environmental Management System.

**Industrial Relations**

After more than six years of negotiations, the Collective Agreement between LUCELEC and the NWU for the periods March 23, 2012 to March 22, 2015 and March 23, 2015 to March 22, 2018 was signed in the presence of the Labour Commissioner in July 2018. As a result, all retroactive payments to staff on salary increases and other benefits were paid.

Negotiations between LUCELEC and CSA have been prolonged due to the parties' inability to arrive at an agreement on the Grade Structure for Grades 1 to 3 employees. The three (3) proposals made by the Company to resolve the impasse, were all rejected by the Union. The matter is being adjudicated upon by the Labour Tribunal. The Company continues to pursue all avenues to encourage the Tribunal to treat this matter with urgency and communicate its decision.



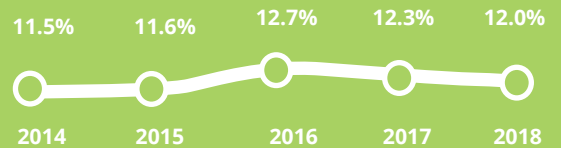
# FINANCIAL OPERATIONS SUMMARY

**EC\$ 310.7M**  
TOTAL REVENUES

**EC\$161.6M**  
RETAINED EARNINGS

**12.0%**  
RETURN ON EQUITY (ROE)

RETURN ON EQUITY 5 YEAR TREND

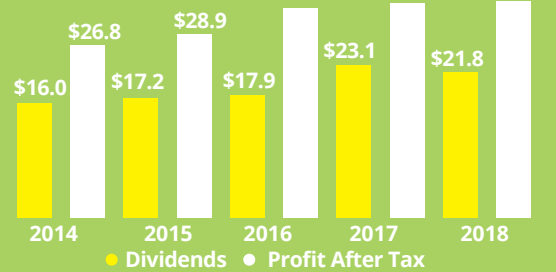


**14.9%**  
LUCLEC RETURN ON CONTRIBUTED CAPITAL (RATE OF RETURN)

**EC\$35M**  
PROFIT AFTER TAX (PAT)

**EC\$0.95**  
DIVIDENDS PER SHARE (2017)

DIVIDENDS/PROFIT AFTER TAX (EC\$ M) 5 YEAR TREND

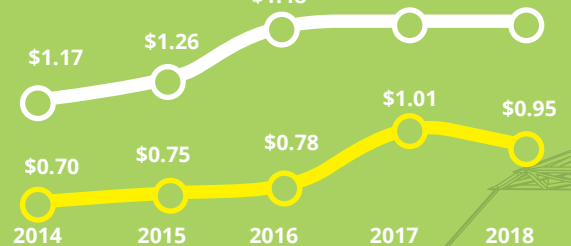


**EC\$0.45**  
INTERIM DIVIDEND PER SHARE (2018)

**EC\$36.1M**  
CAPITAL EXPENDITURE

**EC\$1.53**  
EARNINGS PER SHARE (EPS)

EARNINGS & DIVIDENDS PER SHARE 5 YEAR TREND

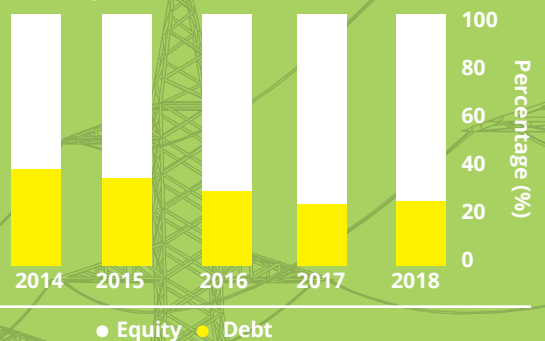


**26:74**  
DEBT TO EQUITY RATIO

**44**  
DSO (DAYS)

**CariBBB**  
(ADEQUATE)  
CREDIT RATING (CARICRIS)

DEBT/EQUITY RATIOS 5 YEAR TREND



## FINANCIAL OPERATIONS

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

### Sales & Revenues

Electricity sales grew by 0.5% in 2018 compared to a 3.3% in 2017. With an increase of 7.1%, the hotels sector was the only one which registered growth. Sales declined in the Industrial (4.2%), Commercial (1.5%) and Domestic (0.6%) sectors, while there was no significant change in the Street Light sector. The increase in the hotel sector's consumption is primarily due to the full year's consumption of two major hotels - Royalton Hotel and Harbor Club Hotel - compared to a partial year's consumption in 2017. Declines in the industrial and commercial sector were a result of reduced activity by some of the major customers in these sectors as well as implementation of efficiency measures. Domestic sales are believed to have declined as this group of customers continues to implement energy saving measures.

Total revenue of EC\$310.7M exceeded 2017's EC\$283.1M by EC\$27.6M (9.8%) primarily due to the increase in tariffs and unit sales. The overall average tariff increased by 9.0% from EC\$0.78 in 2017 to EC\$0.85 in 2018, driven by higher fuel prices during the year compared to the previous year.

The average fuel price per gallon for the year was EC\$7.73, an increase of 24% compared to fuel cost of EC\$6.23 per gallon in 2017.

Generation costs of EC\$25.8M (excluding fuel) were higher than the previous year's costs of EC\$24.3M by EC\$1.5M (6.2%) mainly as a result of increases in depreciation of EC\$1.4M, maintenance costs on the generation engines of EC\$0.8M and building maintenance of EC\$0.7M. These increases were offset by a decrease of EC\$1.1M in payroll costs.

Transmission and distribution costs of EC\$41.9M decreased by EC\$1.7M (3.9%) compared to the prior year's EC\$43.6M due to a decrease in payroll costs of EC\$2.9M, offset by increases in disaster restoration costs of EC\$0.8M and maintenance costs of EC\$0.3M. Administrative expenditure of EC\$33.0M decreased by EC\$1.3M (3.8%) from the prior year's EC\$34.3M. This was due to decreases in employee costs of EC\$0.3M and bad debts provision of EC\$1.4M offset by increases in training, motor vehicles, depreciation and insurance expenses.

Finance costs decreased by EC\$0.9M (14.8%) from EC\$6.1M in 2017 to EC\$5.2M in 2018 due to lower interest rates despite the increase in the loan balance.



Construction of the 3MW solar farm was a major capital project

The weighted average interest rate in 2018 was 4.8% compared to 5.1% in 2017.

### Profit

The Group achieved a Profit before Tax of EC\$47.6M which was lower than the previous year's result of EC\$48.2M by 1.2%.

The Group's Profit after Tax of EC\$35.0M increased by 0.9% compared to the previous year's achievement of EC\$34.7M.

Earnings per share for the year for the Group was EC\$1.53 (2017 - EC\$1.51), an increase of 1.3% over the prior year.

The Group achieved a Return on Equity of 12.0% (2017 - 12.3%). However, the Company achieved a Return on Contributed Capital (Rate of Return) of 14.9% as compared to 13.4% in 2017. The Rate of Return achieved is above the allowable range of 10% to 14.25% as stipulated by the existing legislation. As a result, the tariff for 2019 will be reduced for the industrial and hotel sectors. The Return on Property, Plant and Equipment and Intangible Assets for the Group based on historical costs was 9.7% (2017 - 9.6%) and Return on Total Assets was 7.1% (2017 - 7.0%).

Retained Earnings for the Group increased from EC\$159.2M to EC\$161.6M while the Debt to Equity ratio was 26:74 (2017 - 26:74).

### Capital Expenditure

Total expenditure for the year amounted to EC\$36.1M (2017 - EC\$49.0M) comprising mainly of the costs associated with the construction of the 3MW solar farm, engine overhauls, installation of control systems and improvements to the Transmission & Distribution network.

### Working Capital Management

The Company recorded Days Sales Outstanding (DSO) of 44 days consistent with the prior year.

Total trade receivables increased from EC\$37.1M at the end of 2017 to EC\$40.9M at the end of 2018. The increase in receivables despite there being no change in DSO, is primarily due to the overall increase in revenue.

### **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**

A credit rating exercise was conducted by CariCRIS, the Caribbean credit rating agency at the end of 2018. CariCRIS reaffirmed the Company's 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 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, 2018, swap contracts existed for the hedging of 75% of the fuel to be purchased in the first quarter of 2019 and 50% of purchases in the other three quarters of 2019.

### **Shareholders' Equity**

The Company's shares closed at EC\$20 (2017 – EC\$20) resulting in a price earnings (P/E) ratio of 13.1 times (2017 – 13.2 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, 2018 LUCELEC Cap-Ins Inc. had net assets of EC\$35.1M (2017 – EC\$34.3M). The fund's investment portfolio comprised regional investment grade securities. Money market and income funds held, experienced a significant reduction in the market value giving rise to a significant reduction in profit for this entity.

### **LUCELEC Trust Company Inc.**

LUCELEC Trust Company Inc. was established on October 14, 2005 as a non-profit company, funded through a Deed of Covenant between LUCELEC, as the donor and the Trust. The Fund was set up for the purpose of providing financial assistance or purchasing items and/or property to aid any legitimate non-political entity, religious, charitable, medical, educational and sporting body by way of donations. On December 31, 2018, the LUCELEC Trust Company Inc. was wound up voluntarily and its operations were absorbed by the parent company.

### **Outlook**

Electricity sales for 2019 are forecasted at 366.4 million kWh, 1.3% higher than the 2018 results. The domestic sector is expected to increase due to housing growth. The commercial sector is forecasted to grow due mainly to new offices and the upsurge of other commercial entities. Sales in the hotel sector are expected to decline in 2019 as this sector is expected to implement energy efficiency measures in relation to their consumption of electricity. Also, one major hotel has been disconnected from the grid and it is uncertain how long this situation will persist.

Achievement of the 2019 targets is deemed to be feasible, despite the new regulatory framework not being finalised. The Group will continue to invest in areas that will allow it to become more efficient, maintaining an acceptable rate of return for its shareholders.

Financial imperatives for 2019 include:-

1. Expanding revenue opportunities in related areas via an appropriately resourced Subsidiary Holding Company.
2. Enterprise-Wide Risk Management.
3. Continued investment in system enhancement and resilience.
4. Continued review of business processes to determine the optimal structure and resources to ensure the Company's sustainability in a changing environment
5. Improving operational efficiency and return on assets through better use of existing and future investments in technology.

The Company will continue to focus on driving efficiencies in operations, meeting customers' needs and ensuring the Company remains a viable entity for the foreseeable future.

### **Conclusion**

The Group's future performance is dependent on the successful execution of its strategic priorities while maintaining an acceptable level of reliability, power quality, safety and customer care.



# CORPORATE SOCIAL RESPONSIBILITY SUMMARY



**5M**

UNITS GENERATED BY SOLAR FARM (KWH)



**257,712**

REDUCTION IN DIESEL USED (IMP. GALLONS)



**EC\$1.99M**

FUEL COST SAVED



**EC\$0.8M**

SPONSORSHIP & DONATIONS



**995**

VOLUNTEER HOURS



**0.72**

AIFR



LUCELEC recognises that we do not operate in a vacuum. Our relationship with the society and the environment in which we do business is critical to our ability to operate effectively. The ISO 26000 Guidance on Social Responsibility provides guidance on how businesses like ours can operate in a socially responsible way. It addresses seven core subjects - organizational governance, respect for human rights, labour practices, care for the environment and consumer issues, fair operating practices, and community involvement and development. And LUCELEC is guided by the above in the execution of its Corporate Social Responsibility (CSR) policy.

In that regard, we seek to contribute to every aspect of Saint Lucian life, such that through our operations, services and various philanthropic and sponsorship initiatives, we're helping to transform communities by our support for business, sports, arts, culture, health care, charitable institutions, faith-based and non-profit organisations.

Some of our operating practices, consumer or customer care, respect for human rights and labour practices have been covered in previous sections of this Annual Report. This section focuses on governance, environmental sustainability and corporate philanthropy executed under our Power of Caring brand.

### Governance

Successfully transforming the electricity sector would not be possible without the corporate governance structure for which LUCELEC is renowned. Our history shows that the Company's operations are founded on clearly defined rules, excellent practices and processes, strategic visioning and requisite investment in human resources, machinery and plant. Indeed, a solid corporate governance structure is a catalyst for transformation, the main foundation upon which change can effectively take place. And it is this corporate governance structure that is yielding the technical advancement, new thinking and the transformation to a customer care oriented business, well poised for the new energy future.

In 2018, the Board of Directors approved several human resources policies (some new and some revisions of existing policies). Among these are the new *Anti-Bullying Policy*, *Employee Rewards & Recognition Policy* and the *Sexual Harassment Policy*. For its own internal governance, the Board approved the *Policy and Guidelines on Director Conflict of Interests* and *Guidelines on the Role of the Board and the Role of Management*. To ensure its own understanding of the electricity business with a view to improving oversight, the Board directed Management to prepare a *Diary of Must-Knows about St. Lucia Electricity Services Limited*. This too was approved in 2018. A new

Governance section was included on the Company's website to ensure shareholders and customers could be familiar with the Company's governance structures, policies and guidelines.

By its actions for itself as the highest governing body in the Company and for the Company as a whole, the Board, continued to show it is committed to its vision, "Rooted in the Caribbean, World Class in Governance" which will continue to auger well for the transformation which must take place to ensure the Company's continued success.

### Environmental Responsibility

LUCELEC continues to take active steps to minimise the impact of its operations on the environment. In 2018, we recorded our fourth consecutive year of zero oil spills at the diesel-powered facility at Cul De Sac. The 5,009,919 kWh of electricity produced by the solar farm reduced fuel usage by 257,712 imperial gallons.

We continue to expand use of shielded conductors in wooded areas to minimise tree trimming and improve safety. As well, the introduction of drone technology in inspections of the 66kV transmission network has reduced interference with the natural habitats of wildlife, some of which are endemic and protected.

The Company also harvests rain water for use at its Cul De Sac facility and recycles used oil so it can be re-purposed by commercial entities. Improvements in the transformer maintenance techniques are also more environmentally friendly.

Through the LUCELEC Trust Company Inc. we contribute to education and training in the management of the environment through support for initiatives like the Caribbean Student Environmental Alliance's Rainforest Reef Camp that teaches young people how to clean up and protect watersheds and coral reefs within their respective communities.

The Company also continued to undertake tree planting exercises in collaboration with the Forestry Department to reforest areas damaged by land slippage.

### Corporate Philanthropy

LUCELEC has two main vehicles through which we manage corporate philanthropy. Support for businesses, for-profit events and activities, and organisations not registered as non-profit is provided directly through LUCELEC.

Support for registered non-profit organisations and events and activities that are not money-making is provided under the ambit of the LUCELEC Trust Company Inc., a non-profit company funded through a Deed of



Our Boys Matter - a major investment in Youth at Risk

Covenant between the Trust and St. Lucia Electricity Services Limited (LUCELEC) as the Donor. It was set up expressly for the purpose of providing financial assistance or purchasing items and/or property to aid any legitimate non-political entity falling within the following categories: religious, charitable, medical, educational institution, sporting body, fund of a public character approved by Cabinet, and the Loan Fund established under the Further Education (Loan Fund) Act.

As always the Company provided assistance to a myriad of organisations targeted at increasing economic activity, improving education and educational facilities, and supporting the more vulnerable in the society. Information on some of the sponsorships and donations made during 2018 are provided below.

#### **Youth at Risk/Youth Development**

Youth at risk was a major focus for the Company in 2018, and we targeted two major programmes for assistance. The first was Our Boys Matter administered by the St. Lucia Social Development Fund (SSDF) with support from corporate entities and the Government of Saint Lucia. The programme targets 100 most vulnerable, poor and indigent boys from seven secondary schools across the island and provides psychosocial interventions in the areas of parenting, life skills training, mentorship, assessment of and intervention in the family dynamics, housing and educational assistance as needed, and training in Caribbean Vocational Qualification (CVQs). The overall aim is to reduce deviant behaviour, improve academic performance, employability, and entrepreneurship among the target group.

The second, is a Safe Spaces initiative in partnership with RISE St. Lucia Inc. and other public and private sector entities. The programme seeks to create safe physical and emotional spaces that are important for nurturing children, fostering business and improving the quality of life in select communities. It involves developing and training a network of community leaders, school and community peace-building initiatives, engaging youth in communities and schools in creating exciting positive content for media news and shows, community mobilization and engagement in sports, dance and freestyle competitions, and community discussions. The overall aim is to reduce violence in schools and communities by providing leadership, conflict resolution and coping skills, and alternative positive activities in at-risk communities.

We also provided support to the various homes for youth at risk including the Dunnotar School, the Holy Family Children's Home, and the Upton Gardens Girls' Centre.

#### **Tourism**

Our longstanding support for the tourism sector and its major events, the Taste of the Caribbean Culinary Competition and the Soleil Summer Festival, continued. As did our support for annual staff awards at several hotels.

#### **Business**

We continued our sponsorship of the Saint Lucia Business Awards and sporting competitions among business houses, both organized by the St. Lucia Chamber of Commerce. We supported the St. Lucia Manufacturers' Association's Quality Awards Programme as we've done since its inception.

The Company supported and participated in the National Energy Fair organized by the Department of Sustainable Development where our renewable energy efforts were showcased.

### Education

Education is perhaps the most potent tool in any transformation process, and LUCELEC has long supported the education sector by helping to improve educational infrastructure or providing opportunities to students that they may not have had otherwise.



Dugard Combined Library

In 2018, we undertook a major project to replace the roof, refurbish and repurpose a part of the school plant to create a new library and lunchroom for the students at the Dugard Combined School in Choiseul.

We also supported the National Awards for Excellence that rewards academic performance, the National Schools' Science and Technology Fair, annual graduation ceremonies, calypso competitions and sports meets at schools at all levels of the education system, the Francophonie Spelling Bee competition in celebration of the International Francophonie Day, educational immersion programmes for students studying French and Spanish at the Sir Arthur Lewis Community College, provided uniforms for the Roseau Primary School's language arts class, scholarships for children attending secondary school and the payment of examination fees through the Sir John Compton Memorial Fund, and the first ever computer coding and robotics "Hackathon" competition.

We also continued our support of the Junior Achievement Programme of the Choiseul Secondary School and hosted

more than 50 students from universities, the Sir Arthur Lewis Community College and various secondary schools in our annual Summer Employment Programme, from June 1 - August 31.

### Arts & Culture

LUCELEC continued to breathe life into the creative and cultural landscape. The Youth In Arts' presentation of *Masquerade Master*, Gemstones Theatre Productions' *Guess Who's Coming to the Doctor* and *Silent Scars*, the Belle Vue Development Committee's *Mas in Da Vue*, the Royal Saint Lucia Police Force's *Kaiso Headquarters XIII*, the National Bele Group's participation in the Bele Djoubap Festival in Martinique, the Avad Dance Ministry's participation in the Alvin Ailey America Dance Theatre programme, the Dennerly La Marguerite Group, and the Caribbean Youth Film Festival, are just a few events and organisations which received sponsorship support in 2018.

LUCELEC supported long standing cultural festivals and artists as well, including Jounen Kwéyòl, Carnival bands, the 2018 Calypso Season, the Pantime Steel Orchestra, and the Babonneau Steel Orchestra.

### Sports

LUCELEC assists clubs and associations with participation in and the hosting of local, regional and international tournaments. We assist individual schools and the education districts with putting on their respective annual meets as well. The overall aim is to contribute meaningfully to the development of sport on the island and to provide avenues for young people to develop their respective talents and to excel.

At the club level in 2018 we assisted the Rockets Athletics Club with its participation in the Hampton International Games in Trinidad, the Sharks Swim Club to facilitate St. Lucia's participation at the Central America and Caribbean (CCCAN) Swimming Championship in Aruba, as well as Elite Track and Field Club, Seajays Swim Club, and the Mon Repos Youth and Sports Council to host events locally. We supported the Gros Islet Football League with its Youth Development Camp, the Young Achievers with its 11th Annual Golden Mile event, the Morne Stars with its regional 5K Road Relay, the Budo-Kai Shotokan Karate-Do Saint Lucia with the purchase of training mats, and the Tigers InFLOW™ Academy with its Kids InFLOW™ Development Series (Primary School's Programme), as well.

Similar assistance was provided to national associations such as the St. Lucia Amateur Bodybuilding & Fitness Association with hosting the 25th Annual National Bodybuilding Championship, the St. Lucia Amateur Swimming Association (SLASA) with participation in the regional swim meets for 2018, the St. Lucia Rugby



Road Relay

Football Union with the Michael Mathurin Challenge (named after a deceased employee who was very active in the sport), the Saint Lucia Basketball Federation with its participation in the 2021 FIBA Americup Pre-Qualifier, and the Saint Lucia Volleyball Association with the national team's participation in the 2018 ECVA Senior Male Volleyball Championships held in Grenada.

LUCELEC also supported the second season of the St. Lucia Premier League (SPL) T20 cricket tournament and refurbished the electrical wiring at the Kenneth Wriggley Tennis Court on behalf of the Department of Youth & Sports.

### **Health & Wellness**

Consistent with LUCELEC's own focus on safety, health and wellness for its employees, the Company extended its support to the wider community through its annual \$25,000 donation to the National Community Foundation towards persons seeking assistance with medical interventions. We also supported various health and wellness organisations and support groups such as the St. Lucia Diabetes & Hypertensive Association, Faces of Cancer, St. Lucia Glaucoma Association, and the St. Lucia Renal Association, with various activities to create awareness of health issues and provide services and support to vulnerable groups and individuals. Assistance was also provided to the Saint Lucia Medical & Dental Association for its 14th Annual Continuing Education Medical Conference and to Partners of Victoria Hospital towards a World Paediatric Project in Saint Lucia.

The Company also teamed up with other corporate entities CIBC First Caribbean International Bank and Massy Supermarkets to raise awareness of health issues such as cancer.

### **Charitable Contributions**

Several agencies with a charitable mandate continue to get assistance from the LUCELEC Trust in meeting the needs of their respective clientele. The Centre for Adolescent Renewal and Education, Salvation Army, the Ex-Service Men and Women's League, the Rotary and Lions Clubs, Friends of the Mentally Challenged Inc., and some of the homes for the elderly - the Marian Home and the St. Lucy's Home - all received assistance in 2018.

We also continued our support for the National Council of and for Persons with Disabilities annual Camp Lajwa where for a few days it takes some of the persons with disabilities, particularly those who are generally house-bound, on various outings to experience the outdoors and other aspects of St. Lucian life.

Similarly we gave assistance to various feeding programmes with regular contributions to agencies like Feed the Poor Ministry Inc. and the St. Benedict's Centre. And at Christmas time, we supported various agencies, organisations and groups in their Christmas outreach to assist day-care and pre-schools, the unemployed, senior homes, hospitals and underprivileged children with subsidies, food hampers and Christmas parties.

### **Staff Volunteerism**

The Company continued its "Operation Shoebox" initiative where staff members contribute school supplies that are donated to underprivileged children around the island. Led by Team Lighthouse from our southern offices, staff also continued the Breakfast Always Matters (BAM) and Give Lunch A Day (GLAD) programmes to fund and deliver breakfast and lunch to needy school children and hampers to schools across the island.

Our employees also volunteered their time to assist the Saint Lucia National Trust to clean up the Married Women's Quarters at Vigie, an important part of Saint Lucia's military heritage, to reduce the rate of deterioration of the historical building and improve safety of the area. The St. Lucia Crisis Centre and the Corinth Secondary School also benefited from volunteer assistance with the electrical wiring of a home for a family and the school's computer lab respectively. In total, employees contributed 995 hours in volunteer time in 2018.

### **Conclusion**

LUCELEC's corporate social responsibility thrust is aptly captured in its brand - the Power of Caring. We are deeply committed to making a difference in our communities and in the lives of the people of Saint Lucia. We believe, more than the resources at our disposal, our caring has the power to transform communities and to change lives for the better.



# FINANCIAL STATEMENTS

We communicate with the Audit Committee 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.

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PKF St. Lucia

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## **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 consolidated financial statements of **St. Lucia Electricity Services Limited** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 financial position of the Group as at December 31, 2018, and its financial performance and its cash flows 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 Company 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 the opinion.

### **Key Audit Matters**

There were no key audit matters to communicate.

### **Other Information included in the Group's 2018 Annual Report**

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 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.

## **INDEPENDENT AUDITOR'S REPORT (CONT'D)**

### **Responsibilities of Management and the Audit Committee 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### **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 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.



## INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 provided the Audit Committee 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.

The engagement partner on the audit resulting in this independent auditor's report is Richard Surage.



Chartered Accountants  
Castries, Saint Lucia  
March 8, 2019

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

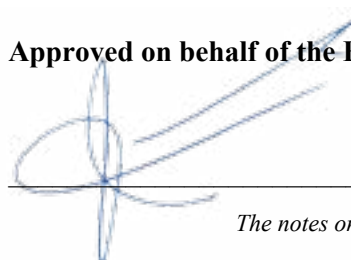
Consolidated Statement of Financial Position

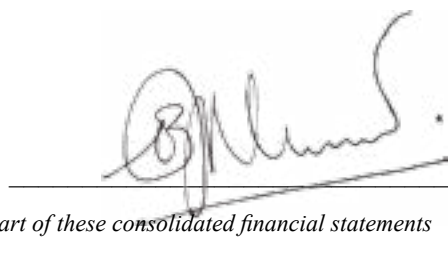
As at December 31, 2018

*(Expressed In Eastern Caribbean Dollars)*

	Notes	2018	2017
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	6	\$ 348,084,988	348,357,260
Intangible assets	7	<u>11,227,902</u>	<u>12,436,257</u>
<b>Total non-current assets</b>		<u><b>359,312,890</b></u>	<u><b>360,793,517</b></u>
<b>Current</b>			
Inventories	8	12,182,758	13,719,898
Trade, other receivables and prepayments	9	67,795,691	52,536,122
Other financial assets	10	35,294,054	40,671,992
Derivative financial instruments	26	-	4,288,440
Income tax recoverable		2,800,364	428,722
Cash and cash equivalents	11	<u>17,659,161</u>	<u>22,644,177</u>
<b>Total current assets</b>		<u><b>135,732,028</b></u>	<u><b>134,289,351</b></u>
<b>Total assets</b>		<u><b>\$ 495,044,918</b></u>	<u><b>495,082,868</b></u>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	12	\$ 80,162,792	80,162,792
Retained earnings		161,609,420	159,185,591
Fair value reserve	13	(1,520,567)	331,278
Revaluation reserve	14	15,350,707	15,350,707
Self-insurance reserve	15	<u>36,616,586</u>	<u>33,972,285</u>
<b>Total shareholders' equity</b>		<u><b>292,218,938</b></u>	<u><b>289,002,653</b></u>
<b>Liabilities</b>			
<b>Non-current</b>			
Borrowings	16	89,923,566	82,202,503
Consumer deposits	17	18,239,858	17,761,450
Provision for other liabilities	18	1,485,493	1,485,493
Deferred tax liabilities	19	32,571,998	33,596,207
Post-employment medical benefit liabilities	21(b)	<u>2,114,000</u>	<u>2,036,000</u>
<b>Total non-current liabilities</b>		<u><b>144,334,915</b></u>	<u><b>137,081,653</b></u>
<b>Current</b>			
Borrowings	16	12,278,938	18,562,878
Trade and other payables	22	33,211,688	49,995,490
Derivative financial instruments	26	11,284,711	-
Dividends payable		<u>1,715,728</u>	<u>440,194</u>
<b>Total current liabilities</b>		<u><b>58,491,065</b></u>	<u><b>68,998,562</b></u>
<b>Total liabilities</b>		<u><b>202,825,980</b></u>	<u><b>206,080,215</b></u>
<b>Total shareholders' equity and liabilities</b>		<u><b>\$ 495,044,918</b></u>	<u><b>495,082,868</b></u>

Approved on behalf of the Board of Directors:


  
 \_\_\_\_\_ Director


  
 \_\_\_\_\_ Director

The notes on pages 45 to 107 are an integral part of these consolidated financial statements

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

	Notes	2018	2017
<b>Revenue</b>			
Energy sales		\$ 307,880,003	278,981,385
Other revenue		<u>2,795,053</u>	<u>4,083,657</u>
		<u>310,675,056</u>	<u>283,065,042</u>
<b>Operating expenses</b>			
Fuel costs	31	156,064,679	127,594,290
Transmission and distribution		41,901,348	43,552,010
Generation		<u>25,793,374</u>	<u>24,293,205</u>
	31	<u>223,759,401</u>	<u>195,439,505</u>
<b>Gross income</b>		<b>86,915,655</b>	<b>87,625,537</b>
Administrative expenses	31	<u>(32,990,307)</u>	<u>(34,257,466)</u>
<b>Operating profit</b>		<b>53,925,348</b>	<b>53,368,071</b>
Interest income		719,121	786,618
Fair value loss on FVTPL financial assets	13	(1,844,874)	-
Other gains, net	23	<u>60,764</u>	<u>66,610</u>
<b>Profit before finance costs and taxation</b>		<b>52,860,359</b>	<b>54,221,299</b>
Finance costs	24	<u>(5,233,170)</u>	<u>(6,063,545)</u>
<b>Profit before taxation</b>		<b>47,627,189</b>	<b>48,157,754</b>
Taxation	25	<u>(12,661,646)</u>	<u>(13,470,620)</u>
<b>Net profit for the year</b>		<u><b>34,965,543</b></u>	<u><b>34,687,134</b></u>
<b>Other comprehensive (loss)/income:</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Fair value (loss)/gain on FVTOCI financial assets	13	<u>(6,971)</u>	<u>882,672</u>
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurement (losses)/gains on defined benefit plans, net of tax	25	<u>(5,169,500)</u>	<u>385,000</u>
<b>Total other comprehensive (loss)/income</b>		<u><b>(5,176,471)</b></u>	<u><b>1,267,672</b></u>
<b>Total comprehensive income for the year</b>		<u><b>\$ 29,789,072</b></u>	<u><b>35,954,806</b></u>
<b>Basic and diluted earnings per share</b>	27	<u><b>\$ 1.53</b></u>	<u><b>1.51</b></u>

The notes on pages 45 to 107 are 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, 2018

(Expressed In Eastern Caribbean Dollars)

	Notes	Share Capital	Retained Earnings	Fair Value Reserve	Revaluation Reserve	Self- insurance Reserve	Total
<b>Balance at January 1, 2017</b>		\$ 80,162,792	150,517,899	(551,394)	15,350,707	30,717,043	276,197,047
Net profit for the year		-	34,687,134	-	-	-	34,687,134
Other comprehensive income		-	385,000	882,672	-	-	1,267,672
Total comprehensive income for the year		-	35,072,134	882,672	-	-	35,954,806
Transfer to self-insurance reserve	15	-	(3,255,242)	-	-	3,255,242	-
Ordinary dividends	29	-	(23,149,200)	-	-	-	(23,149,200)
<b>Balance at December 31, 2017</b>		\$ 80,162,792	159,185,591	331,278	15,350,707	33,972,285	289,002,653
<b>Effect of change in accounting policy for IFRS 9</b>	3(p)	-	(4,798,787)	-	-	-	(4,798,787)
<b>Balance at January 1, 2018</b>		\$ 80,162,792	154,386,804	331,278	15,350,707	33,972,285	284,203,866
Net profit for the year		-	34,965,543	-	-	-	34,965,543
Other comprehensive loss		-	(5,169,500)	(6,971)	-	-	(5,176,471)
Total comprehensive income for the year		-	29,796,043	(6,971)	-	-	29,789,072
Transfer to reserves	13 & 15	-	(799,427)	(1,844,874)	-	2,644,301	-
Ordinary dividends	29	-	(21,774,000)	-	-	-	(21,774,000)
<b>Balance at December 31, 2018</b>		\$ 80,162,792	161,609,420	(1,520,567)	15,350,707	36,616,586	292,218,938

The notes on pages 45 to 107 are an integral part of these consolidated financial statements

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

	Notes	2018	2017
<b>Cash flows from operating activities</b>			
Profit before taxation		\$ 47,627,189	48,157,754
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	6	35,541,639	34,291,418
Amortisation of intangible assets	7	1,983,755	1,914,935
Interest income		(719,121)	(786,618)
Finance cost	24	5,233,170	6,055,886
Impairment (gain)/loss on trade and other receivables		(32,485)	1,343,610
Net pension costs	20(h) & 21(d)	1,593,000	2,104,000
Fair value loss on FVTPL financial assets	13	1,844,874	-
Loss/(gain) on disposal of property, plant and equipment	23	23,755	(44,285)
Loss on disposal of other financial assets	24	-	7,659
<b>Operating profit before working capital changes</b>		<u>93,095,776</u>	<u>93,044,359</u>
Decrease /(increase) in inventories		1,537,140	(1,838,630)
(Increase)/decrease in trade, other receivables and prepayments		(8,741,160)	2,454,656
(Decrease)/ increase in trade and other payables		<u>(12,497,120)</u>	<u>20,154,053</u>
<b>Cash generated from operations</b>		<u>73,394,636</u>	<u>113,814,438</u>
Benefits paid on post-employment medical plan	21(f)	(50,000)	(48,000)
Interest received		702,443	783,018
Finance cost paid		(5,205,430)	(5,896,888)
Income tax paid		<u>(13,841,997)</u>	<u>(17,199,428)</u>
<b>Net cash from operating activities</b>		<u>54,999,652</u>	<u>91,453,140</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	6	(34,460,803)	(46,466,466)
Proceeds from disposal of property, plant and equipment		899	44,483
Acquisition of intangible assets	7	(1,608,618)	(2,578,363)
Pension funding contribution	20(e)	(8,850,000)	(5,291,000)
		<u>(6,620,018)</u>	<u>(4,816,971)</u>
Proceeds from disposal of other financial assets		<u>10,162,790</u>	<u>1,692,594</u>
<b>Net cash used in investing activities</b>		<u>(41,375,750)</u>	<u>(57,415,723)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		20,000,000	-
Repayment of borrowings		(18,472,224)	(19,042,074)
Dividends paid		(20,498,466)	(23,153,892)
Consumer deposits, net		<u>361,772</u>	<u>1,202,580</u>
<b>Net cash used in financing activities</b>		<u>(18,608,918)</u>	<u>(40,993,386)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(4,985,016)</u>	<u>(6,955,969)</u>
Cash and cash equivalents at beginning of year	11	<u>22,644,177</u>	<u>29,600,146</u>
<b>Cash and cash equivalents at end of year</b>	11	<u>\$ 17,659,161</u>	<u>22,644,177</u>

The notes on pages 45 to 107 are an integral part of these consolidated financial statements

**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). The principal activities of the Company and its subsidiaries (the “Group”) include the generation, transmission, distribution and sale of electricity and the operation of a self-insurance fund and a trust.

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

**2. Basis of Preparation***(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were approved for issue by the Board of Directors on March 8, 2019.

*(b) Basis of measurement*

The consolidated financial statements have been prepared using the historical cost basis except for land, certain other financial assets and derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 4.

*(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 37. 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 Group 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.

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

**2. Basis of Preparation (Cont'd)***(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 dollar.

*(e) Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with IFRSs 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 3(b)(iii) : Estimated useful lives of property, plant and equipment
- Note 3(c)(iii) : Estimated useful lives of intangible assets
- Note 3(d) : Measurement of defined benefit obligations
- Note 3(k) : Estimation of unbilled sales and fuel surcharge
- Note 4 : Determination of fair values
- Note 33 : Valuation of financial instruments

**3. Significant Accounting Policies**

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

*(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.

**3. Significant Accounting Policies (Cont'd)**

(b) *Property, plant and equipment*

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and 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. Borrowing costs for long-term construction projects are recognised if the recognition criteria are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate 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.

(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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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 and adjusted if appropriate.

The annual rates of depreciation are as follows:

	<b>2018</b>	<b>2017</b>
■ Buildings	<b>2½% - 12½%</b>	<b>2½% - 12½%</b>
■ Plant and machinery		
- Generator overhauls	<b>33⅓%</b>	<b>33⅓%</b>
- Other	<b>4% - 10%</b>	<b>4% - 10%</b>
■ Motor vehicles	<b>20% - 33⅓%</b>	<b>20% - 33⅓%</b>
■ Furniture and fittings		
- Computer hardware	<b>20%</b>	<b>20%</b>
- Other	<b>10%</b>	<b>10%</b>



**3. Significant Accounting Policies (Cont'd)***(c) 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 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.

*(iii) Amortisation*

Amortisation is calculated using 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 assets. The estimated useful lives of the assets that are amortised, that is, the information systems range from five (5) to eight (8) years.

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

*(d) 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 benefits 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 obligation is reduced by the fair value of the respective plan's assets. 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 independent and qualified 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 plans 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.

**3. Significant Accounting Policies (Cont'd)***(d) Employee benefits (Cont'd)**(ii) Pension benefits assumptions*

The present value of the pension obligations depends on a number of factors that are determined by independent qualified 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.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 20.

*(iii) Defined contribution plans*

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 expenses 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.

*(e) Financial instruments**(i) Non-derivative financial instruments*

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

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs, except for financial instruments at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

**3. Significant Accounting Policies (Cont'd)**

(e) *Financial instruments (Cont'd)*

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

*FVTOCI financial assets*

The Group's investments in treasury bills are classified as financial assets measured at FVOCI. 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 rate, 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.

*FVTPL financial assets*

The Group's investments in mutual and income funds 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 financial assets relating to interest income calculated using the effective interest rate, 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.

*Deposits held in banks*

Deposits held at banks comprise deposits with maturities greater than three months but less than one year. Subsequent to initial recognition, deposits are measured at amortised cost using the effective interest method less any impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and demand deposits with maturities of 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 finance income and expense is discussed in Note 3(1).

**3. Significant Accounting Policies (Cont'd)***(e) Financial instruments (Cont'd)**(i) Non-derivative financial instruments (Cont'd)**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 – 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.

*Consumer deposits*

Given the long-term nature of the customer relationships and in accordance with the provisions of the Electricity Supply Act, 1994 (as amended), customer 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.

**3. Significant Accounting Policies (Cont'd)***(f) Impairment**(i) Financial assets*

The adoption of IFRS 9 has fundamentally changed the Group's financial assets impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach from January 01, 2018.

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 is permitted by IFRS 9, the Group has voluntarily elected to select an accounting policy which recognizes full lifetime expected 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 receivables is disclosed in Note 33.

For all other receivables and financial assets measured at FVTOCI, an ECL probabilistic 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 are classified as FVTPL, no separate impairment assessment is necessary as all changes in fair value are immediately recognized through profit or loss.

**3. Significant Accounting Policies (Cont'd)****(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").

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.

**(g) 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.

**(h) 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.

### **3. Significant Accounting Policies (Cont'd)**

*(i) 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.

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 represent 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.

*(j) Interests in joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

**3. Significant Accounting Policies (Cont'd)***(k) 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.

*Rental income*

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

*(l) Interest income and costs*

Interest income comprises interest income on funds invested and gains on disposal of other financial assets that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, consumer deposits and pole rental deposits, losses on disposal of other financial assets and impairment losses recognised on certain 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.

*(m) Operating Leases*

Leases in which significant portion of the risk and records of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income over the period of the lease. Renewal of operating lease is on mutual agreement between parties prior to the acquisition date.



### **3. Significant Accounting Policies (Cont'd)**

*(n) 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.

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.

*(o) 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.

**3. Significant Accounting Policies (Cont'd)***(p) New standards, amendments to standards and interpretations**(i) New standards, amendments and interpretations effective in the 2018 financial year are as follows:*

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2018 have been adopted in these consolidated financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2018 which do not affect the Group's consolidated financial statements have not been disclosed below.

- *IFRS 7, 'Financial Instruments: Disclosures'* was amended to require additional disclosures when an entity first applies IFRS 9, Financial Instruments, which include the changes in the categories and carrying amounts of financial instruments before and after the application of the new standard.

This reconciliation has been disclosed below.

- *IFRS 9, 'Financial Instruments'* replaces IAS 39 as at January 01, 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as at January 01, 2018 and are disclosed below.

*Changes to classification and measurement*

To determine classification and measurement categories, IFRS 9 requires all financial assets, except derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets of fair value through profit or loss ("FVTPL"), available for sale ("AFS"), held-to-maturity and loans and receivables have been replaced by:

- Debt securities at amortised cost;
- Debt securities at fair value through other comprehensive income ("FVTOCI"), with gains or losses recycled to profit or loss on derecognition;
- Equity securities at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss ("FVTPL")

**3. Significant Accounting Policies (Cont'd)**

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

*(i) New standards, amendments and interpretations effective in the 2018 financial year are as follows (Cont'd):*

As at January 1, 2018, the Group has assessed its investments portfolio which had previously been classified as AFS instruments. The Group concluded that the investment funds portion of these instruments are not managed within business and cash flow models of collecting contractual principal and interest cash flows and selling financial assets. Accordingly, the Group has classified these investments as financial assets measured at FVTPL.

For treasury bills, the Group concluded that these instruments are managed within a business model of collecting contractual principal and interest cash flows, along with selling the financial assets. As such, the Company has classified these investments as debt instruments measured at FVTOCI.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms, as explained above. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed. The Group's classification of its financial assets and liabilities is explained in the transition disclosures below.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***3. Significant Accounting Policies (Cont'd)***(p) New standards, amendments to standards and interpretations (Cont'd)**(i) New standards, amendments and interpretations effective in the 2018 financial year are as follows (Cont'd)::**Transitional disclosures*

There were no financial assets or financial liabilities which the Group had previously designated as FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as FVTPL at the date of initial application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

<b>Financial Assets</b>		<b>Financial assets measured at FVTPL</b>	<b>Financial assets measured at FVTOCI</b>
<b>Available-for-sale:</b>			
<b>IAS 39 carrying amount as at December 31, 2017</b>	\$ 34,209,425	-	-
<i>Reclassification to:</i>			
Financial assets measured at FVTPL	(33,159,425)	33,159,425	
Financial assets measured at FVTOCI	<u>(1,050,000)</u>	<u>-</u>	<u>1,050,000</u>
<b>IFRS 9 carrying amount as at January 1, 2018</b>	<u>\$ -</u>	<u>33,159,425</u>	<u>1,050,000</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***3. Significant Accounting Policies (Cont'd)***(p) New standards, amendments to standards and interpretations (Cont'd)**(i) New standards, amendments and interpretations effective in the 2018 financial year are as follows (Cont'd):**Changes to the impairment calculation*

The adoption of IFRS 9 has changed the Group's accounting for financial assets' impairments by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to record an allowance for all financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case a lifetime ECL is determined. Details of the impairment method are described in Note 3(f) above.

*Transitional disclosures:*

The information below sets out the impact of adopting IFRS 9 on the consolidated statement of financial position and retained earnings due to the effect of replacing IAS 39's incurred credit loss approach with IFRS 9's ECLs.

A reconciliation between the carrying amounts of trade, other receivables and prepayments under IAS 39 to balances reported under IFRS 9 as at January 01, 2018 is as follows:

	<b>IAS 39 carrying amount as at December 31, 2017</b>	<b>Recognition of IFRS 9 ECLs (Note 33)</b>	<b>IFRS 9 carrying amount as at January 01, 2018</b>
<b>Financial Asset:</b>			
Trade, other receivables and prepayments	\$ <u>52,536,122</u>	<u>(4,798,787)</u>	<u>47,737,335</u>

The impact of transition to IFRS 9 on retained earnings is as follows:

	<b>Closing balance under IAS 39 as at December 31, 2017</b>	<b>Recognition of IFRS 9 ECLs (Note 33)</b>	<b>Opening balance under IFRS 9 as at January 01, 2018</b>
Retained earnings	\$ <u>159,185,591</u>	<u>(4,798,787)</u>	<u>154,386,804</u>

The above reclassifications have no impact on opening reserves.

**3. Significant Accounting Policies (Cont'd)**

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

*(i) New standards, amendments and interpretations effective in the 2018 financial year are as follows (Cont'd):*

- *IFRS 15, 'Revenue from Contracts with Customers'* was issued in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the revenue recognition guidance including IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and the related interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, that is, when control of the goods or services underlying the particular performance obligation is transferred to the customer.

In April 2016, IFRS 15 was amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The application of this amendment did not have a material impact on the Group's consolidated financial statements

- *IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'* was issued to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

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

### **3. Significant Accounting Policies (Cont'd)**

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

*(ii) Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows:*

- *IFRS 16, Leases* was issued in January 2016 and will supersede IAS 17, Leases. This standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor.

This new standard is applicable for annual periods beginning on or after January 1, 2019. It is anticipated that the application of IFRS 16 in the future may have a material impact on amounts reported in respect to the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review is undertaken.

- *IFRIC 23, 'Uncertainty over Income Tax Treatments'* was issued to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, 'Income Taxes'.

This interpretation is applicable for annual periods beginning on or after January 1, 2019. 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 that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ("SPPI") condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

This amendment is applicable for annual periods beginning on or after January 1, 2019. 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.

### **3. Significant Accounting Policies (Cont'd)**

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

*(ii) Standards, amendments and interpretations 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 all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

This amendment is applicable for annual periods beginning on or after January 1, 2019. 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 19 'Employee Benefits'* was amended to clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

This amendment is applicable for annual periods beginning on or after January 1, 2019. 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 23, 'Borrowing Costs'* was amended clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

This amendment is applicable for annual periods beginning on or after January 1, 2019. 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.



**4. 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, other financial assets (term deposits), cash and cash equivalents, trade and other payables and dividends payable are assumed to approximate their fair values at the reporting date due to their short-term nature.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***4. 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:

	<u>As at December 31, 2018</u>	<u>As at December 31, 2017</u>	<u>Level</u>	<u>Valuation techniques and key inputs</u>
<b>Non-Financial Assets Measured at Fair Value</b>				
Land (Note 6)	\$ 28,477,147	28,394,803	2	Market comparable approach. Key inputs-Price per square foot
<b>Financial Instruments Measured at Fair Value</b>				
<b>Financial Assets</b>				
FVTOCI financial assets (Note 10)	\$ 1,620,000	-	2	Quoted prices in an inactive market
FVTPL financial assets (Note 10)	\$ 33,674,054	-	2	Quoted prices in an inactive market
AFS Financial assets	-	34,209,425	2	Quoted prices in an inactive market
Derivative financial instruments (Note 26)	\$ -	4,288,440	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
<b>Financial Liabilities</b>				
Derivative financial liability (Note 26)	\$ 11,284,711	-	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR)
<b>Financial Instruments Disclosed at Fair Value</b>				
<b>Financial Liabilities</b>				
Borrowings (Note 33)	\$ 94,320,399	94,283,376	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.

## **5. 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.

## **5. 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 mainly 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, have less of 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.

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, an ECL probabilistic approach was used.

#### *Other financial assets*

The Group limits its exposure to credit risk by only 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.

**5. 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 million which is secured. Interest is payable at the rate of 3.95% (2017 – 3.95%) per annum.
- Customs bond valued at \$600,000.

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 financial assets and purchases denominated in currencies other than its functional currency. The Group's exposure to currency risk is minimal since most of these financial assets and purchases 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 and deposits. The Group is exposed to interest rate risk on its financial assets measured at FVTOCI as at December 31, 2018 and 2017. The Group's only interest-bearing financial liabilities are its borrowings and consumer deposits which have fixed rates of interest as disclosed in Notes 16 and 17, respectively.

*Equity risk*

The Group is not exposed to equity price risk as at December 31, 2018 and 2017.

## **5. 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 3(i).

### **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

**5. 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 monitors the return on capital, which the Group defines as net profit for the year divided by average shareholders' equity. The Board 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 was in compliance with this requirement as at December 31, 2018 and 2017.

There were no changes in the Group's approach to capital management in 2018 and 2017.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**Notes to Consolidated Financial Statements (Cont'd)  
For the Year Ended December 31, 2018*(Expressed In Eastern Caribbean Dollars)***6. Property, Plant and Equipment**

	<u>Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Furniture and Fittings</u>	<u>Work-in- Progress</u>	<u>Total</u>
<b><u>Cost/Valuation</u></b>							
Balance at January 1, 2017	\$ 22,138,928	84,587,339	756,608,435	3,881,300	18,034,065	14,901,132	900,151,199
Additions	6,255,875	56,276	107,760	4,246	97,900	39,944,409	46,466,466
Transfers	-	2,634,258	18,844,019	770,237	595,706	(22,844,220)	-
Disposals	-	-	-	(109,800)	(47,717)	-	(157,517)
Balance at December 31, 2017	<u>28,394,803</u>	<u>87,277,873</u>	<u>775,560,214</u>	<u>4,545,983</u>	<u>18,679,954</u>	<u>32,001,321</u>	<u>946,460,148</u>
Balance at January 1, 2018	<b><u>28,394,803</u></b>	<b><u>87,277,873</u></b>	<b><u>775,560,214</u></b>	<b><u>4,545,983</u></b>	<b><u>18,679,954</u></b>	<b><u>32,001,321</u></b>	<b><u>946,460,148</u></b>
Additions	950	10,473	12,862	-	25,009	34,411,509	34,460,803
Transfers	81,394	52,675	48,454,800	172,815	2,085,836	(50,847,520)	-
Reclassifications from/(to) intangible assets	-	-	-	-	841,439	(8,221)	833,218
Disposals	-	-	-	-	(227,029)	-	(227,029)
Balance at December 31, 2018	<b><u>\$ 28,477,147</u></b>	<b><u>87,341,021</u></b>	<b><u>824,027,876</u></b>	<b><u>4,718,798</u></b>	<b><u>21,405,209</u></b>	<b><u>15,557,089</u></b>	<b><u>981,527,140</u></b>
<b><u>Accumulated Depreciation</u></b>							
Balance at January 1, 2017	\$ -	43,201,059	503,699,257	3,217,276	13,851,197	-	563,968,789
Depreciation for the year (Note 31)	-	2,086,927	30,904,671	372,656	927,164	-	34,291,418
Eliminated on disposals	-	-	-	(109,800)	(47,519)	-	(157,319)
Balance at December 31, 2017	<u>-</u>	<u>45,287,986</u>	<u>534,603,928</u>	<u>3,480,132</u>	<u>14,730,842</u>	<u>-</u>	<u>598,102,888</u>
Balance at January 1, 2018	<u>-</u>	<b><u>45,287,986</u></b>	<b><u>534,603,928</u></b>	<b><u>3,480,132</u></b>	<b><u>14,730,842</u></b>	<u>-</u>	<b><u>598,102,888</u></b>
Depreciation for the year (Note 31)	-	2,113,254	31,902,384	370,502	1,155,499	-	35,541,639
Eliminated on disposals	-	-	-	-	(202,375)	-	(202,375)
Balance at December 31, 2018	<b><u>\$ -</u></b>	<b><u>47,401,240</u></b>	<b><u>566,506,312</u></b>	<b><u>3,850,634</u></b>	<b><u>15,683,966</u></b>	<u>-</u>	<b><u>633,442,152</u></b>
<b><u>Carrying Amounts</u></b>							
At December 31, 2018	<b><u>\$ 28,477,147</u></b>	<b><u>39,939,781</u></b>	<b><u>257,521,564</u></b>	<b><u>868,164</u></b>	<b><u>5,721,243</u></b>	<b><u>15,557,089</u></b>	<b><u>348,084,988</u></b>
At December 31, 2017	<b><u>\$ 28,394,803</u></b>	<b><u>41,989,887</u></b>	<b><u>240,956,286</u></b>	<b><u>1,065,851</u></b>	<b><u>3,949,112</u></b>	<b><u>32,001,321</u></b>	<b><u>348,357,260</u></b>
At January 1, 2017	<b><u>\$ 22,138,928</u></b>	<b><u>41,386,280</u></b>	<b><u>252,909,178</u></b>	<b><u>664,024</u></b>	<b><u>4,182,868</u></b>	<b><u>14,901,132</u></b>	<b><u>336,182,410</u></b>



**6. Property, Plant and Equipment (Cont'd)**

**Fair value measurement of the Group's land**

The Group's land is stated at their revalued amounts, being the fair value at the date of revaluation of June 3, 2015. The fair value measurements were performed by an independent and qualified 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 \$13,126,440 had they been measured at a historical cost basis as at December 31, 2018 (2017 - \$13,044,096).

**Assets pledged as security**

As stated in Note 16, 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 the assignment of insurance policies.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***7. Intangible Assets**

	<u>Information Systems</u>	<u>Wayleave Rights</u>	<u>Work-in- Progress</u>	<u>Total</u>
<b><u>Cost</u></b>				
Balance at January 1, 2017	\$ 21,260,453	4,399,435	250,519	25,910,407
Additions	106,856	1,027,563	1,443,944	2,578,363
Transfers	121,278	-	(121,278)	-
Balance at December 31, 2017	<u>21,488,587</u>	<u>5,426,998</u>	<u>1,573,185</u>	<u>28,488,770</u>
Balance at January 1, 2018	<b>21,488,587</b>	<b>5,426,998</b>	<b>1,573,185</b>	<b>28,488,770</b>
Additions	74,396	554,234	979,988	1,608,618
Transfers	566,912	-	(566,912)	-
Reclassification from/(to) PP&E	8,221	-	(841,439)	(833,218)
Balance at December 31, 2018	<b><u>\$ 22,138,116</u></b>	<b><u>5,981,232</u></b>	<b><u>1,144,822</u></b>	<b><u>29,264,170</u></b>
<b><u>Accumulated Amortisation</u></b>				
Balance at January 1, 2017	\$ 14,137,578	-	-	14,137,578
Amortisation for the year (Note 31)	1,914,935	-	-	1,914,935
Balance at December 31, 2017	<u>16,052,513</u>	-	-	<u>16,052,513</u>
Balance at January 1, 2018	<b>16,052,513</b>	-	-	<b>16,052,513</b>
Amortisation for the year (Note 31)	1,983,755	-	-	1,983,755
Balance at December 31, 2018	<b><u>\$ 18,036,268</u></b>	<u>-</u>	<u>-</u>	<b><u>18,036,268</u></b>
<b><u>Carrying Amounts</u></b>				
At December 31, 2018	<b><u>\$ 4,101,848</u></b>	<b><u>5,981,232</u></b>	<b><u>1,144,822</u></b>	<b><u>11,227,902</u></b>
At December 31, 2017	<b><u>\$ 5,436,074</u></b>	<b><u>5,426,998</u></b>	<b><u>1,573,185</u></b>	<b><u>12,436,257</u></b>
At January 1, 2017	<b><u>\$ 7,122,875</u></b>	<b><u>4,399,435</u></b>	<b><u>250,519</u></b>	<b><u>11,772,829</u></b>

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

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***8. Inventories**

	<b>2018</b>	<b>2017</b>
Fuel inventories	\$ 3,068,906	3,302,400
Generation spare parts	4,774,347	4,590,693
Transmission, distribution and other spares	6,009,407	7,499,676
Goods-in-transit	<u>389,258</u>	<u>422,764</u>
	<b>14,241,918</b>	<b>15,815,533</b>
Less: provision for inventory obsolescence	<u>(2,059,160)</u>	<u>(2,095,635)</u>
	<b>\$ 12,182,758</b>	<b>13,719,898</b>

**9. Trade, Other Receivables and Prepayments**

	<b>2018</b>	<b>2017</b>
Trade receivables due from related parties (Note 30)	\$ 7,785,545	6,421,732
Other trade receivables	<u>33,123,289</u>	<u>30,642,168</u>
Trade receivables, gross	<b>40,908,834</b>	<b>37,063,900</b>
Less: provision for impairment of trade receivables (Note 33)	<u>(12,756,886)</u>	<u>(8,071,974)</u>
Trade receivables, net	<u><b>28,151,948</b></u>	<u><b>28,991,926</b></u>
Other receivables due from related parties (Note 30)	<b>880,257</b>	858,672
Other receivables	<u>8,194,316</u>	<u>6,295,280</u>
Other receivables, gross	<b>9,074,573</b>	<b>7,153,952</b>
Less: provision for impairment of other receivables (Note 33)	<u>(1,364,327)</u>	<u>(1,290,349)</u>
Other receivables, net	<u><b>7,710,246</b></u>	<u><b>5,863,603</b></u>
Accrued income	<u>18,229,188</u>	<u>16,040,935</u>
	<b>54,091,382</b>	<b>50,896,464</b>
Deferred fuel costs (Note 26)	<b>11,284,711</b>	-
Prepayments	<u>2,419,598</u>	<u>1,639,658</u>
	<b>\$ 67,795,691</b>	<b>52,536,122</b>

The Group's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 33.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***10. Other Financial Assets**

	<b>2018</b>	<b>2017</b>
<b>Available-for-sale (per IAS 39)</b>		
Treasury bills	\$ -	1,050,000
Investment funds	-	33,159,425
	<u>-</u>	<u>34,209,425</u>
<b>Financial assets measured at FVTOCI (per IFRS 9)</b>		
Treasury bills	<b>1,620,000</b>	-
<b>Financial assets measured at FVTPL (per IFRS 9)</b>		
Investment funds	<b>33,674,054</b>	-
	<u><b>35,294,054</b></u>	<u>-</u>
<b>Deposits</b>		
Term deposits	-	6,462,567
	<u>-</u>	<u>6,462,567</u>
	<b>\$ 35,294,054</b>	<b>40,671,992</b>

The term deposits earned interest of 1.75% (2017: 1.75%) per annum and matured between 6 to 11 months (2017: 6 to 11 months) after year end.

The Group's exposure to credit risks related to other financial assets is disclosed in Note 33.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***11. Cash and Cash Equivalents**

Cash and cash equivalents comprise:

	<b>2018</b>	<b>2017</b>
Cash in banks and on hand	\$ <b><u>17,659,161</u></b>	<b><u>22,644,177</u></b>

Included in cash and cash equivalents are \$826,502 (2017 - \$384,341) that are not available for the day-to-day operations of the Group (Note 15).

The Group's exposure to credit risks related to cash and cash equivalents is disclosed in Note 33.

Reconciliation of liabilities arising from financing activities:

	<b>Non-current borrowings (Note 16)</b>	<b>Current borrowings (Note 16)</b>	<b>Consumer Deposits (Note 17)</b>	<b>Total</b>
Balance at January 1, 2017	\$ 100,181,035	19,585,036	16,441,756	136,207,827
Cash flows during the year	-	(24,798,511)	1,062,130	(23,736,381)
Non-cash flows during the year:				
-Borrowings classified as non-current becoming current in 2017	(17,978,532)	17,978,532	-	-
-Interest accrued in 2017	-	5,797,821	257,564	6,055,385
Balance at December 31, 2017	<b><u>\$ 82,202,503</u></b>	<b><u>18,562,878</u></b>	<b><u>17,761,450</u></b>	<b><u>118,526,831</u></b>
Balance at January 1, 2018	<b>\$ 82,202,503</b>	<b>18,562,878</b>	<b>17,761,450</b>	<b>118,526,831</b>
Cash flows during the year	<b>20,000,000</b>	<b>(23,486,769)</b>	<b>201,457</b>	<b>(3,285,312)</b>
Non-cash flows during the year:				
-Borrowings classified as non-current becoming current in 2018	<b>(12,278,937)</b>	<b>12,278,937</b>	-	-
-Interest accrued in 2018	-	<b>4,923,892</b>	<b>276,951</b>	<b>5,200,843</b>
Balance at December 31, 2018	<b><u>\$ 89,923,566</u></b>	<b><u>12,278,938</u></b>	<b><u>18,239,858</u></b>	<b><u>120,442,362</u></b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***12. Share Capital**

	2018	2017
<i>Authorised:</i>		
Voting ordinary shares	<u>100,000,000</u>	<u>100,000,000</u>
Ordinary non-voting shares	<u>800,000</u>	<u>800,000</u>
Preference shares	<u>1,214,128</u>	<u>1,214,128</u>
	2018	2017
<i>Issued and fully paid</i>		
22,400,000 voting ordinary shares	\$ 77,562,792	77,562,792
520,000 ordinary non-voting shares	<u>2,600,000</u>	<u>2,600,000</u>
	<u>\$ 80,162,792</u>	<u>80,162,792</u>

**13. Fair Value Reserve**

	2018	2017
Balance at beginning of year	\$ 331,278	(551,394)
Fair value gain on AFS financial assets	-	882,672
Fair value loss on FVTOCI financial assets	(6,971)	-
Fair value loss on FVTPL financial assets	<u>(1,844,874)</u>	-
Balance at end of year	<u>\$ (1,520,567)</u>	<u>331,278</u>

The fair value reserve represents the cumulative fair value gains and losses arising on the revaluation of both financial assets measured at FVTPL and FVTOCI in accordance with IFRS 9. The 2017 balance represents the cumulative fair value gains and losses arising on the revaluation of AFS financial assets that have been recognised in other comprehensive income.

**14. Revaluation Reserve**

	2018	2017
Balance at December 31,	<u>\$ 15,350,707</u>	<u>15,350,707</u>

The revaluation reserve represents the gain realised 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.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***15. 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.

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:

	<b>2018</b>	<b>2017</b>
Available-for-sale financial assets (Note 10)	\$ -	34,209,425
FVTOCI financial assets (Note 10)	<b>1,620,000</b>	-
FVTPL financial assets (Note 10)	<b>33,674,054</b>	-
Cash and cash equivalents (Note 11)	<b>826,502</b>	384,341
	<b>\$ 36,120,556</b>	<b>34,593,766</b>

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

	<b>2018</b>	<b>2017</b>
Balance at January 1,	\$ 33,972,285	30,717,043
Transferred from retained earnings	<b>2,644,301</b>	3,255,242
Balance at December 31,	<b>\$ 36,616,586</b>	<b>33,972,285</b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***16. Borrowings**

	2018	2017
<b>Current</b>		
Bank borrowings	\$ 4,561,767	4,438,271
Related parties	<u>7,717,171</u>	<u>14,124,607</u>
	<u>12,278,938</u>	<u>18,562,878</u>
<b>Non-current</b>		
Bank borrowings	31,400,891	15,962,658
Related parties	<u>58,522,675</u>	<u>66,239,845</u>
	<u>89,923,566</u>	<u>82,202,503</u>
<b>Total borrowings</b>		
Bank borrowings	35,962,658	20,400,929
Related parties (Note 30)	<u>66,239,846</u>	<u>80,364,452</u>
	<u>\$ 102,202,504</u>	<u>100,765,381</u>

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 the assignment of insurance policies (Note 6).

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

	2018	2017
	%	%
Bank borrowings	3.76	4.02
Related parties	5.35	5.41

Maturity of non-current borrowings:

	2018	2017
Between 1 and 2 years	\$ 12,866,269	10,578,572
Between 2 and 5 years	42,431,904	35,012,297
Over 5 years	<u>34,625,393</u>	<u>36,611,634</u>
	<u>\$ 89,923,566</u>	<u>82,202,503</u>

The Group's exposure to liquidity risks related to borrowings is disclosed in Note 33.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***17. 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% (2017 - 2%) per annum.

	<b>2018</b>	<b>2017</b>
Consumer deposits	\$ 14,082,827	13,721,055
Interest accrual	<u>4,157,031</u>	<u>4,040,395</u>
	<u>\$ 18,239,858</u>	<u>17,761,450</u>

**18. Provision for Other Liabilities**

	<b>2018</b>	<b>2017</b>
Balance at beginning and end of year	\$ <u>1,485,493</u>	<u>1,485,493</u>

The provision for other liabilities represents the estimated decommissioning costs of the old power stations located at Union and Vieux Fort planned for 2019.

**19. Deferred Tax Liabilities**

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% (2017 - 30%). The movement in the deferred tax liabilities is as follows:

	<b>2018</b>	<b>2017</b>
Balance at beginning of year	\$ 33,596,207	33,364,975
Recognised in profit and loss (Note 25)	1,191,291	66,232
Recognised in other comprehensive income (Note 25)	<u>(2,215,500)</u>	<u>165,000</u>
Balance at end of year	<u>\$ 32,571,998</u>	<u>33,596,207</u>

Deferred tax liabilities are attributed to the following items:

	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 33,206,198	34,207,007
Post-employment medical benefit liabilities	<u>(634,200)</u>	<u>(610,800)</u>
	<u>\$ 32,571,998</u>	<u>33,596,207</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***20. 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 being administered by CLICO International Life Insurance Company Limited (“CLICO”). Subsequent funding to the Plan is currently administered by RBC Investments Management (Caribbean) Limited (Note 35).

The most recent actuarial valuations of these two plans were completed on December 31, 2015 using the “Projected Unit Credit” method of valuation.

**Grade III Employees**

For its senior employees who were employed prior to January 1, 2008, the Group contributed to the regional Eastern Caribbean Utilities Pension Scheme (formerly the CDC Caribbean Pension Scheme), which is a multi-employer plan administered by Sagicor Life Inc.

The Trustees agreed to wind up the Plan with effect from July 8, 2018 and as a result, the Group has recognised the gain on the settlement of the Plan at July 8, 2018.

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

	<b>Grade II</b>		<b>Grades I</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rates	<b>7.5</b>	7.5	<b>7.5</b>	7.5
Future salary increases	<b>4.0</b>	4.0	<b>4.0</b>	4.0
Future pension increases	-	-	-	-
Future promotional increases	-	-	-	-
Future NIS earnings increases	-	-	<b>2.0</b>	2.0

Assumptions regarding future mortality are based on standard mortality tables.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***20. Pension Benefit Liabilities (Cont'd)**

(c) The amounts recognised in the Consolidated Statement of Financial Position are determined as follows:

	<b>Grade III</b>		<b>Grade II</b>		<b>Grade I</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligations	\$ -	(28,268,000)	<b>(17,034,000)</b>	(15,026,000)	<b>(13,101,000)</b>	(12,773,000)	<b>(30,135,000)</b>	(56,067,000)
Fair value of plans' assets	-	31,562,000	<b>21,803,000</b>	17,900,000	<b>16,248,000</b>	16,664,000	<b>38,051,000</b>	66,126,000
Effect of asset ceiling	-	(3,294,000)	<b>(4,769,000)</b>	(2,874,000)	<b>(3,147,000)</b>	(3,891,000)	<b>(7,916,000)</b>	(10,059,000)
Defined benefit liabilities	\$ -	-	-	-	-	-	-	-

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

**20. Pension Benefit Liabilities (Cont'd)**

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

	<u>Grade III</u>		<u>Grade II</u>		<u>Grade I</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Defined benefit obligations as at January 1,	\$ 28,268,000	26,086,000	15,026,000	14,355,000	12,773,000	12,500,000	56,067,000	52,941,000
Service costs	580,000	1,082,000	716,000	398,000	101,000	108,000	1,397,000	1,588,000
Interest costs	1,121,000	2,024,000	1,102,000	1,049,000	934,000	925,000	3,157,000	3,998,000
Past service costs	-	-	-	-	-	-	-	-
Members' contributions	-	-	339,000	201,000	142,000	149,000	481,000	350,000
Benefits paid	(183,000)	(359,000)	(685,000)	(744,000)	(707,000)	(408,000)	(1,575,000)	(1,511,000)
Re-measurements: experience adjustments	2,765,000	(565,000)	536,000	(233,000)	(142,000)	(501,000)	3,159,000	(1,299,000)
Plan settlements	(32,551,000)	-	-	-	-	-	(32,551,000)	-
Defined benefit obligations as at December 31, \$	<u>-</u>	<u>28,268,000</u>	<u>17,034,000</u>	<u>15,026,000</u>	<u>13,101,000</u>	<u>12,773,000</u>	<u>30,135,000</u>	<u>56,067,000</u>

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

	<u>Grade III</u>		<u>Grade II</u>		<u>Grade I</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Fair value of Plan's assets at January 1,	\$ 31,562,000	26,010,000	17,900,000	10,396,000	16,664,000	16,303,000	66,126,000	52,709,000
Contributions paid - employer	4,518,000	4,267,000	3,920,000	764,000	412,000	260,000	8,850,000	5,291,000
Contributions paid - members	-	-	339,000	201,000	142,000	149,000	481,000	350,000
Interest income	1,315,000	2,097,000	1,470,000	786,000	1,243,000	1,221,000	4,028,000	4,104,000
Return on plans' assets, excluding interest income	(4,639,000)	(431,000)	(1,040,000)	6,559,000	(1,461,000)	(814,000)	(7,140,000)	5,314,000
Benefits paid	(183,000)	(359,000)	(685,000)	(744,000)	(707,000)	(408,000)	(1,575,000)	(1,511,000)
Expense allowance	(22,000)	(22,000)	(101,000)	(62,000)	(45,000)	(47,000)	(168,000)	(131,000)
Plan settlements	(32,551,000)	-	-	-	-	-	(32,551,000)	-
Fair value of Plans' assets at December 31, \$	<u>-</u>	<u>31,562,000</u>	<u>21,803,000</u>	<u>17,900,000</u>	<u>16,248,000</u>	<u>16,664,000</u>	<u>38,051,000</u>	<u>66,126,000</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

**20. Pension Benefit Liabilities (Cont'd)**

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

	Grade III		Grade II		Grade I		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Defined benefit obligations as at January 1,	\$ 28,268,000	26,086,000	15,026,000	14,355,000	12,773,000	12,500,000	56,067,000	52,941,000
Service costs	580,000	1,082,000	716,000	398,000	101,000	108,000	1,397,000	1,588,000
Interest costs	1,121,000	2,024,000	1,102,000	1,049,000	934,000	925,000	3,157,000	3,998,000
Past service costs	-	-	-	-	-	-	-	-
Members' contributions	-	-	339,000	201,000	142,000	149,000	481,000	350,000
Benefits paid	(183,000)	(359,000)	(685,000)	(744,000)	(707,000)	(408,000)	(1,575,000)	(1,511,000)
Re-measurements: experience adjustments	2,765,000	(565,000)	536,000	(233,000)	(142,000)	(501,000)	3,159,000	(1,299,000)
Plan settlements	(32,551,000)	-	-	-	-	-	(32,551,000)	-
Defined benefit obligations as at December 31,	\$ -	28,268,000	17,034,000	15,026,000	13,101,000	12,773,000	30,135,000	56,067,000

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

	Grade III		Grade II		Grade I		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Fair value of Plan's assets at January 1,	\$ 31,562,000	26,010,000	17,900,000	10,396,000	16,664,000	16,303,000	66,126,000	52,709,000
Contributions paid - employer	4,518,000	4,267,000	3,920,000	764,000	412,000	260,000	8,850,000	5,291,000
Contributions paid - members	-	-	339,000	201,000	142,000	149,000	481,000	350,000
Interest income	1,315,000	2,097,000	1,470,000	786,000	1,243,000	1,221,000	4,028,000	4,104,000
Return on plans' assets, excluding interest income	(4,639,000)	(431,000)	(1,040,000)	6,559,000	(1,461,000)	(814,000)	(7,140,000)	5,314,000
Benefits paid	(183,000)	(359,000)	(685,000)	(744,000)	(707,000)	(408,000)	(1,575,000)	(1,511,000)
Expense allowance	(22,000)	(22,000)	(101,000)	(62,000)	(45,000)	(47,000)	(168,000)	(131,000)
Plan settlements	(32,551,000)	-	-	-	-	-	(32,551,000)	-
Fair value of Plans' assets at December 31,	\$ -	31,562,000	21,803,000	17,900,000	16,248,000	16,664,000	38,051,000	66,126,000

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

**20. Pension Benefit Liabilities (Cont'd)**

(f) Plans' assets consist of the following:

	Grade III		Grade II		Grade I		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Overseas equities	\$ -	14,224,000	<b>2,333,000</b>	1,164,000	-	-	<b>2,333,000</b>	15,388,000
Government issued nominal bonds	-	10,016,000	<b>14,097,000</b>	8,379,000	-	-	<b>14,097,000</b>	18,395,000
Corporate bonds	-	4,671,000	<b>974,000</b>	811,000	-	-	<b>974,000</b>	5,482,000
Cash/money market	-	858,000	<b>2,658,000</b>	1,160,000	-	-	<b>2,658,000</b>	2,018,000
Immediate annuity policies	-	-	<b>1,741,000</b>	6,386,000	-	-	<b>1,741,000</b>	6,386,000
Deposit administration account	-	-	-	-	<b>16,248,000</b>	16,664,000	<b>16,248,000</b>	16,664,000
Other	-	1,793,000	-	-	-	-	-	1,793,000
<b>Total</b>	<b>\$ -</b>	<b>31,562,000</b>	<b>21,803,000</b>	<b>17,900,000</b>	<b>16,248,000</b>	<b>16,664,000</b>	<b>38,051,000</b>	<b>66,126,000</b>

**Grade I**

The asset value as at December 31, 2018 was estimated using the asset value as at October 31, 2018 provided by the Plan's Investment Manager - Sagicor. The value is reliant on Sagicor's financial strength.

The 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, 2018 were estimated using the asset value as at September 30, 2018 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 value of immediate annuity policies is reliant on CLICO's financial strength and its ability to pay the pension secured. It is therefore exposed to CLICO's current financial difficulties.

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.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

**20. Pension Benefit Liabilities (Cont'd)**

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

	<u>Grade III</u>		<u>Grade II</u>		<u>Grade I</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Return on Plans' assets	\$ <b>(3,324,000)</b>	1,666,000	<b>430,000</b>	7,345,000	<b>(218,000)</b>	407,000	<b>(3,112,000)</b>	9,418,000

(h) The net pension cost recognised in the Consolidated Statement of Comprehensive Income were as follows:

	<u>Grade III</u>		<u>Grade II</u>		<u>Grade I</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current service cost	\$ <b>580,000</b>	1,082,000	<b>716,000</b>	398,000	<b>101,000</b>	108,000	<b>1,397,000</b>	1,588,000
Past service cost	-	-	-	-	-	-	-	-
Administrative expenses	<b>22,000</b>	22,000	<b>101,000</b>	62,000	<b>45,000</b>	47,000	<b>168,000</b>	131,000
Net interest (income)/expense on defined benefit asset	<b>(194,000)</b>	(73,000)	-	263,000	-	-	<b>(194,000)</b>	190,000
Net pension costs	\$ <b>408,000</b>	1,031,000	<b>817,000</b>	723,000	<b>146,000</b>	155,000	<b>1,371,000</b>	1,909,000

(i) Re-measurements losses/(gains) recognised in Other Comprehensive Income were as follows:

	<u>Grade III</u>		<u>Grade II</u>		<u>Grade I</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Experience losses/(gains)	\$ <b>7,405,000</b>	(134,000)	<b>1,576,000</b>	(6,792,000)	<b>1,319,000</b>	313,000	<b>10,300,000</b>	(6,613,000)
Effect of asset ceiling	<b>(3,295,000)</b>	3,294,000	<b>1,527,000</b>	2,874,000	<b>(1,053,000)</b>	(208,000)	<b>(2,821,000)</b>	5,960,000
Total amount recognised in Other Comprehensive Income	\$ <b>4,110,000</b>	3,160,000	<b>3,103,000</b>	(3,918,000)	<b>266,000</b>	105,000	<b>7,479,000</b>	(653,000)

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***20. Pension Benefit Liabilities (Cont'd)**

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

	<u>Grade III</u>		<u>Grade II</u>		<u>Grade I</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Opening defined benefit liabilities	\$ -	(76,000)	-	(3,959,000)	-	-	-	(4,035,000)
Net pension costs	<b>(408,000)</b>	(1,031,000)	<b>(817,000)</b>	(723,000)	<b>(146,000)</b>	(155,000)	<b>(1,371,000)</b>	(1,909,000)
Re-measurement (losses)/gains recognised in								
Other Comprehensive Income	<b>(4,110,000)</b>	(3,160,000)	<b>(3,103,000)</b>	3,918,000	<b>(266,000)</b>	(105,000)	<b>(7,479,000)</b>	653,000
Employer contributions paid	<b>4,518,000</b>	4,267,000	<b>3,920,000</b>	764,000	<b>412,000</b>	260,000	<b>8,850,000</b>	5,291,000
Closing defined benefit liabilities	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***20. Pension 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 as at December 31, 2018 would have changed as a result of a change in the assumptions used.

**Grade I**

	<b>1% p.a. increase</b>	<b>1% p.a. decrease</b>
Discount rate	\$ (1,159,000)	1,452,000
Future salary increases	\$ 884,000	(700,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2018 by \$176,000.

**Grade II**

	<b>1% p.a. increase</b>	<b>1% p.a. decrease</b>
Discount rate	\$ (1,760,000)	2,119,000
Future salary increases	\$ 609,000	(554,000)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2017 by \$344,000.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***20. Pension 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:

	<b>2018</b>	<b>2017</b>
Grade I	<b>10.6 years</b>	10.2 years
Grade II	<b>11.8 years</b>	12.3 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 \$293,000 to the Plan during 2019.

**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 \$1,086,000 to the Plan during 2019.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***21. 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:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
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:

	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligations	\$ 2,114,000	2,036,000
Fair value of Plans' assets	<u>-</u>	<u>-</u>
Defined benefit liabilities	<u><b>2,114,000</b></u>	<u><b>2,036,000</b></u>

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

	<b>2018</b>	<b>2017</b>
Defined benefit obligations as at January 1,	\$ 2,036,000	1,786,000
Current service costs	71,000	63,000
Interest costs	151,000	132,000
Benefits paid	(50,000)	(48,000)
Re-measurements: experience adjustments	<u>(94,000)</u>	<u>103,000</u>
Defined benefit obligations as at December 31,	<u><b>\$ 2,114,000</b></u>	<u><b>2,036,000</b></u>

- (d) The amounts recognised in the Consolidated Statement of Comprehensive Income were as follows:

	<b>2018</b>	<b>2017</b>
Current service costs	\$ 71,000	63,000
Interest on defined benefit obligations	<u>151,000</u>	<u>132,000</u>
Net pension costs	<u><b>\$ 222,000</b></u>	<u><b>195,000</b></u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***21. Post-employment Medical Benefit Liabilities (Cont'd)**

- (e) Re-measurement (gains)/losses recognised in Other Comprehensive Income were as follows:

	2018	2017
Experience (gains)/losses	\$ <u>(94,000)</u>	<u>103,000</u>
Total amount recognised in Other Comprehensive Income	\$ <u>(94,000)</u>	<u>103,000</u>

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

	2018	2017
Opening defined benefit liabilities	\$ 2,036,000	1,786,000
Net pension costs	222,000	195,000
Re-measurements recognised in Other Comprehensive Income	(94,000)	103,000
Benefits paid	<u>(50,000)</u>	<u>(48,000)</u>
Closing defined benefit liabilities	<u>\$ 2,114,000</u>	<u>2,036,000</u>

- (g) Sensitivity Analysis

The calculation of the defined benefit obligations is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2018 would have changed as a result of a change in the assumptions used.

	1% p.a. increase	1% p.a. decrease
Discount rate	\$ (314,000)	406,000
Medical expense increases	\$ 412,000	(324,000)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2018 by \$70,000.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***21. Post-employment Medical Benefit Liabilities (Cont'd)****(h) Duration**

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

	<b>2018</b>	<b>2017</b>
	<b>18.1 years</b>	18.1 years

**(i) 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 \$52,000 to the Plan in 2019.

**22. Trade and Other Payables**

	<b>2018</b>	<b>2017</b>
Trade payables	\$ 15,479,438	17,047,615
Accrued expenses	11,052,540	18,687,496
Other payables	<u>6,679,710</u>	<u>9,971,939</u>
	<b>33,211,688</b>	45,707,050
Deferred fuel costs (Note 26)	<u>-</u>	<u>4,288,440</u>
	<b>\$ 33,211,688</b>	<b>49,995,490</b>

Deferred fuel costs relate to fair value adjustments of derivative financial instruments as disclosed in Note 3(i) and Note 26.

The Group's exposure to liquidity risks related to trade and other payables is disclosed in Note 33.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***23. Other Gains, Net**

	2018	2017
(Loss)/gain on disposal of property, plant and equipment	\$ (23,755)	44,285
Foreign exchange gains	<u>84,519</u>	<u>22,325</u>
	<u>\$ 60,764</u>	<u>66,610</u>

**24. Finance Costs**

	2018	2017
Interest expense on:		
- borrowings	\$ 4,954,461	5,797,822
- consumer deposits	276,951	257,564
- pole rental deposits	<u>1,758</u>	<u>500</u>
	5,233,170	6,055,886
Loss on disposal of other financial assets	<u>-</u>	<u>7,659</u>
	<u>\$ 5,233,170</u>	<u>6,063,545</u>

**25. Taxation**

	2018	2017
Current tax	\$ 11,470,355	13,404,388
Deferred tax (Note 19)	<u>1,191,291</u>	<u>66,232</u>
	<u>\$ 12,661,646</u>	<u>13,470,620</u>

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

	2018	2017
Profit before taxation	\$ <u>47,627,189</u>	<u>48,157,754</u>
Tax at the statutory rate of 30% (2017 - 30%)	14,288,157	14,447,326
Tax effect of non-deductible expenses	463,624	183,908
Tax effect of non-taxable income	(312,052)	(262,276)
Tax effect of self-insurance appropriation	(900,000)	(900,000)
Deferred tax asset unrecognised on tax loss	2,068	1,662
Tax effect of financial asset impairment	<u>(880,151)</u>	<u>-</u>
Actual tax charge	<u>\$ 12,661,646</u>	<u>13,470,620</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***25. Taxation (Cont'd)**

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

	2018			2017		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Re-measurement (losses)/gains on defined benefit plans	\$ (7,385,000)	2,215,500	(5,169,500)	550,000	(165,000)	385,000

**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:

	2018	2017
Fixed price swaps	\$ <u>(11,284,711)</u>	<u>4,288,440</u>

**27. Basic and Diluted Earnings per Share**

Basic and diluted earnings per share of \$1.53 (2017 - \$1.51) is calculated by dividing the profit for the year of \$34,965,543 (2017 - \$34,687,134) by the weighted average number of shares outstanding during the year of 22,920,000 (2017 - 22,920,000).

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***28. 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% to 14.25% in respect of 2018 (2017 - 10% to 14.25%).

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.

**29. Ordinary Dividends**

	<b>2018</b>	<b>2017</b>
Interim 2018 - \$0.45 (2017 - \$0.45) per share	\$ <b>10,314,000</b>	10,314,000
Final 2017 - \$0.50 (2016 - \$0.56) per share	<u><b>11,460,000</b></u>	<u>12,835,200</u>
	<u><b>\$ 21,774,000</b></u>	<u>23,149,200</u>

The final dividend for the year 2018 had not been declared as at December 31, 2018.



**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***30. 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.

**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:

	2018	2017
Short-term employee benefits	\$ 5,018,393	4,176,949
Post-employment benefits	116,304	91,020
Directors' remuneration	<u>356,775</u>	<u>351,030</u>
	<u>\$ 5,491,472</u>	<u>4,618,999</u>

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

	2018	2017
Supply of services	\$ <u>153,224</u>	<u>124,341</u>

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

	2018	2017
Supply of services	\$ <u>9,130</u>	<u>10,601</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***30. Related Parties (Cont'd)****Transactions with key management personnel (Cont'd)**

A few key management personnel hold positions in other entities that result in them having significant influence over the financial or operating policies of those entities.

Transactions with those entities during the year were as follows:

	<b>2018</b>	<b>2017</b>
Services rendered to the Group	\$ <u>          -</u>	<u>29,232</u>

There were no balances outstanding in relation to those entities at the reporting date (2017 - Nil).

**Transactions with shareholders**

The Group is controlled by the following entities:

	<b>2018</b>	<b>2017</b>
	%	%
Emera St. Lucia Ltd.	<b>20.00</b>	20.00
First Citizens Bank Limited	<b>20.00</b>	20.00
National Insurance Corporation	<b>20.00</b>	20.00
Castries Constituency Council	<b>15.50</b>	15.50
Government of Saint Lucia	<u><b>10.05</b></u>	<u>10.05</u>
	<u><b>85.55</b></u>	<u>85.55</u>

The remaining 14.45% (2017 - 14.45%) of the shares is widely held.

Transactions with shareholders during the year were as follows:

Supply of Electricity Services

	<b>2018</b>	<b>2017</b>
National Insurance Corporation	\$ <b>1,563,999</b>	2,601,993
Castries Constituency Council	<b>1,966,340</b>	1,460,812
Government of Saint Lucia	<u><b>26,900,679</b></u>	<u>23,847,348</u>
	<u><b>\$ 30,431,018</b></u>	<u>27,910,153</u>

The Government of Saint Lucia receives a 10% (2017 -10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***30. Related Parties (Cont'd)****Transactions with shareholders (Cont'd)**Supply of Other Services

	<b>2018</b>	<b>2017</b>
Castries Constituency Council	-	26,723
Government of Saint Lucia	<u>239,403</u>	<u>114,695</u>
	<b>\$ 239,403</b>	<b>141,418</b>

Balances at the reporting date arising from supply of electricity services to related parties during the year (Note 9) were as follows:

	<b>2018</b>	<b>2017</b>
National Insurance Corporation	\$ 8,319	21,248
Castries Constituency Council	179,773	96,771
Government of Saint Lucia	<u>7,597,453</u>	<u>6,303,713</u>
	<b>\$ 7,785,545</b>	<b>6,421,732</b>

Balances at the reporting date arising from supply of other services to related parties during the year (Note 9) were as follows:

	<b>2018</b>	<b>2017</b>
Government of Saint Lucia	\$ <u>880,257</u>	<u>858,672</u>

Provision for impairment and impairment losses recognised against related party balances were as follows:

	<b>2018</b>	<b>2017</b>
Provision for impairment	\$ <u>2,601,706</u>	<u>1,106,833</u>
Impairment (gain)/loss	\$ <u>(783,263)</u>	<u>265,666</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***30. Related Parties (Cont'd)****Transactions with shareholders (Cont'd)***Loans from shareholders*

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

	2018	2017
<b>National Insurance Corporation</b>		
At beginning of year	\$ 73,564,817	80,517,523
Repayments during year	<u>(11,044,482)</u>	<u>(11,044,482)</u>
	62,520,335	69,473,041
Interest expense	<u>3,719,511</u>	<u>4,091,776</u>
At end of year	<u>\$ 66,239,846</u>	<u>73,564,817</u>
<b>First Citizens Bank Limited</b>		
At beginning of year	\$ 6,799,635	13,599,269
Repayments during year	<u>(6,978,796)</u>	<u>(7,597,209)</u>
	(179,161)	6,002,060
Interest expense	<u>179,161</u>	<u>797,575</u>
At end of year	<u>\$ -</u>	<u>6,799,635</u>
	<u>\$ 66,239,846</u>	<u>80,364,452</u>

The above loans are fully secured (Note 16).

**Finance costs**

Details of the related finance costs are as follows:

	2018	2017
National Insurance Corporation	\$ 3,719,510	4,091,776
First Citizens Bank Limited	<u>209,730</u>	<u>797,575</u>
	<u>\$ 3,929,240</u>	<u>4,889,351</u>

These charges are included in the finance costs of \$5,233,170 (2017 - \$6,063,545) disclosed in the Consolidated Statement of Comprehensive Income.

**Joint Operation**

During 2015, the Group entered into a joint arrangement with a company based in Texas, USA, to assess the feasibility of developing a wind farm in Saint Lucia. The terms of the arrangement are subject to change upon completion of this feasibility assessment. The Group has a 50% interest in the assets procured or developed and bears a proportionate share of the project's expenses.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***31. Expenses by Nature**

	<b>2018</b>	<b>2017</b>
Fuel costs	\$ 156,064,679	127,594,290
Depreciation on property, plant and equipment (Note 6)	35,541,639	34,291,418
Employee benefit expenses (Note 32)	32,057,886	36,972,161
Repairs and maintenance	12,829,757	11,610,678
Amortisation of intangible assets (Note 7)	1,983,755	1,914,935
Research costs	29,214	254,605
Other operating expenses	<u>18,242,778</u>	<u>17,058,884</u>
	<u>\$ 256,749,708</u>	<u>229,696,971</u>
Operating expenses	\$ 223,759,401	195,439,505
Administrative expenses	<u>32,990,307</u>	<u>34,257,466</u>
	<u>\$ 256,749,708</u>	<u>229,696,971</u>

**32. Employee Benefit Expenses**

	<b>2018</b>	<b>2017</b>
Wages and salaries	\$ 24,564,965	29,355,972
Pension contributions	2,465,158	2,383,954
Medical contributions	830,592	787,034
Other employee benefits	<u>4,197,171</u>	<u>4,445,201</u>
	<u>\$ 32,057,886</u>	<u>36,972,161</u>

The number of permanent employees at December 31, 2018 was 256 (2017 - 256).

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***33. 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	Carrying Amounts	
		2018	2017
Trade and other receivables	9	\$ 54,091,382	50,896,464
Other financial assets	10	35,294,054	40,671,992
Derivative financial instruments	26	-	4,288,440
Cash and cash equivalents	11	17,659,161	22,644,177
		<u>\$ 107,044,597</u>	<u>118,501,073</u>

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

	Carrying Amounts	
	2018	2017
Business, before deducting provision	\$ 26,681,023	23,312,150
Residential, before deducting provision	14,227,811	13,751,750
	<u>\$ 40,908,834</u>	<u>37,063,900</u>

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

Balance at January 1, 2017	7,239,988
Impairment loss recognized per IAS 39	929,394
Amounts written off	(97,408)
Balance at December 31, 2017	8,071,974
Effect of change in accounting policy for IFRS 9 (Note 3(p))	4,800,231
Balance at January 1, 2018	<b>12,872,205</b>
Impairment gain recognised per IFRS 9	(107,907)
Amounts written off	(7,412)
Balance at December 31, 2018	<b><u>12,756,886</u></b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***33. Financial Instruments(Cont'd)****Credit risk (Cont'd)**

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

Balance at January 1, 2017	\$	885,197
Impairment loss recognized per IAS 39		414,216
Amounts written off		<u>(9,064)</u>
Balance at December 31, 2017		1,290,349
Effect of change in accounting policy for IFRS 9 (Note 3(p))		<u>(1,444)</u>
Balance at January 1, 2018		<b>1,288,905</b>
Impairment loss recognized per IFRS 9		<b><u>75,422</u></b>
Balance at December 31, 2018	\$	<b><u>1,364,327</u></b>

The provision 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.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***33. Financial Instruments (Cont'd)****Liquidity risk**

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

**December 31, 2018**

	Carrying amounts	Total Contractual cash flows	Contractual Cash Flow			
			Under 1 year	1-2 years	2-5 years	>5 years
<b>Non-derivative financial liabilities</b>						
Borrowings	\$ 102,202,504	121,467,481	16,858,094	16,858,094	50,574,283	37,177,010
Trade and other payables	33,211,688	33,211,688	33,211,688	-	-	-
Dividends payable	1,715,728	1,715,728	1,715,728	-	-	-
	<u>\$ 137,129,920</u>	<u>156,394,897</u>	<u>51,785,510</u>	<u>16,858,094</u>	<u>50,574,283</u>	<u>37,177,010</u>

**December 31, 2017**

	Carrying amounts	Total Contractual cash flows	Contractual Cash Flow			
			Under 1 year	1-2 years	2-5 years	>5 years
<b>Non-derivative financial liabilities</b>						
Borrowings	\$ 100,765,381	120,998,645	23,263,198	14,484,833	43,454,500	39,796,114
Trade and other payables	45,707,050	45,707,050	45,707,050	-	-	-
Dividends payable	440,194	440,194	440,194	-	-	-
	<u>\$ 146,912,625</u>	<u>167,145,889</u>	<u>69,410,442</u>	<u>14,484,833</u>	<u>43,454,500</u>	<u>39,796,114</u>

The Group also has liabilities totaling \$18,239,858 (2017: \$17,761,450) relating to customer deposits 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**

Notes to Consolidated Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

**33. 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:

	Note	Carrying amounts as at December 31, 2018	Fair values as at December 31, 2018	Carrying amounts as at December 31, 2017	Fair values as at December 31, 2017
Trade and other receivables	9	\$ 54,091,383	54,091,383	50,896,464	50,896,464
Other financial assets	10	35,294,054	35,294,054	40,671,992	40,671,992
Cash and cash equivalents	11	17,659,161	17,659,161	22,644,177	22,644,177
Borrowings	16	(102,202,504)	(94,320,399 )	(100,765,381)	(94,283,376 )
Trade and other payables	22	(33,211,688)	(33,211,688)	(45,707,050)	(45,707,050)
Dividends payable		(1,715,728)	(1,715,728 )	(440,194)	(440,194 )
Derivative financial instruments	26	(11,284,711)	(11,284,711 )	4,288,440	4,288,440
		<u>\$ (41,370,033)</u>	<u>(33,487,928)</u>	<u>(28,411,552)</u>	<u>(21,929,547)</u>

The basis of determining fair values is disclosed in Note 4.

*Interest rates used for determining fair values*

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

The Group also has liabilities totaling \$18,239,858 (2017: \$17,761,450) relating to customer deposits 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 Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

(Expressed In Eastern Caribbean Dollars)

### 34. Commitments

#### *Capital commitments*

The Group had capital commitments at December 31, 2018 of \$2,069,312 (2017 - \$11,222,887).

#### *Operating lease commitments*

##### (i) *Motor vehicles and property*

The Group entered into lease agreements for company vehicles for management staff and into property agreements for office premises.

The future aggregate minimum lease payments on the leases are as follows:

	2018	2017
Not later than 1 year	\$ 541,752	657,924
Later than 1 year and not later than 5 years	<u>416,215</u>	<u>946,282</u>
	<u>\$ 957,967</u>	<u>1,604,206</u>

##### (i) *Pole rental*

The Group expects to earn annual income from pole rentals of \$941,492 (2017 - \$907,224) for the foreseeable future.

### 35. CLICO Investment - Grade II Pension Scheme

The Group contributes to a Defined Benefit pension scheme for Grade II employees who were employed prior to January 1, 2008. Up to December 31, 2008, this scheme was invested in a deposit administration contract with CLICO International Life Insurance Limited ("CLICO"). In addition, the scheme had purchased individual annuity policies from CLICO to secure pensions in payment.

On January 30, 2009, in accordance with the terms of the deposit administration contract between CLICO and the scheme's trustees, the trustees with the consent of the Group served notice on CLICO to terminate the contract. Under the terms of the contract, CLICO is required to repay the value of the deposit administration contract in monthly instalments of \$250,000, and interest is accrued on the residual balance at a rate of 5% per annum. These monthly instalments were paid to the scheme's new investment manager (RBC Investment Management (Caribbean) Limited) up until October 2010 when payments stopped.

Contributions remitted to the scheme since 2008 have been paid to the scheme's new investment manager.

In 2011, the trustees initiated legal action and obtained judgment against CLICO from the High Court of Justice (Saint Lucia) of the Eastern Caribbean Supreme Court in respect of the fund balance due to the scheme. Subsequent to the judgment, the operations of CLICO in Barbados and the Eastern Caribbean were placed under judicial management and this may affect CLICO's ability to honour its financial obligations to the Grade II pension scheme.

**35. CLICO Investment-Grade II Pension Scheme (Cont'd)**

During 2017, the scheme's trustees reached an agreement with CLICO's judicial manager to settle their claim relating to the residual value of the deposit administration contract in accordance with terms approved by the Court. As a result, the scheme received \$4.524 million in October 2017, which represented 65% of the principal value of the contract. Realisation of this asset was taken into consideration in the computation of the Group's retirement benefit liabilities and its annual net pension cost as required by IAS 19.

**36. Contingent Liabilities***Claims*

The Group has been named a defendant to a number of claims as at December 31, 2018. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that their defences 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 Company's financial condition. Payments if any, arising from these claims will be recorded in the period that the payment is made.

*Wage Negotiations*

The Group is currently negotiating certain benefits with the trade union representing the line staff for the triennium which ended December 31, 2016. It is not practicable to reliably estimate the retroactive pay that would be due to staff once the union agreement is signed.

*Grade Structure*

There is a matter before the Labour Tribunal concerning the implementation of a grade structure for the Company's Grade 1 employees. It is not practicable to reliably estimate the retroactive pay, if any, that would be due to these employees once the Tribunal has ruled.

*Retirement Age*

In 2018 the High Court issued a ruling declaring that the retirement age of employees who entered service prior to August 1, 2012 and who are members of the Company's Grade 1 Pension Scheme, is sixty years and that the Company has no obligation to make future contributions to the Pension Scheme on behalf of employees who entered service prior to August 1, 2012 and who have attained the age of sixty years.

In January 2019, the Company was served with a Notice of Appeal against the High Court Ruling.

It is not practicable to reliably estimate the amount that might become payable, if any, upon settlement of that matter.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Consolidated Financial Statements (Cont'd)

For the Year Ended December 31, 2018

*(Expressed In Eastern Caribbean Dollars)***37. Subsidiary Companies**

	<b>Country of incorporation</b>	<b>Equity %</b>
LUCELEC Cap-Ins. Inc.	Saint Lucia	100
LUCELEC Trust Company Inc.	Saint Lucia	100
Energyze Holdings Inc.	Saint Lucia	100

On December 31, 2018, the LUCELEC Trust Company Inc. was wound up voluntarily and its net assets were transferred to the parent company.

**38. Comparatives**

The comparative figures for 2017 were amended to reflect the reclassification of \$2,938,018 from trade receivable to accounts payable. The result is an increase in total assets and total liabilities of the same amount. The reclassification did not impact the Group's net profit for the year, net cash or net assets.

**39. Events after the Reporting Period**

No significant events occurred after the reporting period date affecting the financial performance, position or changes therein for the reporting period presented in these consolidated financial statements.

# FINANCIAL STATISTICS 2009-2018

	Restated		Restated		Restated		Restated				
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	
Units Sold (kWh x 1000)	361,623	359,653	348,229	337,540	331,939	334,479	333,324	333,378	330,729	315,082	
Tariff Sales (Cents per kWh)	76.8	74.9	91.6	97.7	8.7	98.3	95.5	84.0	75.0	75.1	
Fuel Charge (Cents per kWh)	8.4	2.7	(17.0)	(6.1)	(1.1)	0.4	6.6	11.8	8.1	0.0	
Operating costs (Cents per kWh)	71.0	63.9	59.4	77.4	84.1	85.2	88.8	82.8	69.1	61.4	

## Summarised Balance Sheet (EC\$000's)

Fixed Assets (Net)	342,611	327,219	332,804	338,838	334,388	336,395	328,030	250,154	273,400	292,279
Retirement Benefit Asset	-	-	-	-	4,765	2,448	3,650	9,135	9,017	8,828
Other Financial Assets	-	-	-	172	171	170	168	166	163	8,504
Capital Work in Progress	16,702	33,574	15,151	15,736	17,594	21,080	33,891	50,846	16,477	9,659
Current Assets	135,732	134,289	131,547	135,680	161,683	130,558	142,353	124,642	99,651	85,080
Current Liabilities	(58,491)	(68,999)	(46,011)	(50,084)	(84,853)	(55,418)	(75,535)	(68,511)	(68,796)	(67,635)
<b>Total</b>	<b>436,554</b>	<b>426,083</b>	<b>433,491</b>	<b>440,342</b>	<b>433,748</b>	<b>435,233</b>	<b>432,557</b>	<b>366,432</b>	<b>329,913</b>	<b>336,714</b>
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	161,609	159,185	150,518	135,374	130,137	123,614	109,375	84,267	76,970	69,338
Other Reserves & Consumer Contributions	50,447	49,654	45,516	43,555	29,460	23,604	21,421	40,670	38,893	37,913
Long Term Debt	89,924	82,202	100,181	121,713	137,726	153,072	167,797	123,396	94,709	107,848
Other Long Term Liabilities	54,411	54,879	57,113	59,537	56,262	56,780	53,801	37,937	39,178	41,452
<b>Total</b>	<b>436,554</b>	<b>426,083</b>	<b>433,491</b>	<b>440,342</b>	<b>433,748</b>	<b>437,233</b>	<b>432,557</b>	<b>366,432</b>	<b>329,913</b>	<b>336,714</b>

	2018	Restated 2017	2016	Restated 2015	2014	Restated 2013	Restated 2012	2011	2010	2009
<b>Summarised Income Statement (EC\$000's)</b>										
<b>Operating Revenues</b>										
Electricity	277,614	269,308	319,001	329,767	327,570	328,735	318,265	280,177	247,945	236,745
Fuel Surcharge	30,266	9,673	(59,115)	(20,618)	(3,671)	1,172	22,083	39,185	26,908	20
Other	2,795	4,084	1,984	2,624	3,662	3,207	3,677	1,657	1,417	1,926
Total	310,675	283,065	261,870	311,773	327,561	333,114	344,025	321,019	276,271	238,691
<b>Operating Costs</b>										
Fuel	156,065	127,594	114,854	172,061	190,235	195,798	209,310	185,733	142,471	108,998
Generation	12,566	12,437	9,989	10,943	9,948	10,708	10,918	10,587	9,404	8,793
Transmission & Distribution	20,368	21,835	18,180	15,379	15,418	16,530	15,778	19,318	17,618	20,557
Administrative & Selling	30,225	31,625	28,441	28,654	30,509	29,426	27,286	26,148	24,784	23,266
Depreciation and amortisation	37,526	36,206	35,389	34,301	33,150	32,656	32,625	34,264	34,314	31,832
Total	256,750	229,697	206,853	261,338	279,260	285,118	295,917	276,050	228,591	193,446
Operating Income	53,925	53,368	55,017	50,435	48,301	47,996	48,108	44,969	47,679	45,245
Interest Expense (net)	4,514	5,278	7,626	10,789	11,368	13,163	9,389	8,761	7,618	6,915
Other (Gains)/Losses	1,783	(67)	(45)	(307)	(67)	(66)	(67)	(66)	(296)	(636)
Net Income before Tax	47,628	48,157	47,436	39,953	37,000	34,899	38,786	36,274	40,357	38,966
Taxation	12,662	13,471	13,468	11,044	10,192	9,584	9,972	10,003	11,138	11,151
Net Income after Tax	34,966	34,686	33,968	28,909	26,808	25,315	28,814	26,271	29,219	27,815
Other Comprehensive income	(5,170)	385	1,567	(6,719)	1,615	(872)	856	(192)	(178)	(239)
Dividend Declared	(21,774)	(23,149)	(17,878)	(17,190)	(16,044)	(8,022)	(17,648)	(18,107)	(18,666)	(17,228)
Retained Earnings for Year	8,022	11,922	17,657	5,000	12,379	16,421	12,022	7,972	10,376	10,348
Retained Earnings beginning of Year	159,185	150,518	135,374	130,137	123,614	109,375	84,267	76,970	69,338	62,282
Transfer from/(to) Reserves	(799)	(3,255)	(2,513)	197	(5,856)	(2,182)	(5,039)	(118)	(189)	(79)
Tariff Reduction Reserve	-	-	-	-	-	-	-	(557)	(2,555)	(3,213)
Prior Year Adjustment	(4,799)	-	-	40	-	-	18,125	-	-	-
Retained Earnings end of Year	161,609	159,185	150,518	135,374	130,137	123,614	109,375	84,267	76,970	69,338
Rate of Return (excludes subsidiary companies)	14.93%	13.41%	13.56%	11.64%	10.02%	13.42%	14.20%	15.12%	17.41%	18.32%
Earnings per share (EC\$)	1.53	1.51	1.48	1.26	1.17	1.10	1.26	1.15	1.27	2.36
Dividend per share (EC\$)	0.95	1.01	0.78	0.75	0.70	0.35	0.77	0.79	1.59	1.47
Debt/Equity Ratio	26/74	26/74	30/70	35/65	39/61	43/57	47/53	40/60	36/64	39/61
Capital expenditure (EC\$000's)	36,069	49,044	28,771	21,545	27,658	28,211	97,243	45,390	22,262	31,281

# OPERATING STATISTICS 2009-2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Generating Plant (kW)</b>										
Available Capacity	88,400	88,400	88,400	88,400	88,400	88,400	88,400	76,000	76,000	76,000
Firm Capacity	68,000	68,000	68,000	68,000	68,000	68,000	68,000	55,600	55,600	55,600
Peak Demand	60,600	61,700	60,300	59,000	58,900	59,700	59,800	60,300	59,200	55,900
Percentage growth in peak demand	-1.8%	2.3%	2.2%	0.2%	-1.3%	-0.2%	-0.8%	1.9%	5.9%	3.3%
<b>Sales (kWh x 1000)</b>										
Domestic	126,916	127,732	123,839	116,133	111,922	112,743	112,272	113,505	113,757	107,820
Commercial (including Hotels)	206,320	202,770	194,966	192,442	191,294	193,199	192,847	190,846	188,640	178,518
Industrial	17,494	18,256	18,519	17,999	17,673	17,624	17,679	18,761	18,373	19,002
Street Lighting	10,893	10,896	10,905	10,966	11,050	10,913	10,526	10,263	9,959	9,741
<b>Total Sales</b>	<b>361,623</b>	<b>359,654</b>	<b>348,229</b>	<b>337,540</b>	<b>331,939</b>	<b>334,479</b>	<b>333,324</b>	<b>333,375</b>	<b>330,729</b>	<b>315,081</b>
Power Station and Office Use (kWh x 1000)	12,288	13,196	13,770	13,715	13,918	14,706	14,511	14,599	14,127	14,312
Losses (kWh x 1000)	25,317	27,450	29,432	30,013	33,574	33,791	36,948	37,234	36,033	33,597
Units Generated/Purchased (kWh x 1000)	399,228	400,300	391,431	381,268	379,431	382,976	384,783	385,208	380,889	362,990
Percentage growth in units generated	-0.3%	2.3%	2.7%	0.5%	-0.9%	-0.5%	-0.1%	1.1%	4.9%	3.0%
Percentage growth in sales	0.5%	3.3%	3.2%	1.7%	-0.8%	0.3%	0.0%	0.8%	5.0%	4.3%
Percentage Losses (excl. prior year sales adjs.)	6.3%	6.9%	7.5%	7.9%	8.8%	8.8%	9.6%	9.7%	9.5%	9.3%
<b>Number of Consumers at Year End</b>										
Domestic	60,726	59,620	58,867	59,766	59,790	58,648	55,110	54,415	53,566	52,986
Commercial (Including Hotels)	6,465	7,052	6,994	7,128	7,193	7,096	6,629	6,641	6,557	6,479
Industrial	91	93	94	98	98	98	100	101	100	100
Street Lighting (accounts)	19	19	19	19	19	20	10	9	9	7
	67,301	66,784	65,974	67,011	67,100	65,862	61,849	61,166	60,232	59,572
Percentage growth	0.8%	1.2%	-1.5%	-0.1%	1.9%	6.5%	1.1%	1.6%	1.1%	3.2%
<b>Average Annual Consumption Per Customer (kWh)</b>										
Domestic	2,090	2,142	2,104	1,943	1,872	1,922	2,037	2,086	2,124	2,035
Commercial (including Hotels)	31,913	28,754	27,876	26,998	26,594	27,226	29,091	28,738	28,769	27,553
Industrial	192,242	196,301	197,011	183,663	180,337	179,837	176,790	185,752	183,730	190,024
<b>Diesel fuel consumed (Imp. Gall.)</b>	<b>20,251,915</b>	<b>20,491,272</b>	<b>19,938,352</b>	<b>19,612,984</b>	<b>19,402,934</b>	<b>19,448,764</b>	<b>19,541,743</b>	<b>19,712,324</b>	<b>19,561,441</b>	<b>17,870,149</b>







**LUCELEC**  
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